HAVERING PENSION FUND ANNUAL REPORT MARCH 2021

Pensions Regulator Registration Number 10027841

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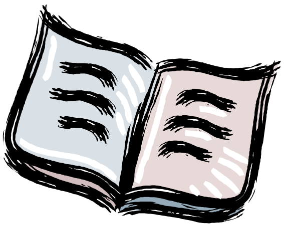
Contents Page



Trustee Report

Foreword to the Annual Report of the Havering Pension Fund for the year ended 31st March 2021

As Chairman and on behalf of my fellow members of the Pensions Committee, I am delighted to be able to introduce the 2020/21 annual report and accounts.

As today's stewards of the Local Government Pension Scheme (LGPS) and the Havering Pension Fund ("the Fund"), my colleagues on the Pensions Committee, the members of our Local Pension Board and the Fund Officers take very seriously their responsibilities to all stakeholders including 18,858 scheme members, and 56 active employers – ensuring that the scheme is locally administered effectively and efficiently on their behalf.

The Fund's net asset value ended the financial year at £874m, an increase of £145m, delivering an overall return of 24.9% which compares favourably to the LGPS average of 22.8%. The Fund's investment strategy delivered an impressive annual return of 8.3% and 9.3% over the 3 year and 5 year period respectively.

This performance should be viewed against the backdrop of the COVID-19 pandemic in which the rebound in equity markets from the COVID-19 lows have been a lot faster and stronger than many predicated and has resulted in traditional equity and bond markets ending March 2021 at exceptionally high levels. Whilst COVID 19 pandemic continued throughout 2020/21 volatility remains due to the uncertainty of further waves in coronavirus infections and the easing of restrictions..

There has been considerable progress during 2020/21 implementing the Fund's Investment Strategy, with a particular focus on taking steps to mitigate climate change risk. The Committee recognises the long-term financial risks and opportunities presented by climate change and have taken a number of decisions to address this: invest in the London Collective Investment Vehicle (LCIV) Renewables Fund, switch the existing LCIV Global Alpha Fund to the Paris Aligned version and switch to a climate tilted multi factor passive equity fund. In addition officers of the Fund have been assisting the LCIV in developing its LCIV Low carbon passive equity fund and once launched the Fund will consider making an investment. The Fund has continued to fund its Infrastructure and Private Debt mandates and bring asset allocations closer to investment strategy targets.

The Fund continues to have a close dialogue with the LCIV to progress the transition of remaining assets into its asset pool in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) guidance. The value of Fund assets held under management (AUM) by the LCIV were £566m (66%). This Fund has the eighth highest proportion of AUM in the LCIV asset pool underlining this Committee's commitment to asset pooling.

2021/22 will see the Fund continue with the development and implementation of its Investment Strategy, plan for the next valuation as at 31 March 2022 and deliver the work plan as set out in the Business Plan.

Set out in pages 60-61 shows the issues that the Committee considered during the year and any training and development undertaken shown on pages 56-60. Also included within this report is an overview of the activities of the Pension Administration team shown on pages 38-44.

I trust that this report is both clear and informative to Fund members and for the general public, and would welcome any comments on the contact via contact details shown on page 113.

Cllr John Crowder – Chair Pensions Committee

INTRODUCTION

The Annual report has been prepared in accordance with the guidance issued by The Chartered Institute of Public Finance & Accountancy (CIPFA) in August 2014 and March 2019.

The London Borough of Havering is an Administering Authority and operates a pension fund (the Fund) on behalf of its employees and pensioners under the provisions of the Local Government Pension Scheme (LGPS) Act 2013 and the LGPS Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) regulations 2016.

The Fund is financed by contributions from employees, employers and from profits, interest and dividends on its investments. The Fund does not form part of the Authority's consolidated accounts and has established a separate bank account.

The performance of the Fund impacts on the cost of Council services through the cost of employer contributions. However, the performance of the Fund investments will not affect pension benefits to scheme members as benefits are guaranteed by Statutory Regulations irrespective of performance.

Scheme Details

Since 1 April 2014 the LGPS has been a career average revalued scheme (CARE). Prior to this benefits were calculated on a final salary basis and members that were in the scheme prior to 1 April 2014 retain the link to final salary for all their service accrued up to 31 March 2014.

Members of the LGPS belong to a scheme which provides high quality pension benefits. The scheme is a defined benefit scheme and therefore members' benefits are calculated strictly in accordance with the Regulations and are not subject to changes generally affecting the fund assets.

The LGPS was contracted out of the State Second Pension until the introduction of single tier state pension on 1 April 2016. For eligible employees that had contracted out service between 1978 and 1997, any pension paid from the LGPS must be at least equal to the Guaranteed Minimum Pension (GMP) otherwise provided by State Earning Related Pension Scheme (SERPS).

The scheme is open to all local authority employees (except teachers who have their own scheme) and for employees of other eligible bodies. Generally, admitted bodies have closed membership with one employer choosing to select an open arrangement. The decision on whether membership is open or closed rests with the admitted body subject to a risk review from the Fund's Actuary and the Pensions Committee. All eligible employees who have a permanent or temporary contract of three months or more are contractually enrolled in the Fund from the first day of employment. Anyone can opt out of the scheme by completing an opt-out form available from the pension's website www.lppapensions.co.uk . The opt-out process fully complies with the Automatic Enrolment legislation.

A summary of the benefits of the LGPS are shown below. Further details of the specific conditions and detailed benefits can be obtained from the Local Pensions Partnership Administration (LPPA), our pension administrators, and the pension website www.lppapensions.co.uk

The key features of the scheme are:

- A secure pension – benefits based on final pay and the length of service for membership prior to 1st April 2014. A CARE pension based on 1/49th of each year's actual pensionable pay for membership from 1st April 2014.
- Contribution flexibility – the ability to pay half the contributions in exchange for accruing half of the pension benefit. This is known as the 50:50 Scheme and a member accrues 1/98th of their actual pensionable pay as a pension.
- Freedom to choose when to retire - The scheme's normal pension age is linked to the state pension age. Members can find out their state pension age from www.gov.uk/calculate-state-

pension. However benefits can be taken at any time between age 55 and 75.

- Tax free cash – members have the ability to exchange some of the pension for tax-free cash.
- Peace of mind – a lump sum of three times assumed pensionable pay and associated dependant's pensions for deaths in service.
- Pension entitlements – early payment of an unreduced pension if a member is made redundant or asked to leave on the grounds of efficiency from age 55 and at any age on the grounds of ill health.
- Flexible retirement – payment of pension if a member reduces hours or grade with their employers consent from age 55.

Overall Fund Management Report

SCHEME MANAGEMENT AND ADVISERS

Day to day management of the Fund is delegated to the authority's statutory section 151 officer and delivered via oneSource (shared service arrangement between London Borough of Havering, Newham and Bexley (part year only)).

The Pensions and Treasury team within the oneSource Finance service ensures that members of the Committee receive advice on investment strategy and monitoring of the managers. The team also reviews management arrangements and other issues as appropriate, as well as accounting for the activities of the Fund.

From 1 November 2017, the London Borough of Havering delegated the pension administration service to Lancashire County Council (LCC) who has engaged the Local Pensions Partnership (LPP) to undertake their pensions portfolio. LPP was formed in 2016 through a collaboration between LCC and the London Pensions Fund Authority (LPFA) and the group was split into LPPI (Investments) and LPPA (Administration) in June 2020. The LPPA are the main contact point for all member and employer scheme queries, employees who wish to join the scheme and for advice on procedures or complaints.

Chief Executive	Andrew Blake-Herbert
Section 151 Officer	Jane West
Pensions Administration Management	Sarah Bryant Director of Exchequer & Transactional Services (oneSource)
Pension Fund Manager (Finance)	Debbie Ford (oneSource)
Fund Administrator	Local Pension Partnership Administration (LPPA)
Legal Advisers	London Borough of Havering Legal Services (oneSource) provide legal advice as necessary Bevan Brittan (Specialist Advice)
Fund Actuary	Hymans Robertson LLP
Fund Investment Advisers	Hymans Robertson LLP
Investment Managers	Royal London Asset Management (Investment Bonds) UBS (Property) Ruffer LLP (Multi Asset) (transferred to London CIV 21 June 2016) Legal & General Investment Management GMO Global Real Return (UCITS) from January 2015 London CIV Baillie Gifford Diversified Growth Fund (from 15 February 2015) London CIV Baillie Gifford Global Alpha (from 11 April 2016) London CIV RF Absolute Return (from 21 June 2016)

	Stafford Capital – Real Assets Infrastructure (from June 18) JP Morgan – Real Assets Infrastructure (from July18) CBRE – Real Assets Global Property (from August 19) Churchill Asset Management – Private Debt (from December 18) Permira Credit Solutions– Private Debt (from January 19) Russell Investments – Currency risk manager (from December 2019)
Asset Pool Company	London Collective Investment Vehicle (London CIV)
Fund Custodians	Northern Trust
Performance Measurement	Northern Trust Pensions & Investment Research Consultants Limited (PIRC)
Bankers	National Westminster Bank PLC
Auditors	Ernst and Young LLP and Internal Audit (as required)
AVC Providers	Prudential Standard Life

Employers in the Fund are as follows:

London Borough of Havering (includes non-teaching staff in schools and schools listed below under Designated Bodies)

Scheduled Bodies:
Olive Academy Trust (joined 1 September 2016)

Secondary Schools:
Drapers' Academy (Academy from 1 September 2010)
Abbs Cross Academy and Arts College (Academy from 1 April 2011)
The Brittons Academy Trust (Academy from1 April 2011)
Coopers' Company & Coborn School (Academy from1 April 11)
Hornchurch High School (Academy from 1 August 2011)
The Campion School (Academy from 1 August 2011)
Hall Mead School (Academy from 1 August 2011)
Sacred Heart of Mary Girls' School (Academy from 1 August 2011)
St Edward's Church of England School & Sixth Form (Academy from 1 August 2011)
Emerson Park Academy (Academy from 1 September 2011)
Redden Court School (Academy from 1 September 2011)
The Frances Bardsley Academy for Girls (Academy from 1 July 2012)
Bower Park Academy (Academy from 1 February 2013)
Harris Academy Rainham (Academy from 1 November 2013)
Marshalls Park Academy (Academy from 1 April 2017)
Royal Liberty Academy (Academy from 1 February 2017)
Gaynes Academy (Academy from 1 July 2018)
Sanders Academy (Academy from 1 September 2018)
Drapers Management Team (1 May 2019)
NEW: Olive Academy MAT (joined 1 July 2020)

Primary Schools:
Upminster Junior Academy (Academy from 1 November 2012)
Upminster Infant School (Academy from 1 November 2012)
Langtons Junior Academy (Academy from 1 April 2013)
Oasis Academy Pinewood (Academy from 1 October 2013)
Drapers' Brookside Junior School (Academy from 1 June 2014)
Drapers' Pyrgo Priory Primary School (Academy from 1 February 2015)
Drapers' Maylands Primary School (Academy from 1 September 2015)
Drapers Brookside Infants (Academy from 1 September 2016)
Rise Park Infant School (Academy from 1 September 2014
Rise Park Junior School (Academy from 1 September 2014)
Lime Academy Forest Approach Academy (Academy from 1 September 2015)
Lime Academy Ravensbourne Academy (Academy from 1 April 2016)
Concordia Academy (Academy from 1 September 2016)
Benhurst Primary School (Academy from 1 October 2016)
Scargill Infant Academy (Academy from 1 September 2017)
Scargill Junior Academy (Academy from 1 September 2017)
Whybridge Junior Academy (Academy from 1 September 2017)
Harrow Lodge Academy (Academy from 1 March 2018)
Hacton Academy (Academy from 1 September 2018)
Dame Tipping Church of England Primary School (Academy from 1 September 2018)

Admitted Bodies:
Sports and Leisure Management Ltd – Fitness and Health
Sports and Leisure Management Ltd – Charitable Trust
Breyer Group Repairs (joined 1 March 2014 - pending legal agreement)
Accent Catering Services (joined 1 September 2015)
Harrison Catering (joined 1 October 2017)
Lewis and Graves Cleaning (joined 1 August 2018 – pending legal agreement)
Caterlink (Life Academy Trust Dame Tipping) (joined 1 September 2019– pending legal agreements)
Caterlink (Life Academy Trust Frances Bardsley) (joined 1 September2019 – pending legal agreements)
May Harris (Royal Liberty) – joined 1 January 2020 – pending legal agreements)
May Harris (Sanders Academy) – joined 13 January 2020 – ceased 30 Aug 20
NEW: Olive Dining (joined 1 Nov 20 – pending legal agreements))
NEW: Atalian Servest Food Co Ltd (pending legal agreements)
NEW: Harrison Catering (Gaynes) joined 1 April 2020

Resolution Bodies:
NEW: Mercury Land Holdings (joined 16 Nov 2020)

The Havering Pension Fund also has the following bodies:

Designated Bodies:
Trust Schools
Corbets Tey Special School

Foundation Schools:
Sanders School
The Mawney School

Voluntary Aided Schools:
St Alban's Catholic Primary
St Edward's Church of England Voluntary Aided Primary School
St Joseph's Catholic Primary School
St Mary's Catholic Primary School
St Patrick's Catholic Primary School
St Peter's Catholic Primary School
St Ursula's Catholic Junior School
St Ursula's Catholic Infant School
La Salette Catholic Primary School

RISK MANAGEMENT

Overall

The Administering Authority's overall policy on risk is to identify all risks to the Fund and to consider the position both in aggregate and at an individual risk level. The Administering Authority will monitor the potential risks to the Fund, and will take appropriate action to mitigate the impact of these on the Fund wherever possible.

Risks are identified and assessed in line with the Authority's risk management process, with risks being identified within Service Plans.

Longevity in membership of the Committee is encouraged to ensure that expertise is maintained. The Authority recommends that the membership remains static for the elected member's term of office in order that they are fully trained in matters relating to pensions, unless exceptional circumstances require a change. Elected members are governed by the administering authority's code of conduct and this includes a process for identifying and declaring conflicts of interest.

Risk is also identified and managed within the following statutory documents:

- Governance Compliance Statement,
- The Funding Strategy Statement
- The Investment Strategy Statement
- Statement of Accounts

These documents are reviewed on an on-going basis. Please refer to these documents in the appendices for more details on the risks identified and how these are currently managed.

Governance Risk

The Fund uses the services of an external Actuary (Hymans Robertson) whose advice is sought in setting employer contribution rates and bond rates to mitigate the risk of the Fund not receiving the right income and financial protections for the Fund.

Investment Risk

The Fund uses the services of an external Investment Adviser (Hymans Robertson) whose advice is sought on investment matters and who attends quarterly committee meetings where investment performance is reported for the Fund and for each individual fund manager.

Fund Managers

As a risk management tool, assurance is sought from the fund managers with regard to their own internal controls by reviewing their audited assurance reports (AAF 01/06, SSAE16 or ISAE 3402). Any exceptions highlighted by their auditors are evaluated by officers.

Summary of assurance reports received is shown below:

	Type of Report	Period of Report	Assurance obtained	Reporting accountant
Fund Manager				
Legal and General	ISAE 3402	1 January 2020 - 31 December 2020	Reasonable Assurance	KPMG
London CIV	LCIV 3rd Party Controls Oversight	31 May 2021		LCIV
London CIV – Baillie Gifford	Reported within the LCIV report	1 May 2019 - 30 April 20	Reasonable Assurance	PricewaterhouseCoopers
London CIV - Ruffer	Reported within the LCIV report	1 April 2019 – 31 March 2020	Reasonable Assurance	Ernst & Young
UBS	ISAE 3402	1 January 2019 – 31 December 2020	Control Exceptions Identified - Qualified Opinion	Ernst & Young
GMO	ISAE 3402	1 October 2019 – 30 September 2020	Reasonable Assurance	PricewaterhouseCoopers
J P Morgan	ISAE 3402	1 October 2019 – 30 September 2020	Reasonable Assurance on Systems administrator, investor relations & custody	Ernst & Young
CBRE	ISAE 3402	1 January 2020 – 31 December 2020	Reasonable Assurance	KPMG
Churchill	SOC1	1 October 2019 – 30 September 2020	Reasonable Assurance on system administrator	Ernst & Young
Royal London	ISAE 3402/AAF 01/06	1 October 2019 – 30 September 2020	Control Exceptions Identified - Qualified Opinion	PWC
Permira	ISAE 3402	1 October 2019 – 30 September 2020	Reasonable Assurance for fund administration, transfer agency and I.T systems	Ernst & Young
Russell Investments	SOC 1	1st October 2019 - 30th September 2020	Reasonable Assurance	Ernst & Young
Stafford	n/a (1)		n/a (1))	
Custodian				
Northern Trust	SOC 1	1st October 19 - 30th September 2020	Reasonable Assurance	KPMG

(1) Internal control report is not currently available as neither Stafford Capital Partners SCA SICAV-FIS nor its mandated administrator are required to have one as per the Commission de Surveillance du Secteur Financier (CSSF)/under Luxembourg Law. The CSSF is responsible for financial regulation in Luxembourg which is where the fund is based. However, the administrator has indicated that such a report is something they are planning to implement in the future.

Where Control exceptions have been identified – the fund managers demonstrates, in their report, a number of actions undertaken to address the control issues identified.

Benefits Administration

In summary, the risks relating to administration will be around the obligations to:

- Maintain accurate records;
- Pay benefits accurately;
- Pay benefits on time as agreed with employers or under statute; and
- Provide accurate and timely information on Pensions

The main areas of risk are likely to be non-payment or late payment of members' benefits, incorrect calculation of members' benefits, breach of Data Protection or failure to comply with Disclosure of Information requirements. An area of risk that also needs to be assessed and managed is that of fraud. Participating in the National Fraud Initiative (NFI) is one of the ways in which pension fraud is successfully managed.

A growing area of risk is that of pension scams. The Pensions Regulator has issued revised guidance encourages all pension funds to sign up to their new Pledge to Combat Pension Scams. LPPA have signed the pledge and send appropriate communications to all members who request a transfer quote.

The impact of the above risks would be statutory fines, loss of reputation, adverse publicity and increased audit fees.

Internal Audit Assurances

From 1 November 2017, the London Borough of Havering delegated the pension administration service to Lancashire County Council (LCC) who have engaged the Local Pension Partnership Administration (LPPA) to undertake their pension's administration.

As responsibility for the day to day administration of the pension fund has been contracted to LCC, the Council are reliant on the provision of information to give assurances that risks are being adequately managed. In September 2020, Havering received an audit report to give assurances that services are being delivered by LPPA in compliance with the Pension Regulator Code of Practice 14 and public sector pension's legislation.

LPPA received an effective rating for data quality but fell short in other areas. LPPA's internal auditors, Deloitte, were expected to review data quality and benefit administration during 2020/21. A review of the steps taken by LPPA forms part of the contract monitoring undertaken by Havering.

Details on how these risks are mitigated are included in the **Risk Register** and **Business Continuity Plan**.

Risk Register

In line with the Local Government Pension Scheme Regulations (LGPS) and good practice the London Borough of Havering as an administering authority has developed a Pension Fund Risk Register, details of which can be found in an appendix to this report.

The Risk Register was originally compiled with reference to the CIPFA publication '*Managing Risk in the LGPS (2012*)' with input from the Internal Audit, Insurance and Corporate Risk Manager, a Risk Consultant from Zurich Municipal, the Pension Fund Manager (Finance), the then Corporate and Strategic Finance Manager (Audit) and the Pensions Administration Project Manager.

A comparison of the Risk Register was then later compared to the updated CIPFA '*Managing Risk in the LGPS"* published in December 2018 to ensure consistency with the guidance.

The Risk Register identifies the key risks that the Pension Fund may face and the measures that can and have been put in place to mitigate those risks.

Seven key risks have been identified and recorded in the risk register and are summarised below:

- Inaccurate three yearly actuarial valuations – resulting in insufficient funding to meet liabilities
- Incorrect/inappropriate Investment Strategy – leading to failure to meet strategic objectives by not reducing pension deficit
- Failure of investments to perform in line with growth expectations – potential loss of money
- Failure to comply with legislative requirements – damaging the Authority's reputation and leading to potential litigations
- Inability to manage the Pension Fund and associated services – with negative impacts upon service provision
- Failure to on board or exit employers/members – impacts on cash flow and leads to possible litigations
- Pension Fund payment Fraud – damaging the Authority's reputation and leading to potential financial loss

It should be recognised that it may not be possible to eliminate all risks but accepting and actively managing risk is crucial to the proper governance of the fund.

The Risk Register is a 'live 'document and therefore all risks are reviewed continually to ensure that they remain relevant and that the controls are in place to manage risks where feasible. With this in mind it was agreed that from April 2019 the Risk Register will be a standing item on the Local Pensions Board (LPB) agenda for the LPB to consider and to make recommendation to the Pensions Committee for inclusion and agree to any updates.

The LPB considered the following risks and their recommendations was presented and agreed by the Pensions Committee on the 12 January 2021:

Risk No.3.

- Fund Manager non-compliance with Transparency code - Risk of not being able to fully disclose fund manager cost in Annual report, in line with CIPFA guidance.
- Underperformance by LCIV in achieving target Asset under management – Development charge may not decrease in line with expectations, increasing costs met by the Fund
- Climate Change Risk – Failure to consider the extent of climate change could impact on financial outcomes

Risk No.5.

- Poor Fund administration outsourced service to Local Pension Partnership (LPP) – Admission agreements not completed by transfer date with potential financial loss to the Fund.
- Cyber Security – Failure of all ICT Services and potential data breaches
- Oracle Cloud – Pension Fund accounts system failures could cause operational issues and accounting reconciliations not able to be carried out.
- LCIV staff turnover – possibility of undermining investor confidence resulting in failure to invest via the pool and increased costs not able to be raised from investment fees.

Risk can be classified as having two measurements that need to be assessed to determine the scale of the risk i.e.

- **Likelihood** – the possibility that a risk will occur

- **Impact** – the consequences if the risk were to occur

There are a number of actions that have been identified to take forward that will improve the level of mitigations in place with the aim of reducing the likelihood, impact and the risk score.

The benefits of successful risk management are in improved financial performance, better delivery of services, improved Fund governance and compliance.

Business Continuity Plan

Services develop and maintain Business Continuity Plans, which deal with “disaster recovery” and include contingency measures. The Exchequer & Transactional Services Business Continuity Plan (BCP) which includes support services for the payment of pensions identifies critical activities whose failure would lead to an unacceptable loss of service, and sets out measures to minimise the risk and disruption to service.

LPPA provide services to a number of clients who demand and expect that well planned and tested business continuity arrangements be put in place should the need arise. All BCPs require LPPA to inform all customers whenever a specific response plan is activated.

Business continuity arrangements are regularly reviewed and all documentation was reviewed and updated in January 2020.

The overarching objectives of the BCP arrangements are to minimise the disruption to the Pension Service due to an incident that causes an interruption in the normal delivery of the service. To achieve this LPPA carry out business impact analyses, assess the likelihood and impact of failure, and use specific or generic plans to manage in the event of a critical failure. LPPA work closely with suppliers upon whom they are reliant to ensure their own business continuity processes will support the business in the event of a failure.

The Business Continuity Team comprises key staff who understands all aspects of the business, have the authority to make decisions and fully understand customers' needs and expectations.

All staff are briefed on business continuity arrangements, can be contacted at any time, and are equipped to work remotely should the need arise, at least to a level of resource which would enable to service to provide a minimum service level within 24 hours.

In response to the COVID-19 pandemic, Exchequer and Transactional Services and the wider council all initiated their BCPs successfully.

LPPA made a decision to invoke BCP on the 16/03/2020, all southern based staff were informed the offices would remain closed and staff would be working from home until further notice. LPPA’s Preston office remained open for a further week whilst BCP preparations were completed.

All LPPA staff have access to LPP’s network via Citrix or VPN, both are encrypted and secure connections. Prior to invocation numerous surveys around IT kit and home working were made to ensure all critical staff had access to the systems.

Since BCP invocation LPPA have supplied staff with additional IT kit including new laptops, monitors, desks, chairs and other peripherals to aid them working from home. Staff wellbeing and service delivery is of the upmost importance to LPPA and the BCP core team along with the Executive Committee have been keeping in regular contact with staff giving updates and gauging feedback around returning to offices.

Due to the robust nature of both the LPPA and Havering BCPs, pension benefits have continued to be made on time and there has been minimal disruption for individuals when contacting Payroll or LPPA. Pension Finance staff were provided with laptops to facilitate home working which resulted in no service disruptions to Pensions Finance activities during COVID-19 working restrictions.

Financial Performance

The Pensions Committee is supported by the Administering Authority's Finance and Administration services (oneSource) and the associated costs are therefore reimbursed to the Administering Authority by the Fund. The costs for these services form part of the Administrative and Investment Management expenses as reported in the Pension Fund Statement of Accounts. Estimates for the medium term on Administration and Investment Management expenses follow in this report.

Pensions Administration -.- From 1 November 2017 the Pensions Administration is provided through a delegated arrangement and is supplied by Local Pensions Partnership Administration (LPPA) which is a joint venture between Lancashire County Council and London Pensions Fund Authority.

Pensions Administration also includes a post for the Projects and Contracts Manager who monitors the pension's administration contract and ad hoc projects.

Accountancy and Investment support - The service that supports the Pension Fund consists of an establishment of 2 full time equivalent posts.

In June 2014 CIPFA produced guidance on how to account for Management costs and then updated it in 2015, in order that improvements in cost comparisons can be made across all funds. Management costs are now split between three cost categories as follows:

Administrative Expenses

Includes all staff costs associated with Pensions Administration, including Payroll.

	2019/20 Actual £000	2020/21 Estimate £000	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Administration & Processing*	276	500	580	660	660	660
Other Fees	14	20	8	10	10	10
Other Costs	25	30	13	25	25	25
TOTAL	**315**	**550**	**601**	**695**	**695**	**695**

Please note the following regarding the above figures:
*2019/20 actuals reflect a credit of £215k for an accrual that was not required, understating the total cost.
*2020/21 Increase in Administration Service costs of £94k as reported to Pensions Committee 16 March 2021.

Investment Management Expenses

These costs will include any expenses incurred in relation to the management of Fund assets. Fees are calculated based on market values under management and therefore increase or reduce as the value of investments change.

In Line with the CIPFA LGPS Example Accounts 2020/21 guidance, there is a new requirement to provide more detail in respect of management fees. Options included the analysis of investment fees over asset class which the Fund adopted. The breakdown of management fees over each asset class can be found in Note 11a in the Statement of Accounts and not shown here. The change in analysis required prior year restatement and this impacted some analysis as shown in the table below:

	2019/20 Actual (Restated) £000	2020/21 Estimate £000	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Fund Manager Fees	2,935	3,400	3,159	3,100	3,100	3,100
Performance Related Fees	108	-	102	105	105	105
Transaction Costs	96	25	67	80	80	80
Custodian Fees	27	25	37	50	50	50
Performance Measurement services	17	15	33	35	35	35
Other Investment Fees	9	-	14	15	15	15
TOTAL	**3,192**	**3,465**	**3,412**	**3,385**	**3,385**	**3,385**

Please note the following regarding the above figures:
- 2019/20 restated to conform to new CIPFA guidance.
- Fund Manager Fees are charged according to the fund value; therefore an average figure from the last two years has been applied for 2021/22 onwards
- Custodial service contract increased to provide additional accounting service from 2021/22.

Governance and Oversight

This category captures all costs that fall outside of the other two categories and include legal, advisory, actuarial and training costs. Staff costs associated with the financial reporting and support services to the Committee is included here.

	2019/20 Actual £000	2020/21 Estimate £000	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Financial Services	144	145	163	165	165	165
Actuarial Fees	101	25	13	25	100	25
Audit Fees	14	16	16	60	60	60
Member Training (inc. LPB)	-	10	-	10	10	10
Advisor Fees	79	65	69	75	75	75
London CIV	96	110	119	110	110	110
Local Pension Board	2	5	1	5	5	5
Pensions Committee	31	40	33	35	35	35
Other Fees	1	10	1	10	10	10
TOTAL	**468**	**426**	**415**	**495**	**570**	**495**

Please note the following regarding the above figures:
- Actuarial fees in 2019/20 reflect increased fees for work carried out in relation to the 2019 valuation and additional project work. Next valuation in 2022 so higher charges expected during 2022/23.
- Audit fees subject to approval by Public Sector Audit Appointments (PSAA).

OVERALL MANAGEMENT TOTAL	**3,975**	**4,441**	**4,428**	**4,575**	**4,650**	**4,575**

Cash Flow Management

Cash flow management is an essential part of the administration of the pension scheme as the Fund has to meet its on-going benefit payments. The Fund provides benefits for employees, which include retirement pensions, death grants and other lump sum payments.

These benefit payments can be split between the more **predictable payments**, such as monthly pension payroll or the more **unpredictable** payments such as transfer value payments, retirement lump sums or death benefits.

Income received by the Fund can be split between the more **predictable income** such as employer and employee contributions and the more **unpredictable income** such as Transfers In from other pension schemes and additional contributions from Havering council.

The working cash balance is reviewed monthly and cash flow projections are carried out up to the end of 31 March. The cash balance is maintained so that it is not so large as to reduce the potential for future investment returns and not so small so as to create the risk that the balance will be easily exhausted and thus require disinvestments to be made frequently or at short notice.

The table below shows the cash balances split between predictable and unpredictable income and payments:

	Bal b/f	Cash Movement 2016/17	Cash Movement 2017/18	Cash Movement 2018/19	Cash Movement 2019/20	Cash Movement 2020/21	Cumulative Cash balance (c/f)
Income							
Predictable		(33.4)	(36.4)	(43.2)	(47.9)	(47.0	
Unpredictable		(8.8)	(10.2)	(2.4)	(6.2)	(5.5)	
Sub Total		**(42.2)**	**(46.6)**	**(45.6)**	**(54.1)**	**(52.5)**	
Benefit Payments							
Predictable		31.2	31.4	40.0	35.1	34.9	
Unpredictable		11.2	10.2	9.6	9.6	24.7	
Sub Total		**42.4**	**41.6**	**49.6**	**44.7**	**59.6**	
Total	**(12.9)**	**0.2**	**(5.0)**	**4.0**	**(9.4)**	**7.1**	**(16.0)**

The overall cash balance continues to be positive with, as expected, the unpredictable elements causing the most fluctuations to the cash position. A one off settlement payment of £15m explains the unusually high amount of unpredictable payment

The cash flow policy adopted by the Fund in September 2019 sets out that the target cash level should be £6m but not fall below the de-minimus amount of £3m or exceed £8m. Should the cash level fall below the set de minimis of £3m then this should be topped up in the first instance by using investment income. In the event that cash levels rise above the set upper limit of £8m, cash will be invested in the most underweight asset allocation within the investment strategy. The cash flow policy allows the Statutory S151 officer to exceed the thresholds to meet unforeseeable volatile unpredicted payments (e.g. impact on the Pension Fund for restructures). Any excess cash above the £8m thresholds can be considered for reinvestment/rebalancing or settlement of capital calls.

The Fund's Actuary is required to report on the "solvency" of the whole Fund in a valuation which is carried out at least once every three years. As part of this valuation, the Actuary will calculate the solvency position of the whole Fund and for each employer. Therefore the Fund does not use separate forecasts for cash flows (other than as set out above) and asset values over the three year future cycles as assumptions made about the factors affecting the Fund's finances in the future (e.g. asset values and cash flows) are included in the valuation report. Working cash flow and asset values are monitored regularly and reported quarterly to the Committee.

Details about the financial assumptions used by the Actuary can be found within the Valuation Report 2019, which is available on the Authority's website and can be found by selecting the link to the Havering Pension Fund here.

Contributions to the Fund

The cost of membership:

Employees pay a tiered contribution based on actual pensionable pay of between 5.5% and 12.5%, or half this rate for 50/50 section members. Employee contribution rates for 2019/20 are set out in the table below:

Contribution Table 2020/ 21			
Band	**Actual Gross Pensionable Pay for an employment**	**Contribution Rate for that employment**	
	£	**Main Section %**	**50/50 Section %**
1	Up to14,600	5.50	2.75
2	14,601 to 22,800	5.80	2.90
3	22,801 to 37,100	6.50	3.25
4	37,101 to 46,900	6.80	3.40
5	46,901 to 65,600	8.50	4.25
6	65,601 to 93,000	9.90	4.95
7	93,001 to 109,500	10.50	5.25
8	109,501 to 164,200	11.40	5.70
9	164,201 or more	12.50	6.25

Employers also pay a contribution towards the pension costs. This amount is decided every three years following an independent actuarial evaluation by the Fund's Actuary. In 2020/21 the contribution rates due from the other employers in the Havering Pension Fund range from 14.2% to 40.8%, including payments of past service contributions.

Further details of the LGPS can be found on the pension's website here.

The London Borough of Havering as a scheme employer review LGPS bandings on an annual basis each April, therefore re-grading and changes in hours do not affect contribution rates until the following year.

The Authority is required to make balancing contributions as determined by the Fund's actuary to maintain the solvency of the Fund. The Authority's minimum employer's contribution for employees in 2020/21 was 15.6% of salary plus cash of £12.650m (2019/20 15.6% plus cash of £12.650m). The Authority's annual contribution is reviewed every three years. The valuation based on data as at 31st March 2019 set employer contribution rates for 2020/21, 2021/22 and 2022/23.

The payment of contributions by employers with external payrolls is monitored on a monthly basis by the Havering Pensions Administration Team. The Authority receives a breakdown of individual employee and employer contributions which is reconciled against the payments.

All new employers are given instruction and written guidance for making payments and the timescales for payments. In advance of admission to the scheme all new employers are informed of the employer contribution rate applicable and the required bond level.

All admitted body employers are currently required to purchase a bond or provide a guarantee which protects the Fund against default payments. There are currently thirteen active admitted bodies in the fund

The following table shows how many members were making contributions to the Fund together with the employers' contributions:

Contributing employers	**Active Members**	**Contributions from Members £**	**Contributions from Employers £**
London Borough Havering (including schools – non teaching staff only)	4,649	6,273,799	33,734,345
SCHEDULED BODY:			
The Frances Bardsley Academy for Girls	72	91,220	340,236
The Campion School	71	75,753	280,787
Hall Mead School	87	89,439	325,737
The Brittons Academy Trust	62	63,437	295,100
Coopers' Company & Coborn School	50	66,592	253,304
Redden Court School	62	70,455	252,518
Drapers Academy	39	65,129	230,175
Bower Park Academy	44	51,588	202,640
Royal Liberty Academy	46	43,824	174,473
Lime Academy Ravensbourne	60	51,082	201,337
Lime Academy Forest Approach	67	57,033	207,183
St Edward's Church of England School & Sixth Form	39	38,735	154,636
Marshalls Park Academy	47	40,683	188,601
Sacred Heart of Mary Girls' School	53	41,883	172,833
Harris Academy Rainham	42	47,982	182,172
Emerson Park Academy	53	43,117	164,414
Sanders Academy	35	36,684	143,136
Drapers Pyrgo Primary	69	38,479	140,687
Hacton Academy	60	31,749	131,420
Abbs Cross Academy and Arts College	34	25,414	110,539
Hornchurch High School (Albany)	51	35,465	123,708
Harrow Lodge Academy	58	24,864	95,977
Oasis Academy (Pinewood)	41	23,940	90,466
Rise Park Junior Academy	50	22,830	91,968
Gaynes Academy	19	19,689	83,490
Scargill Infant Academy (Hornchurch Academy Trust)	26	20,196	82,409
Benhurst Primary	31	19,714	85,853

Contributing employers	Active Members	Contributions from Members £	Contributions from Employers £
Drapers Brookside Junior Academy	31	19,349	71,833
Whybridge Junior Academy	23	17,452	71,239
Rise Park Infant School	44	18,551	79,581
Drapers Brookside Infant Academy	37	21,078	77,544
Upminster Junior Academy	37	16,101	69,306
Scargill Junior Academy	19	12,689	54,117
Upminster Infant Academy	31	12,059	51,694
Drapers Maylands Primary Academy	21	16,898	63,104
Langtons Junior Academy	33	14,396	54,357
Drapers MAT (Management)	5	18,315	46,424
Olive Academy Trust (Birnum Wood)	5	9,524	41,466
Dame Tipping School	11	7,384	30,981
Concordia Academy	28	12,767	37,886
Olive Academy MAT	4	8,393	26,588
Scheduled Body Total	**1,697**	**1,441,932**	**5,581,919**
ADMITTED BODIES:			
Sports & Leisure Management – Charitable Trust	35	39,560	154,291
Sports & Leisure Management – Fitness and Health	4	3,146	10,699
Breyer Group Repairs	7	12,841	52,605
Accent Catering	5	4,852	17,093
Lewis & Graves	6	2,651	15,809
Harrison Catering	1	666	4,622
Harrison Catering (Gaynes)	1	808	4,973
**Caterlink (Frances Bardsley)	4	0	0
**Caterlink (Dame Tipping)	1	0	0
*Citizens Advice Bureau	0	-	9,600
May Harris (Royal Liberty)	5	4,123	18,935
May Harris (Sanders)	2	840	3,975
Olive Dining	6	2,159	16,096
**Atalian Servest Food Co	2	-	-
Admitted Bodies Total	**79**	**71,645**	**308,698**
RESOLUTION BODY:			
Mercury Land Holdings	**1**	**1,837**	**3,912**
TOTAL	**6,426**	**7,789,213**	**39,628,874**

*Cessation repayment
** awaiting legal documentation to be completed before contributions are collected

A summary follows of the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Administrating Authority	1		1
Scheduled Bodies	41		41
Admitted Bodies	14	1	15
Total	**56**	**1**	**57**

Monitoring of pension overpayments, recoveries and amounts written off, including the results of participation in the biennial National Fraud Initiative, is being regularly reviewed.

Invoices raised, and amounts recovered, since 2012/13 relating to recoverable overpayments of pension to deceased and child members of the scheme are set out in the table below.

Year debt raised	**Amount of debt raised** £	**Debt collected** £	**Debt outstanding** £
2012/13	8,927	6,837	2,090
2013/14	5,211	1,946	3,265
2014/15	9,901	4,958	4,943
2015/16	10,384	6,195	3,803
2016/17	22,398	12,585	9,813
2017/18	11,499	7,421	4,078
2018/19	25,083	21,603	3,480
2019/20	23,608	18,125	5,474
2020/21	26,495	9,503	*16,992

*Delays in raising invoices on the new Fusion system has led to a higher than expected level of outstanding debt being carried forward

The Authority has always subscribed to the National Fraud Initiative (NFI). For pensions this involves identifying any deceased members of the LGPS and any pension abatements not already known to LPPA. The most recent NFI exercise was undertaken in September 2019. LPPA also utilise 'Tell Us Once' service which is monitored on a weekly basis and have recently started to run a monthly mortality screening exercise.

The total value of contributions paid into the Fund was £47,418,087 made up of employer contributions of £39,628,874 and employee contributions of £7,789,213. One employer paid their contributions late on one occasion due to a change in payroll provider. It was not considered to be material and no charge was made.

Investment Policy and Performance Report

INVESTMENT POLICY

The overall direction of the Fund's Investment Strategy is delegated to the Authority's Pensions Committee. The Committee also oversees the Fund's investment arrangements and publishes its policies on a range of matters relating to investments.

The Investment Strategy Statement (ISS) sets out the London Borough of Havering's policies, in its capacity as Administering Authority, for the investments of the Fund.

The primary investment objective of the Fund is to ensure that the assets are invested to secure the benefits of the Fund's members under the Local Government Pension Scheme. Against this background, the Fund's approach to investing is to:

- Optimise the return consistent with a prudent level of risk;
- Ensure that there are sufficient resources to meet the liabilities; and
- Ensure the suitability of assets in relation to the needs of the Fund.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. It plays an important role in meeting the longer-term cost of funding, and how that cost may vary over time. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

In the opinion of the Fund Actuary, the current funding policy is consistent with the current investment strategy of the Fund. The assumptions for future investment returns are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying the ongoing basis include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government

The Fund's funding position will be reviewed at each triennial actuarial valuation, or more frequently as required. It is intended that the Fund's investment strategy will also be reviewed at least every three years following actuarial valuations of the Fund.

The Pensions Committee has also completed its development of a formal Statement of Investment Beliefs. These beliefs have now been incorporated into the ISS. The Pensions Committee believe that having a clear set of investment beliefs can improve governance by providing a framework for all investment decisions. It will provide a rationale for the decision making process and drive the ISS going forward.

ASSET ALLOCATION

The Committee adopted a new Investment Strategy Statement (ISS) in November 2017 and implementation of achieving the long term target asset allocation has been ongoing since then. An updated version of the ISS was presented to the Pensions Committee at its meeting on the 29 July 2020 (postponed from 17 March 2020) and the Committee agreed the proposed amendments.

The ISS was updated to reflect the decisions and progression of the implementation of the strategy made by the Committee since its launch in 2017. Following the 29 July 2020 meeting the Committee considered and agreed further developments in the investment strategy at its meetings on the 1 October 2020 and 16 March 2021.

The planned asset allocation and movement in the asset allocations is shown in the following table:

Asset Class	Long Term Target Allocation ISS Jul 20	Long Term Target Allocation ISS Current	Actual Asset allocation March 2020	Actual Asset allocation March 2021	Asset Allocation March 2021 vs ISS Current Target
	%	%	%	%	%
Equities	**35.0**	**40.0**	**35.6**	**41.9**	**1.9**
Passive Global Equity	7.5	10.0	7.0	8.2	-1.8
Passive Fundamental Equity	7.5	10.0	6.1	7.4	-2.6
Passive Emerging Markets	5.0	5.0	3.8	4.5	-0.5
Active LCIV Global Equity	15.0	15.0	18.7	21.8	6.8
Multi Asset	**27.5**	**22.5**	**25.0**	**22.8**	**0.3**
LCIV Absolute Return	15.0	12.5	13.3	12.7	0.2
LCIV Diversified Growth	12.5	10.0	11.0	10.1	0.1
Real Assets:	**17.5**	**17.5**	**15.8**	**13.0**	**-4.5**
Property	10.0	10.0	9.7	7.9	-2.1
Infrastructure	7.5	7.5	6.1	5.1	-2.4
Bonds and Cash	**20.0**	**20.0**	**23.6**	**22.3**	**2.3**
Index Linked bonds	5.0	5.0	-	4.4	-0.6
Multi Asset credit	7.5	7.5	17.1	7.1	-0.4
Corporate Bonds	0	0	-	4.3	4.3
Private Debt	7.5	7.5	2.7	4.2	-3.3
Cash	0	0	3.9	2.0	2.0
Currency Hedging P/L	0	0	-0.1	0.3	0.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**0**

Short-term performance of asset class and managers will result in a deviation from benchmarks from time to time.

In line with the ISS, when the Fund allocation deviates by 5% or more from the strategic allocation, the assets will be rebalanced back to within 2.5% of the strategic asset allocation. In exceptional circumstances, when markets are volatile or when dealing costs are unusually high, the Committee may decide to suspend rebalancing temporarily.

Significant implementation/progression of the investment strategy during 2020/21 were as follows:

- £40.4m settlement to fund the transfer out of the colleges was paid to the London Pension Fund Authority (LPFA) in July and August 2020. This was funded from disinvestments from LCIV Diversified Growth, LCIV Absolute Return, Corporate Bonds, GMO and internal cash. The mandate with GMO is now closed.

- Royal London Multi Asset Credit (MAC) Fund commenced January 2020. The Committee agreed to increase the allocation to the MAC fund to bring this in line with the long term target of 7.5%. The investment of £21.5m was invested in December 2020, which was funded from profit within the LCIV Global Alpha Fund.

- Following strong performance over 2020, profit to be taken from the LCIV Global Alpha Fund and rebalanced, in line with Funds rebalancing policy. This profit to be utilised in the asset allocation restructure

- In order to maintain the asset allocation of 7.5% to infrastructure the Committee agreed to invest in the Stafford (SISF IV) Fund with a total commitment of c£27m. The first capital call for this mandate commenced March 21.

- Later agreed to increase the asset allocation to Infrastructure from 7.5% to 10%. The additional 2.5% increase will be allocated to the LCIV Renewables Fund. On-boarding process will be undertaken to meet the second close in July 2021. This commitment is not yet reflected in target allocations above but will be funded by a reduction in multi –asset mandates.

- Agreed to move the Funds mandate with LCIV Global Alpha Fund to the Paris Aligned version. On-boarding process will commence to meet the second close in July 2021.

- Equity restructuring started in 2020/21 with members giving consideration to replace the LGIM Fundamental mandate with a Multi Factor strategy in order to diversify exposure to factors, and the Multi Factor strategy embed a "carbon-tilt" in order to reduce exposure to climate risk. Consideration of equity restructuring will continue in 2021/22.

- The Fund has continued to fund capital calls from the Private Debt and Infrastructure mandates, as follows:

Investment Manager	Mandate	Amount £000's
Stafford II	Infrastructure	5,862
Stafford IV	Infrastructure	1,698
Churchill	Private Debt	7,177
Permira	Private Debt	11,575
Total		**26.312**

Underweight positions in Private Debt and Infrastructure relates to outstanding capital calls totalling £50.6m which will continue to be met during 2021/22 and beyond. This will be mainly be funded from the allocation to Corporate Bonds.

Overweight allocation to cash will be considered for reinvestment or settlement of capital calls.

The Fund will continue to have ongoing discussions with the London CIV to progress the transition of assets onto the London CIV platform in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) timelines.

Investment Administration and Custody

The Fund uses the services of an appointed custodian, this being Northern Trust from the 1 October 2019. They operate a wide range of services but are mainly responsible for the safekeeping and custody of the Fund assets and are responsible for Investment Accounting and Reporting. They ensure that accurate records and certificates of the ownership of stock are maintained and ensure that dividend income and other distributions are received appropriately. They also keep a record of the book costs in the various asset classes and provide a market valuation of the Fund. It is the custodian's records that are used to produce the investment balances in the Fund's accounts.

Fund Manager Performance is reported to the Committee on a quarterly basis. Current reporting arrangements are that one fund manager will attend each meeting. Based on the current fund manager numbers and the planned quarterly committee cycle, then the Committee would see each manager every 24 months. If there are any specific matters of concern to the Committee relating to any manager's performance, arrangements can be made for additional meetings with those managers.

The Fund's investment advisors attend the quarterly Committee meetings and also produce a quarterly report, including fund manager performance and market commentary.

The Fund subscribes to the CIPFA Pensions Network, which aims to support pension practitioners and is dedicated to pension fund bodies, offering services in relation to investment, audit, accounting, administration and governance.

INVESTMENT PERFORMANCE

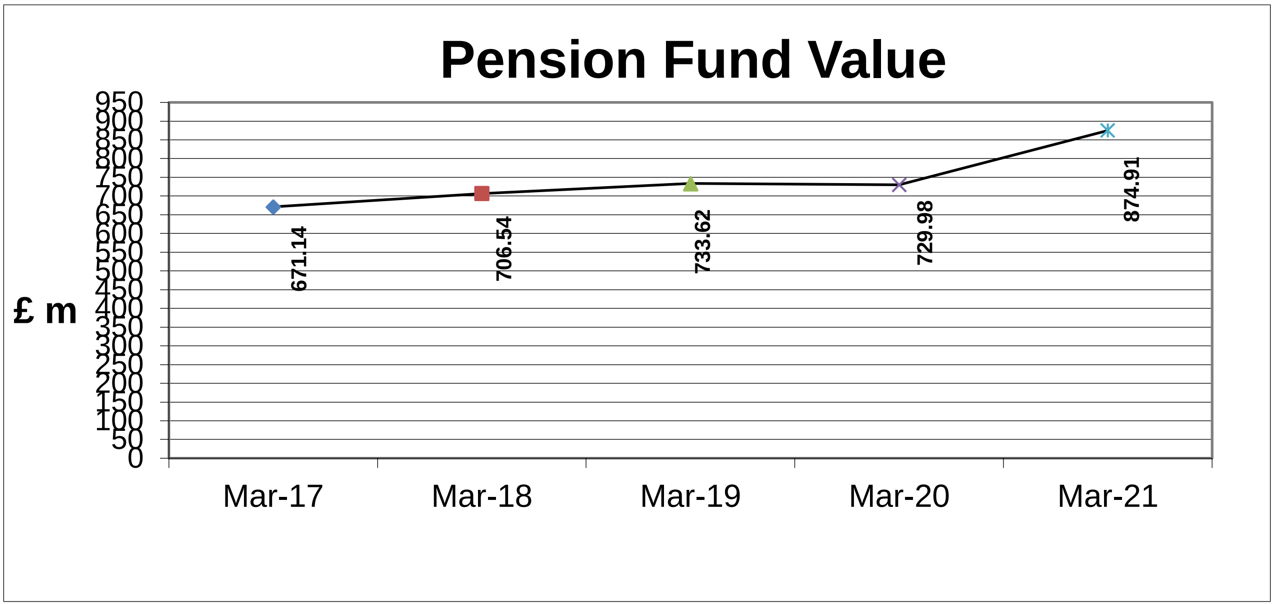
The Fund is invested in shares issued by companies listed on the stock exchange and on foreign exchanges and also in bonds, property funds and in cash.

The Net Assets of the Fund has increased to **£874m** for 2020/21 from £729m in 2019/20, a net increase of **£145m**.

The net increase of **£145m** is compiled of a change in the market value of assets of £165m, investment income of £15m, net withdrawals of cash of (£31m) and offset by management expenses of (£4m). Further details are included within the Fund Account and Net Asset Statement included in this report.

The net withdrawal figure of (£31m) includes a financial settlement figure for the bulk transfer out of the colleges to the London Pension Fund Authority.

The chart below shows the Fund value over the last five years:



The Fund uses the services of Performance Measurers (Northern Trust) to provide comparative statistics on the performance of the Fund. The performance of the Fund is measured against a tactical and a strategic benchmark.

In 2020/21, the overall return on the Fund's investments was **24.90%** (2019/20 -1.55%). This represented outperformance of **8.86%** against the tactical benchmark (2019/20 under performance of -1.21%) and outperformance **20.71%** against the strategic benchmark (2019/20 under performance of -5.44%).

The following table shows the overall net of fees performance of the Fund:

	1 year to 31.03.20 %	1 year to 31.03.21 %	3 Years to 31.03.21 %	5 years to 31.03.21 %
Fund Return	-1.55	24.90	8.32	9.35
Tactical Benchmark	**0.34**	**16.04**	**6.93**	**7.15**
Performance	-1.21	8.86	1.40	2.20
Fund Return	-1.55	24.90	8.32	9.35
Strategic Benchmark	**3.89**	**4.19**	**5.14**	**7.66**
Performance	-5.44	20.71	3.18	1.68

A geometric method of calculation has been used in the above table and consequently this may not sum

A **strategic benchmark** has been adopted for the overall Fund of Index Linked Gilts + 1.8% per annum. This is the expected return in excess of the fund's liabilities over the longer term. The strategic benchmark measures the extent to which the fund is meeting its longer term objective of reducing the funds deficit.

Tactical benchmark - Where appropriate, Fund Managers have been set a specific (tactical) benchmark as well as an outperformance target against which their performance is measured.

Fund Manager Performance is measured against benchmarks and targets as follows:

Asset Class	Investment Manager/ product	Segregated / pooled	Active/ Passive	Benchmark and Target
Equities				
UK/Global Equity	LCIV Baillie Gifford (Global Alpha Fund)	Pooled	Active	MSCI All World Index plus 2.5%
UK/Global Equity	Legal & General Investment Management	Pooled	Passive	FTSE All World Equity Index
UK/Global Equity	Legal & General Management	Pooled	Passive	FTSE RAFI 3000 Index
UK/Global Equity	Legal & General Investment Management	Pooled	Passive	FTSE World Emerging Markets
Multi-Asset				
Multi Asset	LCIV Baillie Gifford (Diversified Growth Fund)	Pooled	Active	Bank Base Rate + 3.5%
Multi Asset	LCIV Ruffer	Pooled	Active	Preserve and grow capita) LIBOR +4%)
Real assets				
Property	UBS	Pooled	Active	Match MSCI All Balanced Funds Weighted Average Index
Property	CBRE Global Property	Pooled	Active	CPI + 5% p.a (net of fees)
Infrastructure	JP Morgan	Pooled	Active	CPI + 5% p.a (net of fees)
Infrastructure	Stafford SISF II	Pooled	Active	CPI + 5% p.a (net of fees)
Infrastructure	Stafford SISF IV	Pooled	Active	CPI + 5% p.a (net of fees)
Bonds and Cash				
Index Linked Bonds	Royal London	Segregated	Active	40% FTSE Index- linked over 5 years.
Multi Asset Credit	Royal London	Pooled	Active	• 30% ICE BAML, BB-B Index • 30% Credit Suisse US Leveraged Loan Index GBP Hedged
Corporate Bonds	Royal London	Segregated	Active	iBoxx Sterling Non- Gilt over 10 years
Private Debt	Churchill Nuveen	Pooled	Active	LIBOR + 4%
	Permira	Pooled	Active	LIBOR + 4%
Currency	Russell	Segregated	Passive	Hedge 100% of EUR,USD and AUD (non-equities)

The following table compares each Fund Manager performance against their benchmark and their rate of return for the twelve months ending 31 March 2021:

Fund Manager	Return (Performance)	Benchmark	Performance vs benchmark
LCIV Ruffer*	20.76	4.36	**16.41**
LCIV Baillie Gifford (Global Alpha Fund)*	56.28	39.58	**16.70**
LCIV Baillie Gifford (DGF) *	18.07	3.60	**14.47**
LGIM Global Equity	40.56	40.78	**-0.22**
LGIM Fundamental Index	44.08	44.37	**-0.28**
LGIM Emerging Markets	39.48	39.58	**-0.10**
Royal London Index Linked/MAC	12.60	12.05	**0.55**
Royal London Corporate Bonds	8.95	8.84	**0.11**
UBS	3.21	2.46	**0.75**
CBRE	-4.01	5.74	**-9.75**
Stafford SISF II	-8.60	5.74	**-14.34**
Stafford SISF IV**	-	-	**-**
JP Morgan	-1.65	5.74	**-9.33**
Churchill	-6.50	4.36	**-10.85**
Permira	-2.87	4.36	**-7.23**

Source: Northern Trust Performance Measurement Service

*Includes performance from commencement with LCIV.
**Performance is not shown as they were not invested for entire period but short term performance is included within the overall fund performance

The following table compares each Asset Class performance against their benchmark and their rate of return for the twelve months ending 31 March 2021:

Asset Class	Return (Performance)	Benchmark	Performance vs benchmark
Equities	49.42	40.72	8.72
Multi Asset	19.63	4.01	15.62
Property	0.23	3.78	-3.55
Infrastructure/Cash	-3.59	5.74	-9.33
Bonds	9.70	3.92	5.78

The Fund also uses the services of Pensions & Investment Research Consultants Ltd (PIRC) to provide LGPS universe comparisons against other LGPS funds.

The PIRC Local Authority Universe comprised of 64 funds as at the end of March 2021 with a value of £230 billion.

Universe comparisons can be seen in the tables that follow:

Universe Fund Performance

	2020/21					
Universe data	**1 Year %**	**3yrs % pa**	**5yrs % pa**	**10yrs % pa**	**20yrs %pa**	**30yrs %pa**
Havering Fund Return	24.9	8.3	9.3	8.5	6.2	8.2
Universe Average	**22.8**	**7.6**	**9.5**	**8.3**	**6.9**	**8.4**
Relative Return	2.1	0.7	-0.2	0.2	-0.7	-0.2
Universe Ranking (20/21)	46	36	51	36	85	59
Universe Ranking (19/20)	13	30	67	54	87	48
Universe Ranking (18/19)	100	87	89	57	93	51

Universe asset allocations as at March 2021

Universe Data	**Average Allocation %**	**Havering Allocation %**	**Average Return %**	**Havering Return %**	**Havering Percentile Ranking**
Equities	56	42	3.09	49.3	8
Bonds/Credit	17	20	7.3	8.9	41
Alternatives	14	5	8.0	18.9	4
Property	8	8	0.4	-5.1	96
Cash	2	2	no data	no data	no data
Diversified Growth	2	23	15.2	0.2	70

PIRC Universe Summary:

- **Last 12 months:**
  - After the sharp fall in global markets in the Quarter to March 2020, returns bounced back almost immediately despite the ongoing challenges of the COVID pandemic which has been larger and longer lasting than predicted.
  - Funds returned an average of 22.8% for the year, but the range of results was far wider than usual.
  - Performance was dominated by extremely strong equity returns, enhanced for many by active manager outperformance.
  - Defensive assets performed more modestly with property being the most disappointing of the major assets, only just delivering a positive result
- **Longer Term Performance**
  - Long term performance of the LGPS remains extremely strong.
  - The average funds delivered in all bar six of the last 30 years and delivered an annualised performance of over 8% p.a.
  - Equities have driven the performance.
  - Alternatives have performed strongly due in a large part to the excellent returns from private equity.
- **Asset Allocation**
  - Strategic asset allocation remained broadly static, most of the change to asset allocations came about from the relative market movements over the year.
  - Funds have not rebalanced following the strong equity returns over the year
  - Within Equities there was a significant switch into 'planet aware' investments.

- Elsewhere there was further diversification into multi asset credit, private debt and alternative income strategies.
- Equities remain the largest allocation within most fund's assets. Over 80% of this allocation is now invested overseas.
- The Bond exposure has remained steady but, within that the allocation has changed greatly as funds have moved from a principally UK index based approach towards more global, diversified absolute return strategies.
- Alternatives have increased over the decade. Private equity makes up a half of this allocation with infrastructure becoming an ever larger component of the average fund.

PIRC Havering Summary:

- The Fund is structured differently to the average fund:
  - The key difference is the relatively high exposure to diversified growth. This allocation delivered a return below the average this year.
  - However outperformance within equities (top decile) and diversified growth (top quartile) more than recouped the negative impact of the asset allocation structure.
- The medium term results are generally close to, or better than, average
- Over the longer term performance remains below average. Equity selection has had a large impact on this negative result.

Risk and Return

- Within investments there is always a trade-off between risk and return. Normally the higher a return that is being looked for the more volatility the Fund must expect
- Over the last ten years, the Fund has delivered a better than average return at a lower than average volatility. This has been an efficient result.
- In the last five years volatility reduced further relative to average but relative performance has also fallen.

Comments on Fund performance from the Fund's Investment Advisors

The overriding investment objective for the Fund is to support an affordable and stable level of contributions for the longer term. The current funding approach implies a target investment return of Gilts + 1.8% p.a. over the longer term from the Fund's assets, or c. 3.3% per annum in absolute terms based on yields as at 31 March 2019 (the previous valuation date).

Strong returns have been observed over the 12 month, 3 year and 5 year periods to 31 March 2021 (at 24.9%, 8.3% p.a. and c. 9.4% p.a. respectively). Returns over all time periods shown are therefore substantially ahead of the long term (absolute) return deemed sufficient to support an affordable and stable level of contributions.

The value of the Fund's assets have increased by more than the value placed on the liabilities since March 2019, implying the funding deficit has decreased since the 2019 actuarial valuation. However, although assets have risen by more than liabilities since 2019, liabilities have continued to increase over this period, driven by a further fall in gilt yields which remain at historically low levels. Our long term outlook for index-linked gilts remains unchanged. We believe that valuations are inflated relative to history and expect that, over the long term, yields will rise from present levels leading to a fall in gilt (and consequently liability) values.

Asset outperformance over the year has been driven by the Fund's equity exposure, most notably the Baillie Gifford Global Alpha Fund which currently accounts for c.20% of Fund assets and posted 12 month returns to March 2021 of 56%. The rebound in equity markets from the COVID-19 lows of March 2020 has been a lot faster and stronger than many predicted and has resulted in traditional equity and bond markets ending March 2021 at exceptionally high levels. Within equity markets, a shift towards stocks which are perceived to be good 'value' in terms of their fundamental assessment was observed towards the end of 2020. Equity funds tilted towards these 'value' stocks outperformed those tilted towards stocks with large expected revenue growth, such as the Baillie Gifford Global Alpha Fund, in Q4 2020 and Q1 2021.

Implementation of the previously agreed changes in strategy have continued over the year and have seen allocations to multi-asset mandates reduced, albeit the underlying equity exposure has been retained. Allocations to global infrastructure, global property, multi-asset credit and private debt have all been introduced to the Fund's longer term strategy over recent years, offering the prospect of long-term income generation and boosting diversification within the strategy. Further structural changes to the equity portfolio were agreed during the year and are in the process of being implemented.

Finally, we note that the Fund has also begun taking steps to address climate risk within its strategy. The Committee recognises the long-term financial risks presented by climate change and has been considering how the strategy can be evolved to account for climate risks. Progressive changes are being made to the underlying equity allocations and it has also been agreed to introduce a commitment to renewable energy infrastructure. These steps in conjunction with the other changes gives us confidence that the level of returns required to support affordable and stable contributions can be (at least) supported by the current investment approach whilst addressing longer term systemic change.

RESPONSIBLE INVESTMENT (RI) AND VOTING ACTIVITY

The Fund does not have its own voting policy and in line with the Fund's current ISS, engagement and voting activity is delegated to the Fund's Investment managers with the Fund reviewing their approach on an annual basis.

Shareholder rights are only available to the Fund's investment managers that have segregated equity holdings. Equity holdings held are managed on a pooled basis so the Fund has no shareholder rights in respect of voting.

London CIV - In relation to funds accessed via the London Collective Investment Vehicle (LCIV) (Baillie Gifford mandates and Ruffer), the LCIV operator has responsibility for engaging directly with those investment managers. Currently, c.66% of the Fund's assets is invested in funds accessed via LCIV.

In support of the Committee's ongoing monitoring requirement, the Fund's Investment Advisor (Hymans) present an annual summary on the voting and engagement activities undertaken by the Funds' managers. The annual report for the year ending June 2020 was presented to the Pensions Committee at its meeting on the 21 January 2021.

In summary:

- During the year, the Fund had investment through three managers across seven mandates with equity exposure. One of these mandates, managed by GMO was sold down over the year and has since been terminated. The other two managers are LGIM and LCIV although LCIV's policy is to delegate implementation to the underlying managers, Baillie Gifford and Ruffer. LGIM operate their own voting policy independent of LCIV.

- Whist these mandates represented 65% of total assets, on a look through basis, investment in equity assets represented c. 47% of Fund assets as at 30 June 2020.

- The vast majority of votes that were eligible to be exercised were voted. Of the six mandates considered, only Baillie Gifford's DGF (93%) and Ruffer (97%) were below 99%.

- LGIM and Baillie Gifford have both reviewed and updated their voting policies over the year, with the changes made being to strengthen and clarify expectations. Ruffer completed a review following year end. LCIV has not reviewed its policy although we understand that LCIV is considering the procurement of a voting and engagement provider. LCIV now appointed EOS at Federated Hermes in April 2021 to develop voting and engagement reporting.

Compliance with industry governance standards:

- **Equities and Multi asset -** All of the Fund's Equity managers (LGIM, Baillie Gifford, Ruffer) permitted to invest in equities on behalf of the Fund, are Tier 1 signatories to the UK Stewardship Code and signatories to the United Nations Principles for Responsible Investment (UNPRI).

- **Real Assets** – All of the Fund's Real asset managers (UBS, CBRE, JP Morgan and Stafford) are signatories to the UNPRI.

- **Bonds and Private Debt**– Royal London and Permira are signatories to the UNPRI.

The Fund also subscribes to the Local Authority Pension Fund Forum (LAPFF) in recognition of the need to collaborate with other investors to promote best practice on responsible investment and effectively engage with companies.

TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT.

A framework for the disclosure of climate-related financial risks. The goal of the framework is for disclosures to inform stakeholders as to how companies are managing risks and to allow more informed investment, credit and insurance underwriting decisions. There are four elements to the TCFD framework (as illustrated below) and, although this was not explicitly developed for pension schemes, it has been adapted for their use. TCFD aligned reporting is currently not yet a regulatory requirement for the LGPS.

It is expected that the Ministry of Housing, Communities and Local Government will conduct a consultation during 2021 on the implementation of mandatory TCFD-aligned reporting in LGPS by 2023. In conjunction with the Fund's Investment Advisor, they have produced the following report:

The Committee ("the Committee") of the Fund believe that climate change is a systemic risk and seek to manage that risk with respect to the pension scheme on behalf of their members. The Committee are supportive of initiatives they believe will be in the long-term financial interest of the Fund's members. The TCFD is one such initiative, as the Committee believe greater disclosure will lead to more engagement and a more structured approach to managing this risk.

Whilst not falling under the scope of the requirements of the TCFD, the Committee are keen to comply with these requirements as best they can whilst taking a proportionate approach with respect to the size and available resources of the Fund. As such, the Committee has produced this report, their first under the TCFD framework, summarising the current position with regards to the 11 climate-related disclosures. Future reports will also include a summary of actions taken over the year to improve the position in line with the suggested actions developed as a result of this report and underlying analysis. The UK Government has published proposals that will require larger schemes to report against this framework on an annual basis.

Governance

Disclosure A: Describe the Committee's oversight of climate related risks and opportunities.

The Committee has ultimate responsibility for the strategy employed to meet the Fund's objectives. These objectives and strategy are set out in the current Investment Strategy Statement (ISS) dated July 2020. In the development and implementation of strategy, the Fund is supported by Officers and Advisers who the Committee expect to raise climate related risks and opportunities for discussion as appropriate.

The Committee has established and published a Statement of Investment Beliefs which reflects the broad views of committee members on investment, ESG and climate matters. These beliefs are documented in the ISS and include recognition of the financial materiality of climate risk. The Committee expects Officers and Advisers to reference these beliefs in the management and evolution of the Fund.

Committee members are expected to undertake training on all matters relevant to the governance of the Fund. Where appropriate, training will be undertaken on specific issues, including issues related to ESG and climate related risks. Committee's business plan for 2021/22 includes training on the identification and assessment of climate-related risks across the investment portfolio, measuring exposure to climate risks and using this to set targets and escalate engagement with investee companies on climate-related topics

- *Establish and maintain oversight of climate-related risks and opportunities.*

- *Establish and maintain processes to ensure those managing the scheme on behalf of the Trustees are assessing and managing climate-related risks and opportunities.*

Disclosure B: Describe management's role in assessing and managing climate related risks and opportunities.

A number of parties involved in the management of the Fund are expected to assess climate related risks and opportunities and take steps to address these. In particular:

- *Officers are expected to ensure that climate related issues are considered in their discussion with all Fund stakeholders. Over the year to 31 March 2021, Officers have engaged in a number of discussions on climate related risks and opportunities with the Fund's investment managers, the London CIV as pooling provider and the Fund's investment advisers. Officers report the outcome of such discussions and any actions arising to the Committee for decision.*

- *The London Collective Investment Vehicle (LCIV) is the Fund's pooling provider with responsibility for the development of appropriate solutions for the management and governance of Fund assets. During the year, LCIV has sought to develop and introduce several pooled vehicles which directly manage climate related risks for its clients. LCIV has also engaged a third-party stewardship provider, Hermes EOS, to provide input on voting and engagement and a data provider, Trucost, to provide fund level analytics, including the measurement of climate related metrics.*

- *The Investment Adviser is expected to raise climate related risks and opportunities in the development and delivery of advice. During the year, the Adviser addressed climate related risks in providing advice on the evolution of the Fund's equity strategy, identified a potential infrastructure opportunity linked to climate issues and has provided input on climate related stewardship issues.*

Investment managers employed by the Fund are also expected to competently address climate related issues in their management of Fund issues. The Committee will ask questions of their managers on climate issues as part of regular meetings. The Committee, as a minimum, expect its managers (including the London CIV) to be signatories of the UN supported Principles for Responsible Investment and, where appropriate, the FRC UK Stewardship Code.

Strategy

Disclosure A: Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.

The Committee has not formally specified time-horizons for the Fund although, given the Fund remains open to new members, the Committee regards climate risk as an issue that must be considered over all time horizons.

Over the year, the Committee has broadly considered the potential for transition risks and the repricing of companies with high carbon intensity to affect financial outcomes from investments and has considered how such risks can be reflected in portfolios. These considerations have been raised and addressed during consideration of the Fund's equity strategy.

Opportunities have been identified during ongoing discussion with advisers and the LCIV, particularly with regard to the LCIV's development of a Renewable Energy Infrastructure Fund. Following discussion, the Committee has made an initial commitment to this fund.

The Committee also undertakes a high-level review of stewardship activity on an annual basis and considers the actions that its managers are taking to address climate risk within this review. The Committee has determined that manager inaction in the exercise of stewardship is an issue to be monitored and will be focusing on this issue in its 2021/22 review with the possibility of more specific actions being identified.

Disclosure B: Describe the impact of climate–related risks and opportunities on the organisation's business, strategy and financial planning.

Whilst climate related issues have been reflected in certain investment decisions and the evolution of the Fund's strategy, the Committee has not undertaken a stand-alone review of how climate risks and opportunities should be addressed. Rather, in conjunction with Officers and Advisers, the Committee has phased the consideration of climate-issues into its strategy and business planning. As noted, Committee has planned a more detailed assessment of climate considerations during the 2021/22 year.

Disclosure C: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2 degree or lower scenario.

The Committee has not undertaken any analysis on the impact of climate scenarios on the Fund. Committee expects that some analysis will be undertaken as part of the Fund's triennial actuarial valuation due to be undertaken in 2022.

Risk Management

Disclosure A: Describe the organisation's processes for identifying and assessing climate-related risks.

At a simple level, the Committee's risk management process comprises identification, assessment, monitoring and control of risk. Climate risks are identified by the Committee with support from Officers and Advisors as appropriate. Once risks are identified, they are then evaluated and prioritised based on the overall threat posed to the Fund. The Committee prioritise risks based on the size, scope and materiality of the risk event. This includes rating the likelihood and impact of the risk event to produce a score reflecting the threat that the risk event poses to the Fund, then making a decision on the appropriate action (mitigation, control or acceptance) based on this score and available courses of action.

Disclosure B: Describe the organisation's process for managing climate-related risks.

Risks and opportunities are considered both in absolute terms and in relation to the risk appetite of the Fund. Risk appetite can be defined in terms of a willingness to take risk or the acceptability of risk. The management of climate related risks take place at several levels:

- *Within strategy management, the Committee will consider market and policy developments with particular regard to climate change and discuss how such factors may influence asset allocation. The Committee expects to develop its approach in this area;*

- *Within mandate selection, the Committee will consider how climate related risks may influence the design of a particular strategy, taking advice where appropriate. Over the year, the Committee has considered how emissions and transition readiness influence the choice of equity index for the Fund;*

- *Within manager selection and ongoing monitoring, the Committee will consider what actions managers are taking to address climate related risks in the management of a mandate. This is presently undertaken on an ad-hoc basis during manager meetings although the Committee will explore how this process can be formalised as part of its educational programme this year;*

- *Within stewardship, the Committee includes discussions on governance and voting with the Fund's equity manager on a periodic basis. The Committee reviews stewardship activity, including voting on climate issues, on an annual basis and the effectiveness of its managers in exercising the responsibilities that have been delegated to them*

Disclosure C: Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Officers and Advisors raise new or updated risks at quarterly Committee meetings or other appropriate points in time, depending on urgency. Following this, where appropriate, training sessions are provided on the respective risks. This includes rating the likelihood and impact of the risk event to produce a reflection of the threat that the risk event poses to the Fund and then making a decision on the appropriate action (mitigation, control or acceptance) based on this and available courses of action. •

Metrics and Targets

Disclosure A: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The Committee has not formally adopted any climate related metrics for management of the Fund. Committee expects to consider this as part of the evolution of it approach to the management of climate related risks during 2021/22. On an informal basis when considering individual investment solutions, the Committee has considered a range of metrics including Weighted Average Carbon Intensity, Carbon footprint, exposure to materially impacted sectors and stewardship behaviours of managers.

Disclosure B: Disclose Scope 1, Scope 2 and if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks.

The Committee has not collated data on climate metrics as at 31 March 2021 but aims to provide a full disclosure of metrics for the Fund as at 31 March 2022.

Disclosure C: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The Committee has not yet set targets for the Fund. •

LONDON CIV – RESPONSIBLE INVESTMENT

Overview

London CIV is a signatory of the UN backed Principles for Responsible Investment (PRI) and aligns its processes to the six principles and definition of Responsible Investment (RI). Their approach is informed by their investment beliefs, client policies and priorities, industry best practice demonstrated by peers together with regulation.

They have published the following reports:

- **RI Transparency Report 2020** - PRI Signatories are required to report publicly on their responsible investment activities each year. This RI Transparency Report is one of the key outputs of the PRI Reporting Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders This report is an export of the individual Signatory organisation's response to the PRI during the 2020 reporting cycle

- **RI Assessment Report 2020** – PRI Assessment report is designed to provide feedback to signatories to support ongoing learning and development. It includes a summary scorecard and assessment for each module, year on year performance and peer comparison. LCIV score is band A on those activities reported.

Investment Beliefs

Investment beliefs set the direction for LCIV investment policy, practices and organisational culture. They help define how they will create investment value, in the context of future uncertainty, risk and opportunity. Whilst helping to make practical decisions about investment style, selection and monitoring of investment managers, asset allocation, investment decisions, performance objectives, and approach to active ownership.

They have published the following reports:

- **Responsible Investment (RI) Policy** in September 2018. Details the approach that the Pool aims to follow in integrating environmental, social and governance ('ESG') issues in its investments.

- **Investment Beliefs and Principles** in April 2021 - Their Investment Beliefs and Principles set an expectation that they will seek to engage with companies to ensure they can deliver sustainable financial returns over the long-term as part of comprehensive risk analysis. The Principles do not impose any restrictions on the type of assets help within the portfolio but rather clarify expectation that recognised best practice standards across governance, risk management, stewardship and value for money will be delivered

Climate Change

Clients retain responsibility for asset allocation and investment strategy, and thus exposure to climate risk. LCIV role is seen as helping clients to understand and manage these risks, whilst also addressing the global climate emergency.

They have published the following reports:

- **London CIV Climate Change Policy in December 2020** - By developing a dedicated Climate Change Policy, London CIV has created a three-step strategy to protect portfolios from the systemic risks posed by climate change using the following actions:
    1. Integration: embedding responsible investment into investment decision and design
    2. Engagement: collaboration with companies, managers, peers and participants
    3. Disclosure: transparent reporting in line with best practice

- T**he Task Force on Climate-Related Financial Disclosures (TCFD) Report 2021** in April 2021 - London CIV have been a signatory to the TCFD since June 2020 and have committed to reporting annually in line with its recommendations. London CIV conducted this exercise in 2020. This report is a framework to describe LCIV journey towards improving the resilience of funds to climate-related risks. LCIV will continue to prioritise climate change issues at London CIV and aim for improved disclosure in the next reporting year. LCIV commissioned Trucost part of S&P Global to conduct a climate risk scenario analysis across all Listed Equity, Corporate Fixed Income and Sovereign Debt securities. This was complemented by an in-house carbon footprint assessment of the infrastructure sub-fund utilising the EcoInvent life cycle inventory. This segmented climate-risk analysis covers 91% of the consolidated pool's Asset under management.

- **Trucost Climate Related Portfolio Assessment** - This report by Trucost provides both forward-looking and historical metrics that may be used by asset owners and/or asset managers to support their climate-related disclosures in line with TCFD recommendations, and inform internal processes for risk management and strategy development within an organization. Metrics and Targets summary results:
    - Weighted Average Carbon Intensity (Carbon footprint) - The results indicate that the Listed Equities (LE) & Corporate Fixed Income (CFI) are underweight (3.5% versus 6.8%) in typically carbon intensive sectors and companies. On the other hand, the Sovereign Fixed Income (SFI) securities are tilted towards more carbon intensive countries (1.9% versus 3.8%).
    - Exposure to Fossil Fuel Activities (Source: Trucost) -- Whilst London CIV performs better than the benchmark across all climate metrics and despite positive progress on climate risk mitigation efforts, the London CIV transition path is currently not compatible with a warming below 2°C.
    - Emissions Trajectory (Source: Trucost) In terms of apportioned emissions, these are approximately 11.5% higher than the emissions allowed for a 2°C carbon balance over the

period 2012 to 2025. The analysis confirms that a significant level of decarbonisation is required by investee companies to be in alignment with 1.5°C of warming.

London CIV have committed to setting short-, medium- and long-term targets to achieve net zero emissions by 2050 and will publish a decarbonisation framework ahead of COP26 in Glasgow, November 2021.

Stewardship

London CIV are a signatory to the UK Stewardship Code. London CIV have released a standalone Stewardship Policy and published its first Stewardship Outcomes Report. Both helping to identify priority themes across the four pillars of People, Planet, Principles of Governance and Prosperity and to track the progress of their efforts:

- **LCIV Stewardship Policy 2021** - This Policy is designed to highlight LCIV approach to setting stewardship priorities and use of active ownership to drive real-world outcomes at scale. It is intended to inform holdings, managers and suppliers about main concerns and expectations across all ESG factors.

- **London CIV – Stewardship Outcomes report 2020 for the year to December 2020 -** . At the end of 2019 LCIV undertook a review of their responsible investment activity and agreed a programme for 2020 which included cultural change, product development, improved resourcing, and climate change risk mitigation. This report sets out what LCIV have achieved and how they collaborated with Client Funds, against the requirements of the UK Stewardship Code. In summary:
    - Established a Responsible Investment Reference Group (RIRG), which has been meeting monthly, with membership including Pension Committee chairs, Finance Directors and Pension Fund Officers from Client Funds
    - Significantly increased involvement in collaborative groups across the industry and capacity for influence through voting and engagement, both directly and through asset managers
    - Created a new Responsible Investment team of three
    - Adopted a new set of investment beliefs which includes climate change risk as part of our investment considerations
    - The number of ESG focused investment products has increased and continues to grow.
    - Working with Client Funds to develop further ESG funds to meet their requirements during 2021.
    - Completed its first climate risk analysis and plan to publish a net zero climate ambition before the end of 2021

To improve Stewardship Outcomes over time, London CIV is finalising its own Voting Policy to build on LAPFF guidelines and go further to capture the diverse range of priorities covered in their 2021 Stewardship and Engagement themes. LCIV are also working with Hermes EOS as stewardship partner and will be developing voting and engagement report.

COST TRANSPARENCY

A **voluntary** Code of Transparency into investment management fees and cost was developed and approved by the Scheme Advisory Board (SAB) and launched in May 2017.

The LGPS Code of Transparency was introduced to assist LGPS clients gather cost information in a consistent format.

Fund managers to the LGPS are being encouraged to sign up to this Code to demonstrate their commitment to transparent reporting of costs. A full list of signatories signed up to the code are available to view on the SAB website SAB Manager List

The Financial Conduct Authority (FCA) wanted to see a more consistent and standardised disclosure of costs and charges for institutional investors and in 2018, they launched the Institutional Disclosure Working Group (IDWG).

In November 2018, the Cost Transparency Initiative (CTI) was launched and became the organisation taking forward the work of the previous IDWG. The CTI is a partnership between the Pensions and Lifetime Savings Association (PLSA), the Investment Association (IA) and the LGPS Scheme Advisory Board.

As of 21st May 2019 a new framework of templates and guidance was released by the CTI. New signatories to the Code with effect from 21st May 2019 will be expected to complete the appropriate template within the CTI framework.

The CTI framework will be used to report costs and charges and help assess value for money of any investments. It is compatible with Markets in Financial Instrument Directive (MiFID II) and can be used by Defined Benefit and Defined Contribution schemes.

There are three different templates:

1. The User Summary, which can be used by schemes and advisors to provide a summary of key information across all investments.
2. The Account Template, which is the main cost disclosure template to be completed by the investment manager(s) and covers the majority of assets and product types.
3. The Private Equity Sub-template, which is to be completed by investment managers of closed-ended private equity funds.

The templates provide information on three main categories of investment cost: management fees, performance fees and transaction costs.

Cost transparency is also part of the revised CIPFA accounting standards issued for inclusion in LGPS and administering authorities' statutory annual report and accounts as well as being included in the government's criteria for pooling investments.

The Compliance System

As part of the Code, investment managers are required to complete and submit the template for the relevant mandate (without request) to their LGPS clients on either an annual or quarterly basis as agreed with their client. In order to streamline the process and make it more widely available, the SAB procured a system from Byhiras which will take the form of online facility intended to:

- Be capable of accepting and storing template data
- Check the timeliness of data submission and report late returns
- Ensure that template data is signed off by managers as 'fair, clear and not misleading'

- Provide a check against the MiFID II total cost amount submitted separately by managers to their LGPS clients

As well as ensuring compliance with the Code the system could be used by LGPS clients to:

- Replace the existing excel format templates provided to them by managers
- View a useful but limited set of onscreen reporting and comparison tools
- Give permission to other LGPS clients or trusted third parties (e.g. their investment advisor) to access and export their template data
- Provide advanced reporting facilities under a phase 2 development subject to the agreement of Code clients.

The template data held within the compliance system will be separate from any other database held by Byhiras and cannot be shared by Byhiras with any third parties for any purpose.

The system will check that fields have been completed with suitable content (i.e. fraction where fraction needed, cells cross calculate to give a number referenced elsewhere in the template). On submitting the templates, the manager is asked to confirm that the template is fair, clear and not misleading (and are directed to the FCA website for more details on that statement). This system went live on **1 April 2020.**

The Fund has been in contact with its fund manager to gather the cost transparency data. The Fund asset managers who are listed as signatories on the SAB website and whether their templates have been uploaded to Byhiras website can be seen in the following table:

Fund Manager	Signatory on SAB website	Reporting Period	Template uploaded to Byhiras portal	CTI Main Account Template	CTI Private Equity Template
LGIM Emerging markets	✓	31 Mar 21	✓	✓	
LGIM All World Equities	✓	31 Mar 21	✓	✓	
LGIM Equites (RAFI)	✓	31 Mar 21	✓	✓	
LCIV Ruffer	✓	31 Mar 21	✓	✓	
LCIV Baillie Gifford (DGF)	✓	31 Mar 21	✓	✓	
LCIV Baillie Gifford Global Alpha	✓	31 Mar 21	✓	✓	
*GMO	X		x		
Royal London Corporate Bonds	✓	31 Mar 21	✓	✓	
Royal London Bonds	✓	31 Mar 21	✓	✓	
UBS	✓	31 Dec 20	x	✓	
Russell Investments	✓	31 Mar 21	✓	✓	
JP Morgan	✓	31 Mar 21	✓		✓
Churchill	✓	31 Mar 21	✓		✓
Stafford II	✓	31 Mar 21	✓		✓
Stafford IV		31 Mar 21	✓		✓
CBRE	✓	31 Mar 21	✓		✓
Permira	✓	31 Mar 21	✓		✓

*GMO were not signatories to the Code of Transparency. Their account was fully drawn down in July 2020. Whilst a template was not received, fee data has been included in the management fee disclosures for the statement of accounts.

Some of our Fund Managers report data quarterly in arrears and it has not been possible to collect the data in a timely manner for use in the accounts or the annual report covering the same time period, although the data provided does include costs for a full year.

Management Fees and costs identified for inclusion in the accounts, at time of preparation, are £3,338m, (£3,148m 2019/20).

This is the first year that all managers have adopted the updated CTI templates and as shown in the table above some managers have not submitted data via the Byhiras website

User reports from the Byhiras website are available which summarise the Transaction costs, management fees and Performance fees/returns. As can be seen from the table above not all fund managers have uploaded data to the website and the summary user reports do not include all of the managers, in particular the Private Equity templates, therefore extracting data from the user summary reports is not comprehensive to include in this report.

Therefore the Fund has not carried out any analysis of the data preferring, to wait a better understanding of interpreting the data is known and the compliance system is in full operation. The fund, using the CTI reporting templates, list a summary of costs as shown in the following table:

Cost Classification	**CTI Main Account Template**	**CTI Private Equity Template**	**Total**	**Net Asset Value £874,235m**
	£000	**£000**	**£000**	**%**
Transaction Costs	1,703		1,703	0.19
Ongoing Charges:				
• Investment Management	3,321	700	4,021	0.46
• Fund Operating Expenses - Administration	99	152	251	0.03
• Fund Operating Expenses- Governance	54	100	154	0.02
Incidental Costs	137		137	0.01
Lending & Borrowing	314		314	0.04
Property Expenses	787		787	0.09
Total	**6,415**	**952**	**7,367**	**0.84**

Phase II of the compliance system development, will pre-populate the relevant CIPFA table ‘Ongoing investment management costs’ from the information submitted by managers. This will then be able to be used in our Statement of Accounts. An information pack on how this table links to the data from managers will be available on the SAB website soon.

Scheme Administration Report

OVERVIEW

During 2020/21 LPPA moved to a new operating model and Havering administration work is now carried out across all of their sites by casework dedicated teams.

Responsibility for call handling and responding to online member queries sits with the central Pensions Helpdesk in Preston. Call data could not be collected between April and June due to the change in the way LPPA had to work during lockdown. LPPA implemented remote working and maintained an operational contact team but lost the management information temporarily.

During the period June 2020 to March 2021, LPPA Pensions Helpdesk answered an average of 94% (94% 2019/20) of calls going into the call centre across all clients with the average wait time for a call to be answered being 4 minutes 44 seconds (1 minute 54 seconds 2019/20). 66% (no comparison available 2019/20) of calls answered were resolved at the first point of contact.

The Pensions Helpdesk uses customer surveys to record satisfaction levels of call handling, email handling and retirement processing. In March 2021 overall satisfaction levels for call handling were 95% (no comparison available 2019/20) for Havering scheme members. Satisfaction levels for emailed communications was 87% (72% 2019/20) across all LPPA clients. Satisfaction levels for retirement cases averaged at 95% (76% 2019/20) for Havering scheme members.

LPPA continue to review their service and look for efficiencies. During 2020/21 this included the introduction of a new operating model and the launch of the new pension's website.

Value for Money Statement

A comparison of the 2020 SF3 data supplied to MHCLG shows that the Havering Fund was ranked first out of the 32 London Boroughs for cost per member (rank 21 2019/20) in respect of the pension's administration costs. Administration costs were disproportionally low in 2019/20 due to an incorrect un-cleared sundry creditor payment raised in 2018/19, however taking this into account Havering would be ranked third.

We have generally seen an improvement in the number of cases meeting the key performance indicators which is shown in the key performance data. The one area that has shown a slight reduction in cases hitting the service level agreement is deaths, where cases have almost doubled from last year. We continue to work with LPPA to improve the flow of information and processes to further enhance efficiencies. LPPA remain committed to reducing overheads to remain competitive and provide good value for money.

Our data quality on common data standards is currently 97% (96% 2019/20). Data quality is fundamental to ensuring an accurate valuation of the Fund's liabilities. The Fund will be introducing a data improvement plan during 2021/22 which identifies areas and processes that can assist in maintaining, and improving on, the good quality, accurate data which we already hold.

Summary of Activities undertaken by LPPA during the year

LPPA is responsible for all aspects of the Fund administration including calculating benefits, processing joiners and leavers, record amendments, end of year returns, monitoring and administration of the Authority's Additional Voluntary Contributions (AVC) scheme. LPPA engagement team is responsible for communications and training for Scheme employers and pension scheme members.

The key functions of the LPPA are:

- Processing new members of the scheme
- Dealing with requests from members who wish to transfer their pension into or out of Havering's Fund
- Administering death benefits for scheme members
- Bringing pensions into payment on retirement or early retirement

- Providing estimates for members/employers
- Assisting members who wish to increase their pension provision through AVCs or APCs
- Processing leavers with a refund of contributions or deferred benefits
- Maintaining accurate records with changes to members' details
- Reviewing and monitoring third tier ill-health retirements
- Utilising information technology to improve service standards and efficiency
- Ensuring continual data cleansing in preparation for the next scheme valuation
- Continually reviewing all processes to improve the customer experience

The Havering administration team is responsible for:

- Monitoring, reviewing and updating Scheme governance in line with relevant regulations and guidance
- Monitoring, reviewing and updating pension fund policies
- Monitoring and recording contributions for bodies that do not utilise the Havering Council payroll
- Bi-annual National Fraud Initiative (NFI) compliance
- Admission, Monitoring and Cessation of scheme employers
- Reviewing risk profiles of scheme employers

LPPA are also working on the Guaranteed Minimum Pension (GMP) reconciliation project which is an exercise to reconcile the records held by HMRC with the Havering pension records. During 2019/20 pensions identified as being underpaid have been corrected and any arrears due have been paid. Pensions identified as being overpaid were finalised during 2020/21 and the overpayments were written off. The final work stream is expected to be completed during 2021/22 to clear remaining cases that had required additional investigation with HMRC.

Key Uses of Technology

LPPA continue to look for ways to use technology to improve efficiencies and actively promote the use of the My Pension Online – Member Self Service (MSS) tool and the use of email communications.

MSS allows members to view their records online and raise any queries in a timely manner; they can also run estimates and update some personal details which takes tasks away from the administration team and reduces the cost of printing and postage.

In December 2020, LPPA re-launched their pension scheme member's website. The website covers all LPPA clients and provides detail on all aspects of the scheme.

Internal Dispute Resolution Procedure (IDRP)

Any internal disputes go firstly to the Authority's Actuaries and then to the Pensions Panel which comprises the Deputy Director of Human Resources/Organisational Development (OneSource), a representative from Legal and Governance (OneSource) and the Director of Finance (OneSource). The Havering Pensions Projects and Contracts Manager sits on the panel in an advisory role.

There have been no new Independent Dispute Resolution Procedure (IDRP) cases and 19 general customer complaints during 2020/21 (8 2019/20).

Whistle Blowing

The Pension Fund complies with the whistle blowing requirements of the Pension Act that came into force on 6 April 2005. It urges anyone to inform the correct authorities of any known wrong doings. The process for reporting breaches of the law to the Pensions Regulator can be found on the Authority's website by selecting the link here. Havering Pension Fund - select Whistleblowing procedure

No possible breaches have been reported to the named officer for reporting issues to within Havering which is the Chief Operating Office/Statutory Section 151 Officer. Consequently no reports have been made to the Regulator

KEY PERFORMANCE DATA

CIPFA released guidance for capturing Key Performance indicators during 2018/2019. Unfortunately, it is not possible to capture all of the suggested data using current technology. Requirements will be reviewed and where possible steps put in place to be able to report key performance indicators in line with the guidance in future reports. The data below is in line with previous reports.

INDICATOR	What is it an indicator of?	Actual 2020/21 %	Target 2020/21 %	Actual 2019/20 %	Actual 2018/19 %
The percentage of retirements processed within 5 working days	The percentage of retirement payments processed within 5 working days of the employee retiring or receipt of all relevant information. This indicator measures effectiveness through service delivery and is a standard throughout Local Government	100	98	99.44	84.96
The percentage of early retirement estimates processed within 5 working days	To produce estimates for early retirements i.e. ill health, redundancies and voluntary retirements within 5 working days of request, normal retirement date or receipt of all relevant information. This indicator is particularly important to service clusters	99.9	98	99.80	81.77e
The percentage of notification of deferred benefits within 4 working days	To notify members who have left their job (or one of their jobs) of the deferred benefits that they have accrued at the point of leaving within 4 working days of receipt of all relevant information.	100	98	98.21	86.17
The percentage of 'Transfers In' actuals processed within 4 working days.	The percentage of transfers in with the member's record updated with the transferred in information	100	98	97.70	88.68
The percentage of 'Transfers Out' actuals processed within 5 working days	The percentage of transfers out paid to the new pension provider	99.7	98	98.46	81.25
The percentage of 'death' notifications written out to within 5 days of receipt of all information received.	The percentage of deaths with notification of benefits	99.1	98	100	82.41
The percentage of joiners processed within 3 working days of information received	The percentage of joiners' records set up on the Pensions Administration System	100	98	99.85	95.76

Targets were set in line with CIPFA and London Centre of Excellence, cross councils benchmarking. They were reviewed by the Pension Fund Manager and Local Pensions Partnership as part of the Delegated Arrangement. The Pension Service Local Performance Indicators represent the main core of the administration team output but do not cover all the calculations and processes carried out

The data used to report the performance indicators is supplied by LPP from their Case Management System (CMS). CMS is a bespoke workflow system acting as a comprehensive management information tool. It provides detailed analysis of all cases processed/outstanding on a daily basis.

The system builds in Havering's agreed SLA's and work is managed and allocated based on a day count basis from date received. The system monitors caseload volumes and performance against SLA's. It also allows LPPA to track error/rework rates; ensuring quality is maintained throughout the administration function. It provides easily accessible and reportable information enabling monitoring, audit, performance management and annual review reporting capabilities.

The system allows LPPA to track, case completion rates against agreed SLA's, cases completed early, elapsed times as well as produce data on why cases are pending, for example awaiting information from a third party or scheme employer.

The Havering administration team receives a quarterly performance report and monitors the cases completed against the reported performance.

Havering will be introducing a data improvement plan during 2021/22 which will identify key work streams and priorities to help improve both the quality of data and the administration performance.

The indicators do not include record keeping and data maintenance tasks covered by LPPA, which are required to correctly administer a member's benefit and also have a direct impact on the triennial valuation.

Annual Benefit Statements are required to be sent to active and deferred scheme members by 31st August each year. This was achieved successfully in 2020. The administering authority and LPPA continue to promote the use of Member Self Service to reduce printing and postage costs.

Over the past 5 years trends on the key activities within the administration team are detailed below.

Service Item	2020/21 Cases	2019/20 Cases	2018/19 Cases	2017/18 Cases	2016/17 Cases
Retirements processed	529	533	512	257	370
Early retirement estimates processed	452	580	543	*Not Available	872
Notification of Deferred Benefits	726	727	947	241	348
Transfers In Actuals processed	129	87	27	45	25
Transfers Out Actuals processed	100	65	40	55	59
Death notification written out	530	273	183	157	193
New LGPS joiners processed	977	1,942	1,792	1,093	1,009
Refunds	443	691	678	113	123
TV Out & Inter Fund Adjustment (IFA) Quote	225	233	164	*Not Available	77
TV In & IFA Quote	195	276	196	*Not Available	69
Total Cases per year	**4,305**	**5,407**	**5,082**	**1,961**	**3,145**

Staff Resource

Since November 2017 the Pensions Administration service has been provided by LPPA, prior to this date it was part of oneSource Exchequer and Transactional Services. To ensure the effective delivery of the contract a Pensions Projects and Contracts Manager has been appointed from 1 November 2017.

LPPA currently has 5.23 FTE working on Havering administration, including case workers, help desk and data team staff, with a ratio of 1 member of staff to 3,721 (5,642 2019/20) fund members. The team completed a total of 6,834 (6,572 2019 20) cases including other contractual cases outside of the top 12 for the period 1st April 2020 to 31st March 2021 which is an average of 1,306 (1,877 2019/20)cases per staff member

Local Government Funding Cuts

All local authorities are under pressure to make significant financial savings. Several areas of the Authority have been reviewed and restructured. This impacts on the Pension section in two ways:-

- High demand from employees for information and guidance in respect of their pension benefits should they decide to retire earlier than they initially planned or be made redundant.

- High demand from service areas for Redundancy and Early Retirement Estimates as well as guidance in the options available.

The Authority continues to look at different ways of delivering services which impacts upon the Pension Administration Service. Demand for pension guidance for managers and employees working in areas that may be subject to change continues to escalate

Academies and Outsourcing

There were no academy conversions during 2020/21. Academies need continual support and monitoring.

Outsourcing of services within the Scheme's authority employers continues to add further demand and therefore an Employer Risk Manager has been put in place via LPPA to ensure all admission agreements and bonds are in place for the service providers. The level of planned and actual outsourcing by Academies is still on-going and likely to continue to grow. This adds to the work of the Employer Risk Manager who provides the necessary data for the Actuaries to calculate Bonds and employers' rates. If the outsourced function is granted Admitted Body Status this drives further unplanned work to separate out the scheme employers and causes a further administrative burden as the number of scheme employers increases.

The growth in Scheduled and Admitted Body scheme employers also increases the support and communications requirements for LPPA and the Havering Pensions Administration Team. Introduction meetings are offered to all new bodies to support their entry into the scheme with on-going meetings and support as and when required.

To support employers and services the Fund has produced an **Employer Outsourcing Guide**, this provides an overview of the pension implications and the procedures to follow when LGPS scheme employers outsource services from the organisation. This document is available on request.

Unit costs per member	2020/21	2019/20	2018/19	2017/18	2016/17
Investment Management Expenses					
Total Cost (£'000)	3,412	*3,192	4,303	3,346	3,003
Total membership (no's)	18,858	19,076	19,734	19,193	18,514
Cost per member (£)	180.93	167.33	218.05	174.33	162.20
Administration					
Total Cost (£'000)	601	**315	***653	532	562
Total membership (no's)	18,858	19,076	19,734	19,193	18,514
Cost per member (£)	31.86	16.51	33.09	27.72	30.36
Oversight and Governance Costs					
Total Cost (£'000)	415	468	419	426	360
Total membership (no's)	18,858	19,076	19,734	19,193	18,514
Cost per member (£)	22.00	24.53	21.23	22.20	19.44
Total cost per member	**234.80**	**208.37**	**272.37**	**224.25**	**212.00**

*2019/20 figure includes incorrect inclusion of transaction costs
** Includes an incorrect un-cleared sundry creditor from 2018/19.
***Includes an incorrect sundry creditor

Confidentiality of Personal Data

LPPA has developed a robust control framework to help ensure that all the requirements of the GDPR are met in a timely manner and which will also serve as a defence in the event of litigation. LPPA became fully GDPR complaint ahead of the 25th of May 2018 deadline and provided all clients and employers with the relevant paperwork to aid their own compliance.
LPPA also aim to adhere to a code of conduct which would bring the additional benefit of:

- improving transparency and accountability - enabling individuals to distinguish the organisations that meet the requirements of the law and they can trust with their personal data
- providing mitigation against enforcement action
- improving standards by establishing best practice
- investigate innovative solutions to high risk areas including data minimisation and pseudonymisation

Accuracy of Data

Each year, following year-end processing, LPPA raise queries with Havering Scheme Employers such as missing joiners, leavers, change of hours and pay queries. In most instances the queries are reducing year on year and they continue to identify errors and educate employers. LPPA have improved their templates and literature, following feedback from employers, to ensure the data supplied by Havering employers is accurate with an aim to improve the overall data quality position.

During 2020/21, LPPA tracked the TPR scores on a quarterly basis. They continue to develop an ongoing program of work to maintain/improve data scores to above the targets outlined below.

London Borough of Havering	Target	Q4 2020/21	Q4 2019/20	Trend
	%	%	%	%
Common data score	**95.0**	97.0	96.4	**0.6%**
Conditional data score	**90.0**	93.0	92.2	**0.8%**

Fund Membership Data

The membership of the Fund over the last five years is as follows:

	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018	As at 31 March 2017
Contributors	6,426	6,492	6,717	6,562	6,217
Deferred pensioners	6,020	6,174	6,544	6,384	6,196
Pensioners and Dependants	6,412	6,410	6,473	6,247	6,101
	18,858	**19,076**	**19,734**	**18,193**	**18,514**

A contributing factor to the decrease in membership numbers since 2019/20 relates to the transfer out of Havering Sixth Form College and the Havering College of Further & Higher Education.

Those pensioners in receipt of enhanced benefits over the same five year period are as follows:

	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018	As at 31 March 2017
Ill Health	5	3	7	3	6
Early Retirements	0	0	0	0	0

The age profile of members within five year bandings for the year ended 31 March 2021 is as follows:

AGE BANDS	ACTIVES	DEFERREDS	PENSIONERS (OWN RIGHT)	DEPENDANT PENSIONS	TOTAL BY AGE BAND
5-9	0	0	0	4	**4**
10-14	0	0	0	8	**8**
15-19	18	1	0	14	**33**
20-24	206	35	0	7	**248**
25-29	297	203	0	2	**502**
30-34	449	409	0	1	**859**
35-39	626	528	0	3	**1,157**
40-44	829	611	0	1	**1,441**
45-49	977	947	7	14	**1,945**
50-54	1,130	1,325	7	23	**2,485**
55-59	1,038	1,249	225	24	**2,536**
60-64	662	593	787	55	**2,097**
65-69	158	106	1,286	75	**1,625**
70-74	34	13	1,263	121	**1,431**
75-79	2	0	866	136	**1,004**
80-84	0	0	526	146	**672**
85-89	0	0	343	154	**497**
90-94	0	0	167	84	**251**
95-99	0	0	41	18	**59**
100-104	0	0	4	0	**4**
TOTAL	**6,426**	**6,020**	**5,522**	**890**	**18,858**

Actuarial Report

London Borough of Havering Pension Fund ("the Fund")

Actuarial Statement for 2020/21

This statement has been prepared in accordance with Regulations 57(1) (d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated December 2019. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £733 million, were sufficient to meet 70% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £320 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Discount rate	3.3%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a for males and females. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.6 years	23.7 years
Future Pensioners*	22.4 years	25.2 years

*Aged 45 at the 2019 valuation

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly. As a result, the funding level of the Fund as at March 2021 is broadly similar to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022.The Funding Strategy Statement will also be reviewed at that time

Steven Law FFA

For and on behalf of Hymans Robertson LLP

30 April 2021

PENSION FUND - FUNDING

Details about the financial assumptions used by the Actuary can be found within the Valuation Report 2019, which is available by selecting the link here Havering Pension Fund.

The Fund's Actuary (Hymans Robertson) carried out a triennial valuation during 2019/20 based on data as at 31 March 2019. The main purpose of the valuation is to calculate the funding position within the Fund and set employer contribution rates for the following three years and the results of the 2019 effecting employer contribution rates from 1 April 2020.

The valuation is a planning exercise for the Fund, to assess the monies needed to meet the benefits owed to its members as they fall due. As part of the valuation process, the Fund reviews its funding and investment strategies to ensure that an appropriate contribution plan is in place.

A comparison of funding levels can be seen below:

Summary

Ongoing funding basis	**31 Mar 2013**	**31 Mar 2016**	**31 Mar 2019**
	£m	**£m**	**£m**
Assets	461	573	733
Liabilities	752	857	1,054
Surplus/(deficit)	**(291)**	**(284)**	**(321)**
Funding level	61.2%	66.8%	70.0%

The improvement in funding position is mainly due to strong investment performance over the periods. The next valuation will be based on data as at 31 March 2022.

The Fund monitors each employer's ill health experience on an on-going basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance, the employer will be charged additional contributions.

Employer decisions on the application of discretions can give rise to strain costs being payable by the employer to the Pension Fund. Strain costs are the capitalised financial value of the impact on the Fund when a member draws their pension benefits before their Normal or State Pension Age (for whatever reason). Factors that influence the strain costs are the member's age, length of service, gender and marital status. The impact on the Fund is the loss of future contribution streams from the employee and the member, and paying out benefits earlier than anticipated.

Generally where a strain cost arises due to an employer decision, such as waiving actuarial reductions or sharing the cost of buying additional pension, the strain costs will be met by the employer and not the Pension Fund. This is monitored and reconciled to data issued by the pension administration section to ensure appropriate strain costs are paid into the Fund.

GOVERNMENT ACTUARY DEPARTMENT (GAD) – SECTION 13 PUBLIC SERVICES PENSIONS ACT 2013

GAD was appointed by the Ministry of Housing, Communities and Local Government (MHCLG) to report under section 13 of the Public Service Pensions Act 2013 in connection with the actuarial valuations of the 91 funds in the Local Government Pension Scheme in England and Wales ('LGPS' or 'the Scheme'), based on the results the 2016 Valuation.

Section 13 (4) requires GAD to report on whether four main aims had been achieved, using a variety of measures within the following categories:

a. **Compliance** – to confirm the actuarial valuations has been carried out in accordance with the scheme regulations.
b. **Consistency** – to confirm the actuarial valuation has been carried out in a way that is not inconsistent with other valuations.
c. **Solvency** – to confirm employer contributions is set at an appropriate level to ensure the solvency of the pension fund, and
d. **Long Term cost efficiency** – to confirm employer contributions are set at a level to ensure, over the long term, that they meet current benefit accruals and include an adjustment to the rate for any surplus or deficit.

Following the 2016 report, published in October 2018, Havering received an amber flag against the insolvency measure (item c above). This measure highlights possible risks to a fund as a result of assets being significantly lower than liabilities, where liabilities are those estimated on the SAB standard basis. A fund in deficit may need to pay additional contributions in order to meet the liabilities that have already been accrued.

An amber flag is a potential issue that has been recognised but in isolation would not contribute to a recommendation for remedial action.

The DRAFT 2019 report, yet to be published will show that Havering received three "white flags":

Long term cost Efficiency:

1. One for being in the bottom 5 for funding level
2. One for having a deficit recovery period greater than 10 years

Solvency

3. One for return scope (leaning heavier on investment returns in the funding plan compared to others).

White flags indicate where GAD is highlighting something but doesn't have any broader concerns around funding plans. No amber flags this time so an improvement on the 2016 outcomes.

Our actuary has carried out extensive testing of our funding plans and is comfortable our investment and contribution strategies are robust and fit for purpose.

Governance

GOVERNANCE ARRANGEMENTS

Investment strategy and performance monitoring of the Fund is a matter for the Committee which obtains and considers advice from the Authority and oneSource officers, and as necessary from the Fund's appointed professional adviser, actuary and performance measurers who attend meetings as and when required.

The Pensions and Treasury team within the OneSource Finance service ensures that members of the Committee receive advice on investment strategy and monitoring of the managers. The team also reviews management arrangements and other issues as appropriate, as well as accounting for the activities of the Fund.

The membership of the Pensions Committee reflects the political balance of the Council and following the Local Elections held in May 2018 the structure of the Committee, at the time of publication of this report, are as follows:

Conservative Group:

Cllr John Crowder (Chair)

Cllr Osman Dervish (From May 2019)

Cllr Jason Frost (From May 2019)

Residents Group

Cllr Stephanie Nunn

North Havering Residents' Group

Cllr Martin Goode (Vice Chair March 2019)

Upminster & Cranham Residents' Group

Councillor Ron Ower

Labour Group

Keith Darvill (May 19)

Other

Union Members (Non-voting) – Derek Scott (Unison), Andy Hampshire (GMB)

Admitted/Scheduled Body Representative (voting) (currently vacant)

Cllr John Crowder
Chair

Conservative Group

Cllr Martin Goode
Vice chair

North Havering
Residents' Group

Cllr Jason Frost

Conservative Group

Cllr Osman Dervish

Conservative Group

Cllr Stephanie Nunn

Residents' Group

Cllr Ron Ower

Upminster & Cranham Residents' Group

Cllr Keith Darvill

Labour Group

The terms of reference for the Committee are:

- To consider and agree the ISS for the Pension Fund and subsequently monitor and review performance
- Authorise staff to invite tenders and to award contracts to actuaries, advisers and fund managers and in respect of other related investment matters
- To appoint and review the performance of advisers and investment managers for pension fund investments
- To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities)(England) Regulations 2000 relating to those matters concerning pensions made under Regulations set out in Sections 7, 12 or 24 of the Superannuation Act 1972.

In line with the Public Service Pensions Act 2013, a Local Pension Board ("the Board") has been established and its role is as follows:

- Assist the Administering Authority as Scheme Manager; –
  - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
  - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
  - in such other matters as the LGPS regulations may specify
- Secure the effective and efficient governance and administration of the LGPS for the Fund
- Provide the Scheme Manager with such information as it requires to ensure that any member of the Board or person to be appointed to the Board does not have a conflict of interest.

The Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Board will also help ensure that the Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

The Board consists of 2 employer representatives and 2 scheme member representatives. A Chair was appointed by the employer and scheme member representatives of the Board from amongst their own number and will serve on a rotating basis with the term of office shared between an employer and a scheme member representative on an equal basis.

Employer representatives:

Denise Broom – Life Academy Trust (from December 18)

David Holmes – Havering College of Further and Higher Education (left August 19)

Andrew Frater – Empower Learning Academy Trust - Hall Mead School (from January 2020)

Scheme Member representatives:

Mrs Anne Giles (resigned July 2021) Vacant from July 2021

Mr Mark Holder

The Local Pension Board produces a separate annual report and this available on the Authority's website by selecting the link here http://www.yourpension.org.uk - select Employer Guides

GOVERNANCE COMPLIANCE STATEMENT

Under Regulation 55 of the LGPS Regulations 2013, administering authorities are required to prepare, publish and maintain statements of compliance against a set of best practice principles on scheme governance and stewardship.

(1) An administering authority must prepare a written statement setting out —

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so:

(i) the terms, structure and operational procedures of the delegation,

(ii) the frequency of any committee or sub-committee meetings,

(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

(2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

(3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

(4) An administering authority must publish its statement under this regulation, and any revised statement.

Under Regulation 106 of the Local Government Pension Scheme (LGPS) (Amendment) (Governance) Regulations 2015 required Administering Authorities to establish a Local Pension Board (LPB) by no later than 1 April 2015.

(1) Each administering authority shall no later than 1st April 2015 establish a pension board ("a local pension board") responsible for assisting it:

(a) to secure compliance with:

(i) these Regulations,

(ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme (**a**), and

(iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and

(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme

The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority

The Governance Compliance Statement was last amended in November 2019 to reflect changes to membership of the Committee. The Compliance statement was reviewed in November 2020 and no changes were required.

The Governance Compliance statement includes:

- Structure and the role of members for the Pensions Committee and the LPB
- Membership and Representation of the Pensions Committee and the LPB
- Guidance and monitoring, the support and advice available to the Pensions Committee and the LPB
- Reimbursement for the Pensions Committee and the LPB members
- Training
- Frequency of meetings
- Scope, looking beyond pensions administration and understanding the key risks
- Access and Publication of agenda and minutes of all non-restricted meetings
- Reviewing and Updating of policies
- Compliance to guidance given by Secretary of State

The compliance principles are not mandatory but suggested best practice; however the Fund must explain the reasons for non-compliance, if applicable, in the statement.

This statement can be found in the appendices at the back of the report.

The Governance Compliance statement is also available on the Authority's website by selecting the link here Havering Pension Fund.

In line with guidance published by the then Shadow Scheme Advisory Board the Local Pension Board will publish its own separate Annual Report, similar in nature to this report as published by the Committee.

Maintaining expertise, experience and knowledge is a key focus for the committee in order to meet the "qualitative test" under **Markets in Financial Instrument Directive (MiFID 11).** Firms will undertake an assessment of the **expertise, experience and knowledge** of the local authority and its pension fund committee in order to be reasonably assured that they are capable of making their own investment decisions and have an understanding of the risks involved before a firm will permit election to professional status. All requests for election have been granted for existing investment service providers.

TRAINING AND DEVELOPMENT STRATEGY

The Pensions Regulator Code of Practice which came into force on 1 April 2015 includes a requirement for members of the Pension Committee/Local Pension Board (LPB) to demonstrate that they have an appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Committee/LPB.

LGPS (Amendment) (Governance) Regulations 2015 states that Administering Authority must have regard to guidance issued by the Secretary of State. Guidance was issued by the then Shadow Scheme Advisory Board in January 2015 and states that the Administering Authority should make appropriate training available to assist LPB members in undertaking their role. It was always the plan to adopt a training strategy that will incorporate Pension Committee member training with LPB members to keep officer time and training costs to a minimum.

A joint training strategy has been developed and formally sets out the arrangements the Fund will take in order to comply with the principles of the CIPFA Code of Practice. The Fund will look to review whether a new training policy will be required in preparation for the new Pensions Regulator Code of Practice and the possible introduction of the Good Governance report.

The Pension Committee fully supports the intentions behind CIPFA's Knowledge and Skills Code of Practice and has agreed to formally adopt its principles. CIPFA's Knowledge and Skills Framework covers six relevant areas of knowledge for members of decision making bodies, namely:

1. Pensions Legislative and Governance Context.
2. Pensions Accounting and Auditing Standards.
3. Financial Services Procurement and Relationship Management.
4. Investment Performance and Risk Management.
5. Financial Markets and Products Knowledge.
6. Actuarial Methods, Standards and Practices.

Pension Committee and LPB members are expected to achieve a minimum level of training credits and the CIPFA's Knowledge and Skills self-assessment questionnaire is used to record credits attained and identify gaps in the knowledge and skills of the members.

The London Borough of Havering, as an Administering Authority of the LGPS, recognises the importance of ensuring that is has the necessary resources to discharge its pensions administration responsibilities and that all staff and members charged with financial administration, governance and decision making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

It therefore seeks to utilise individuals who are both capable and experienced and it will provide and/or arrange training for staff and members of the pensions decision making and governance bodies to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

As the majority of training and development is cyclical in nature, spanning the four year membership of the committee, the Authority's Constitution recommends that the membership of the committee remains static for the life of the Authority unless exceptional circumstances require a change, for the very reason that Members need to ensure that expertise is developed and maintained within the Committee.

In recognition of the importance of member training in pension matters the Authority's Constitution was amended in March 2012 to reflect that if members do not undertake required training then that member may not partake in the decision making process.

It is important that all the Members of the Committee are adequately trained and briefed to make effective decisions and those members are aware of their statutory and fiduciary responsibilities and achieve the terms of reference.

Provision of Training

A training budget has been agreed for the provision of training for £10,000 but this will be re-evaluated as appropriate. Training costs will be met from the Pension Fund.

Associated training and development will be given when required which is linked to the Pension Fund meeting cyclical coverage.

In addition to the cyclical training and development that the Committee will have over the lifetime of their membership, training will be provided in the areas where it has been specifically requested or has been identified as required. Special pension committee meetings will be arranged from time to time to discuss matters that fall outside of the cyclical meetings.

Members also receive briefings and advice from the Fund's investment adviser at each committee meeting.

Members and Officers also attend seminars arranged by Fund Managers or other third parties who specialise in public sector pensions

The London CIV runs periodic seminars to aid Officer and Committee members' development.

The Fund is a member of the CIPFA Pensions Network which gives access to an extensive programme of events, training/workshops, weekly newsletters and documentation, including briefing notes on the latest topical issues.

The Fund encourages use of the three day training courses offered by Local Government Employers (LGE) which is specially targeted at elected members with Pension Fund responsibilities. All new members are encouraged and given the opportunity to attend.

The Head of Pensions and Treasury, Pension Fund Manager and/or the Pension Fund Accountant and the Pensions Projects and Contracts Manager attend quarterly forum meetings with peers from other London Boroughs which gives access to extensive opportunities of knowledge sharing and benchmarking data.

Officers within oneSource Pensions teams also benefit from sharing of best practice across its partner authorities.

Officer training and personal development is monitored through the Authority's internal appraisal process.

Training logs are maintained and have been recorded since the election in May 2018 to demonstrate continuous development and training during their full term of elected office on the Pensions Committee. Attendance and coverage is summarised in the following table:

PENSIONS COMMITTEE MEMBER TRAINING (Election May 2018 – 31 March 2021)

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
3 July 2018	Peter Worth – Understanding the role of the Pensions Committee	Town Hall	KSF 1	Paid for by OneSource – to be recharged to Havering	Cllr John Crowder (Chair) Cllr Melvin Wallace (Vice-Chair) Cllr Roger Ramsey Cllr Martin Goode (also Chair Audit cttee) Cllr Ron Ower Cllr Matt Sutton (also Vice-Chair Audit cttee)
24 July 2018	Officer - New Councillor Induction • plus Hymans "A brief Guide to the LGPS'	Town Hall	ALL	Officer Time	Cllr Ray Morgon Cllr Ron Ower
24 July 2018	Officer - New Councillor Induction – • distribution of slides only	Town Hall	ALL	Officer Time	Cllr Matt Sutton Cllr Martin Goode
24 July 2018	Officers - Pension Fund Accounts 17/18 Briefing covered: • Overview of the Pension Fund Accounts	Town Hall – prior to Pensions Committee meeting	KSF 2	Officer Time	Cllr John Crowder (chair) Cllr Melvin Wallace (vice- chair) Cllr Martin Goode Cllr Ron Ower Cllr Ray Morgon Cllr Jan Sargent Cllr Gerry O'Sullivan Cllr David Durrant Cllr Viddy Persuad (part)

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
20 August 2018	Hymans – Direct Corporate Lending, covered: • What is Direct corporate Lending • Why we are investing in this asset class • How to get exposure bFinance - covered the manager selection process	Town Hall – Prior to Special Pensions Committee meeting	KSF 3 KSF 5	Part of contract	Cllr John Crowder (chair) Cllr Melvin Wallace (vice-chair) Andy Hampshire (GMB union-employee rep)
15 November 2018	SPS Conferences Local Authority - Pension Fund Investment Strategies: • Topical Issues • Income from Property & Infrastructure- planning for cash flow negativity • Management of Assets – improving cost transparency • LGPS Perspectives -current issues	Le Meridien Hotel, Piccadilly, W1	KSF 5	Free	Cllr Stephanie Nunn
11 December 2018	Officer - New Councillor Induction	Library	ALL	Officer Time	Cllr David Durant
11 December 2018	Hymans-ESG :Introductory Training: • Introduction • Regulation • Application and Action • Next steps: establishing a set of beliefs	Town Hall – Prior to Pensions Committee meeting	KSF 1 KSF 4 KSF 5	£1,500	Cllr John Crowder (chair) Cllr Melvin Wallace (vice- chair) Cllr Ron Ower Cllr Stephanie Nunn Cllr David Durrant Cllr Matt Sutton (part)

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
9 July 2019	Officer – New Councillor Induction	Town Hall	ALL	Officer time	Cllr J Frost
11 July 2019	Officer – New Councillor Induction	Town All	ALL	Officer time	Cllr K Darvill
11 July 2019	Hymans - Managing Currency Risk	Town Hall	KSF 3 KSF 4 KSF 5	Hymans Fee	Cllr M Goode Cllr S Nunn Cllr R Ower Cllr J Frost Cllr J Crowder
18 July 2019	Officers - Pension Fund Accounts 18/19 Briefing covered: Overview of the Pension Fund Accounts	Town Hall	KSF 2	Officer Time	Cllr M Goode Cllr R Ower Cllr O Dervish Cllr V Persaud (Audit)
23 July 2019	Hymans - Managing Currency Risk – training slides distributed for non-attendees on 11 July 2019		KSF 4 KSF 5	Officer Time	Slides Distributed to Cllr K Darvill Cllr O Dervish Andy Hampshire (GMB rep)
23 July 2019	Officer – New Councillor Induction	Town Hall – EF14	All	Officer Time	Cllr O Dervish
16 September 2019	Officer –Induction training	LBH Offices	ALL	Officer time	Derek Scott (UNISON Rep)

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
17 September 2019	Hymans – Multi Asset Credit: • Debt markets overview • What is Multi Asset Credit (MAC) • Absolute Return Bonds (ARB) • Current Yields • Comparison of MAC vs ARB	Town Hall - As part of the Pensions committee meeting	KSF 3 KSF 4 KSF 5	Hymans Fees	Cllr J Crowder Cllr M Goode Cllr O Dervish Cllr J Frost Cllr R Ower Cllr K Darvill
24 October 2019	Officer – New Councillor (sub) Induction	LBH Offices	ALL	Officer Time	Cllr L Van den Hende
12 November 2019	A Guide to the LGPS –sent via email	LBH Offices	ALL	Officer Time	Cllr J Crowder Cllr M Goode Cllr O Dervish Cllr J Frost Cllr R Ower Cllr S Nunn Cllr K Darvill 2 nominated substitutes: Cllr R Morgan Cllr L Van den Hende
13 November 2019	CIPFA – Annual Pensions Conference	The London Stock Exchange	ALL	Free Place	Cllr J Crowder
10 December 2019	Hymans Valuation 2019 training presentation	LBH Offices	KSF 6	Hymans Fee	Cllr J Crowder Cllr D O'Flynn (sub) Cllr S Nunn Cllr K Darvill
1 October 2020	Hymans - Introduction to Multi Factor Investment: • Importance of considering Multi Factor exposure • Benefits of Multi Factor diversification	As part of the Pensions committee meeting	KSF 4 KSF 5	Hymans Fee	Cllr J Crowder Cllr S Nunn Cllr M Goode Cllr K Darvill Cllr P Crowder (sub for Cllr Dervish) Cllr J Frost

DATE	TOPIC COVERED	LOCATION	KSF	COST	ATTENDED BY
26 November 2020	Hymans/LGIM – Multi Factor Investing • What is multi factor investing • Different factors explained • LGIM Future World offering – explanation of portfolio • Blended factors vs market cap • How the climate tilt is applied	As part of the Pensions committee meeting	KSF 4 KSF 5	Free	Cllr John Crowder Cllr Jason Frost Cllr R Ower Cllr M Goode
26 January 2021	LGA LGPS Update • COVID resilience • Good governance • Responsible investment reporting	Webinar	KSF1 KSF4 KSF5	Free	Cllr Keith Darvill Cllr Ron Ower Derek Scott (UNISON Rep)
26 January 2021	Hymans briefing report circulated to all members: • Tackling Climate Change and related financial risks • TCFD framework awareness	Sent via Email from The Pensions Manager 21.01.21	KSF1 KSF5	Hymans Fee	Cllr John Crowder Cllr Jason Frost Cllr Ron Ower Cllr M Goode Cllr S Nunn Cllr O Dervish Derek Scott Andrew Hampshire
04 February 2021	LAPF Strategic Investment Forum	Webinar	KSF1 KSF3 KSF4 KSF5	Free	Cllr S Nunn

Attendance at Pensions Committee meetings:

All of the Pensions Committee agendas and minutes can be found on the Authority's website by selecting the link here [Havering - Committee details - Pensions Committee]

The Committee met a number of times during 2020/21 and the report coverage and attendance at those meetings are shown in the following table:

On 11 March 2020 the World Health Organisation (WHO) declared a COVID-19 pandemic. This caused a world-wide public health emergency. During 2020/21 committee meetings were held remotely (virtually) in order to ensure adherence to the safe use of council buildings guidance.

Committee papers for the meeting scheduled for 17 March 2020 were distributed but the meeting was cancelled as the pandemic declaration and working restriction came into force. Reports that required the Committees agreement were rolled over into the next scheduled meeting in July 2020.

DATE	TOPIC	ATTENDED BY
29 July 2020	• Noted Pension Fund Performance Monitoring for the quarter ending 31 March 2020, (deferred presentation from Infrastructure Manager (JP Morgan to the next meeting) • Noted Pension Fund Accounts for the year ending 31 March 2020. • Agreed the Business Plan/Annual Report on the work of the Pensions Committee 2019/20 • Noted the summary of responsible investment activities of the Funds investment managers (rolled over from the 17 March 2020 cancelled meeting). • Noted the Actuarial update –COVID 19 and funding risks • Agreed the updated Investment Strategy Statement (rolled over from 17 March 20 cancelled meeting) • Agreed the admission of Caterlink Ltd into the pension fund as an Admitted Body	Cllr John Crowder (chair) Cllr Martin Goode (vice chair) Cllr Osman Dervish Cllr Jason Frost Cllr Stephanie Nunn Cllr Ron Ower Cllr Keith Darvill
01 October 2020	• Noted Pension Fund Performance Monitoring for the quarter ending 30 June 2020, received presentations from one of the Funds Infrastructure Manager (JP Morgan) • Agreed the Pension Fund Annual Report for the year ending 31 March 2020. • Noted and agreed further execution in the progression of investment strategy implementation. • Considered and agreed the response to the LGPS Scheme consultation – amendments to statutory underpin as a result of the McCloud legal challenge.	Cllr John Crowder (chair) Cllr Martin Goode (vice chair) Cllr Jason Frost Cllr Stephanie Nunn Cllr Ron Ower Cllr Keith Darvill

DATE	TOPIC	ATTENDED BY
	• Agreed the admission of Harrison Catering into the pension fund as an Admitted Body.	
12 November 2020	• Noted the views of officers on the performance of the Fund's Custodian for the period to September 2020. • Noted the views of officers on the performance of the Fund's Actuary for the period to September 2020. • Noted the views of officers on the performance of the Fund's Investment Advisor for the period to September 2020. • Considered and agreed the Overpayment Write- off Policy. • Noted results of the Whistle Blowing Annual review	Cllr John Crowder (chair) Cllr Martin Goode (vice chair) Cllr Osman Dervish Cllr Jason Frost Cllr Stephanie Nunn Cllr Ron Ower Cllr Keith Darvill
12 January 2021	• Noted the Pension Fund Performance Monitoring for the quarter ending 30 September 2020, received presentations from the Fund's Asset Pool (London CIV covering Multi Asset, UK Equities and Absolute Return sub funds and LCIV updates). • Noted the Local Pension Board Annual Report 2019/20. • Agreed the updated Funding Strategy Statement to address regulatory changes. • Noted the review of Fund Manager voting and engagement activity • Agreed the updated Risk Register	Cllr John Crowder (chair) Cllr Martin Goode (vice chair) Cllr Osman Dervish Cllr Jason Frost Cllr Stephanie Nunn Cllr Ron Ower Cllr Keith Darvill
16 March 2021	• Pension Fund Performance Monitoring for the quarter ending 31 December 2020, received presentation form the Funds Global Property Manager CBRE). • Noted and agreed further execution in the progression of investment strategy implementation. • Noted the mid valuation funding position of the Fund as at September 2020. • Agreed the admission of May Harris into the pension fund as an Admitted Body. • Agreed the admission of Olive Dining into the pension fund as an Admitted Body • Noted the additional costs for Pension Administration in 2020/21 and agreed the 2021/22 budget. • Considered and agreed the Administering and Employing authorities Discretions Policy. • Considered and agreed the Voluntary Scheme Pays Policy.	Cllr John Crowder (chair) Cllr Martin Goode (vice chair) Cllr Osman Dervish Cllr Jason Frost Cllr Stephanie Nunn Cllr Ron Ower Cllr Keith Darvill

The Havering Pension Fund adopts a Business Plan/Report on the work of the Pensions Committee which sets out the work undertaken by the Committee during 2020/21 and the plan of work for the following year

(2021/22) and beyond. This also includes a Training and Development Plan which is linked to the Pension Fund coverage of meetings.

Full coverage of the Committee work and training plan can be found on the Authority's website by selecting the link here Havering Pension Fund - Business Plan.

CONFLICT OF INTEREST

At the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda. During 2020/21 there were no conflicts of interests declared.

Fund Account, Net Asset Statement

Pension Fund Account for the year ended 31March 2021

2019/20 £000		Notes	2020/21 £000
	Dealings with members, employers and others directly involved in the fund		
45,812	Contributions receivable	7	47,418
5,951	Transfers in from other pension funds	8	4,896
51,763			52,314
(38,769)	Benefits	9	(38,804)
(3,272)	Payments to and on account of leavers	10	(44,630)
(42,041)			(83,434)
9,722	Net additions (withdrawals) from dealings with members		(31,120)
(3,975)	Management expenses	11	(4,428)
5,747	**Net additions/(withdrawals) including fund management expenses**		**(35,548)**
	Returns on investments		
10,077	Investment income	12	15,539
(1)	Taxes on Income	13	-
(20,518)	Profit and losses on disposal of investments and changes in the market value of investments	14a	165,548
(10,442)	**Net returns on investments**		**181,087**
(4,695)	**Net increase (decrease) in the net assets available for benefits during the year**		**145,539**
733,391	Opening net assets of the Fund at start of year		728,696
728,696	**Closing net assets of the Fund at end of year**		**874,235**

Net Asset Statement for the year ended 31 March 2021

2019/20 £000		Notes	2020/21 £000
150	Long Term Investments	14	150
707,782	Investment Assets	14	858,410
(2,174)	Investment Liabilities	14	(263)
705,758	**Total net investments**		**858,297**
23,552	Current Assets	21	16,403
(614)	Current Liabilities	22	(465)
728,696	**Net assets of the Fund available to fund benefits at end of the reporting period**		**874,235**

The financial statements summarise the transactions of the Fund and the net assets of the Fund. They do not take account of obligations to pay pensions and other benefits which fall due after the financial year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard IAS19 basis is disclosed at Note 19 of these accounts.

Notes to the Pension Fund

1 Description of the Fund

The Havering Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Havering. Responsibility for management of the Pension Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer.

The following description of the scheme is a summary only. For more details on the operation of the Pension Fund, reference should be made to the Havering Pension Fund Annual Report 2020/21 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended),
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefits scheme which provides pensions and other benefits for pensionable employees of Havering Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Local Pension Board and the London Borough of Havering Pensions Committee, which is a committee of the Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, which are non-community schools, whose employer has changed from the Authority to a Board of Governors. Designated body status allows continued membership in the LGPS for non-teaching staff at non community schools. These have been accounted for within the London Borough of Havering.

During 2020/21 five new employers joined the fund and one cessation.

There are 56 employer organisations with active members within the Havering Pension Fund including the Authority. The membership profile is detailed below.

31 Mar 2020		31 Mar 2021
51	**Number of employers with active members**	**56**
	Number of employees in scheme	
4,769	Havering	4,650
1,650	Scheduled bodies	1,697
73	Admitted bodies	79
6,492	**Total**	**6,426**
	Number of pensioners and dependants	
5,950	Havering	6,014
346	Scheduled bodies	369
114	Admitted bodies	29
6,410	**Total**	**6,412**
	Deferred pensioners	
5,274	Havering	5,179
807	Scheduled bodies	791
93	Admitted bodies	50
6,174	**Total**	**6,020**
19,076	**Total number of members in pension scheme**	**18,858**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2021. Employer contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. Current employer contribution rates range from 14.2% to 40.8% of pensionable pay.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay. Havering Council pay a monetary value, other employers as a percentage of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum is paid for each £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is adjusted annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirements, disability pensions and death benefits. For more details please refer to the LGPS pension website https://www.lgpsmember.org/.

2 Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2020/21 financial year and its position at year end as at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting* in *the United Kingdom* 2020/21 "(the code)" which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and guidance on Investment Valuations issued by the Pensions Research accounts Group (PRAG).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet into the Balance Sheet of Lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administrating authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 20.

The Administering Authority is satisfied that Havering Pension Fund is a going concern. The return for 2020/2021 of 24.90% is greater than the actuary's long term target return for the Fund of +3.89% pa. The Fund still has the remaining year of the actuarial period to achieve the target return, and beyond this has agreed a 20 year recovery period should this be necessary to make good an increase in the funding deficit at the next actuarial valuation. The Fund's cashflow remains robust. The Fund held cash of £19m at the Balance Sheet date, equivalent to 2% of the Fund Assets. In addition, the Fund held £724m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. However, based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments. As such the accounts have been prepared on a going concern basis.

3 Summary of Significant Accounting Policies

Fund Account – revenue recognition

(a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all that arise according to pensionable pay
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Additional employers' contributions in respect of ill-health and early retirements (augmentation) are accounted for in the year the event rose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

(b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. The date set for the transfer of assets and liabilities is the date it becomes recognised in the fund account.

(c) Investment Income

i) Interest Income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distribution from Pooled Funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) Property - Related Income

Property related income consists primarily of rental income and is recognised at the date of issue.

v) Movement in the Net Market Value of Investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

(d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing the payment has been approved.

(e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

(f) Management Expenses

The Fund discloses its pension fund management in accordance with the CIPFA guidance "*Accounting for Local Government Pension Scheme Management Expenses (2016").*All items of expenditure are charged to the fund on an accruals basis as follows

Administrative Expenses

All staff costs of the pension's administration team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance Council policy and charged as expenses to the Fund.

Oversight and Governance Costs

All costs associated with oversight and governance are separately identified and recharged to the Fund and charged as expenses to the Fund.

Investment Management Expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.

Fees charged by external investment managers and custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

Officers' time spent on investment management functions are also charged to the Fund.

(a) Lifetime Allowances

Members are entitled to request the Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduced pension.

Where the Fund pays members tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Net Assets Statement

(h) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund. Any amounts due or payable in respect of trades entered but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).*

(i) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

(j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

(k) Cash and Cash Equivalents

Cash comprises cash in hand (Fund's Bank Account) and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

(l) Financial Liabilities

A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised by the fund account as part of the change in value of investments.

(m) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

(n) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for it members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Standard Life as their AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

AVC's are not included in the accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23)

(o) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates provided to the admitted and scheduled bodies in the Fund, as requested, in the intervening years. The methodology used in the annual updates is in line with accepted guidelines.

This estimate is subject to significant variances based on the changes to the underlying assumptions which are agreed with the actuary and are summarised in Note 19.

Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short term yield/return.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount £m)
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in	The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as	

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount £m)
	retirement ages, mortality rates and expected returns on Fund's assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	follows: • 0.5% decrease in the real discount rate could result in an increase of 9% • 0.5% increase in salary increase rate could result in an increase of 1% • 0.5% increase in the pension increase rate could result in an increase of 10%	138 12 153
Level 3 Investments (Note 16a)	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level 3 investments total £150m, which represents 17% of the total Fund value of £874m.	Sensitivity Analysis shows that the £150m valuation could decrease or increase within the range of £141m and £159m

6. Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 20) includes an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2020 IAS26 reporting and is continued to be allowed for within the liabilities this year. There will be changes made to scheme regulations that will remove age discrimination from the LGPS and it is anticipated that these regulations will come into force from 1 April 2023.

COVID-19

The Fund has valued its assets based on the 31 March 2021 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

On 11 March 2020 the World Health Organisation (WHO) declared a COVID 19 pandemic. This caused a world-wide public health emergency and initially significantly impacted global markets which contributed to both a volatile and a severe decline in those sectors that were impacted. The rebound in equity markets from the COVID-19 lows have been a lot faster and stronger than many predicated and has resulted in traditional equity and bond markets ending March 2021 at exceptionally high levels. Whilst COVID 19 pandemic continued throughout 2020/21 volatility remains due to the uncertainty of further waves due to increases in coronavirus infections. For the purposes of these financial statements the COVID 19 impact is considered a non- adjusting event.

7. Contributions Receivable

By category

2019/20 £000		2020/21 £000
	Employees' contributions	
	Normal:	
5,819	London Borough of Havering	6,268
1,462	Scheduled Bodies	1,442
74	Admitted Bodies	73
	Additional contributions:	
7	Havering	6
7,362	**Total Employees' Contribution**	**7,789**
	Employers' contributions	
	Normal:	
13,808	London Borough of Havering	14,716
5,853	Scheduled bodies	5,545
311	Admitted bodies	311
	Deficit funding:	
18,449	London Borough of Havering *	18,677
	Augmentation	
4	London Borough of Havering	341
25	Scheduled bodies	37
-	Admitted Bodies	2
38,450	**Total Employers' Contributions**	**39,629**
45,812	**Total Contributions Receivable**	**47,418**

* The 2020/21 figure reflects additional contributions made by the Authority to the Pension Fund: consists of £12.650m secondary contributions and £6.027m voluntary planned contributions.

By authority

2019/20 £000		2020/21 £000
38,087	London Borough of Havering	40,008
7,340	Scheduled bodies	7,024
385	Admitted Bodies	386
45,812	**Total Contributions Receivable**	**47,418**

8. Transfers in from Other Pension Funds

2019/20 £000		2020/21 £000
5,951	Individual transfers	4,896
5,951	Transfers In from Other Pension Funds	**4,896**

9. Benefits Payable

By category

2019/20 £000		2020/21 £000
	Pensions	
30,137	Havering	30,798
1,399	Scheduled Bodies	1,692
851	Admitted Bodies	881
32,387	**Pension Total**	**33,371**
	Commutation and Lump Sum Retirements	
4,431	Havering	3,577
402	Scheduled Bodies	344
179	Admitted Bodies	394
5,012	**Commutation and Lump Sum Retirements Total**	**4,315**
	Lump Sum Death Benefits	
1,305	Havering	976
65	Scheduled Bodies	110
-	Admitted bodies	32
1,370	**Lump Sum Death Benefits Total**	**1,118**
38,769	**Total Benefits Payable**	**38,804**

By authority

2019/20 £000		2020/21 £000
35,873	Havering	35,351
1,866	Scheduled bodies	2,146
1,030	Admitted Bodies	1,307
38,769	**Total Benefits Payable**	**38,804**

10. Payments To and On Account of Leavers

2019/20 £000		2020/21 £000
110	Refunds to members leaving service	70
-	Group Transfers*	40,438
3,162	Individual transfers	4,122
3,272	**Payments to and on Account of Leavers**	**44,630**

* College Transfer Settlement 0 includes £15m cash withdrawal from Havering Pension Fund internally held cash and £25,4m investment withdrawal

11. Management Expenses

2019/20 £000		2020/21 £000
315	Administrative Costs	601
3,192	Investment Management Expenses	3,412
452	Oversight and Governance Costs	398
14	Oversight and Governance Costs - External Audit costs	16
2	Local Pension Board	1
3,975	**Management Expenses**	**4,428**

This analysis of the costs of managing the Fund during the period has been prepared in accordance with CIPFA guidance.

The investment management expenses above includes £0.102m (2019/20 £0.108m) in respect of performance-related fees paid/payable to the fund's investment managers. It also includes £0.067m in respect of transaction costs (2019/20 £0.023m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 14).

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

11a. Investment Management Expenses

2020/21	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2020/21 Total £000
Bonds	162	-	-	162
Fixed Interest Unit Trust	106	-	-	106
Diversified Growth Funds	622	-	15	637
Infrastructure	313	-	-	313
Global Equity	1,445	-	52	1,497
Other Investments				
Pooled Property	304	102	-	406
Private Equity and Joint Venture	190	-	-	190
Derivatives – Forward Currency Contracts	17	-	-	17
	3,159	**102**	**67**	***3,328**
Custody Fees				37
Performance Measurement Fees				33
Other Investment Fees				14
Investment Management Expenses				**3,412**

* Includes £2.086m charged for assets in the London CIV asset pool (£1.732m 2019/20)

2019/20 Restated	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2019/20 Total £000
Bonds	133	-	-	133
Fixed Interest Unit Trust	101	-	-	101
Diversified Growth Funds	393	-	15	408
Infrastructure	364	-	-	364
Global Equity	1,409	-	58	1,467
Other Investments				
Pooled Property	405	105	23	533
Private Equity and Joint Venture	127	3	-	130
Derivatives – Forward Currency Contracts	3	-	-	3
	2,935			**3,139**
Custody Fees				27
Performance Measurement Fees				17
Other Investment Fees				9
Investment Management Expenses				**3,192**

12. Investment Income

2019/20 £000		2020/21 £000
8,149	Pooled Investments – unit trusts and other managed funds	8,101
2,582	Income from Bonds*	1,881
1,920	Pooled Property Investments	1,887
(2,642)	Income from derivatives (Foreign Exchange Gains/(losses))	3,841
202	Interest on Cash Deposits	126
(134)	Other Income**	(297)
10,077	**Investment Income**	**15,539**

***** Income includes Index linked Interest of £0.137m (2019/20 £0.103m)
** Management expenses to offset against gross income

13. Taxes on Income

2019/20 £000		2020/21 £000
(1)	Withholding Tax	-
(1)	**Taxes on Income**	**-**

14. Analysis of Investments

2019/20 Restated £000		2020/21 £000
	Investment Assets	
150	**Long Term Investments**	150
150		**150**
	Bonds	
49,206	Fixed Interest Securities	39,001
40,033	Index-Linked Securities	36,897
89,239		**75,898**
	Pooled Investment	
32,881	Fixed Interest Unit Trust	61,822
80,000	Diversified Growth Fund	87,978
43,988	Infrastructure	44,536
362,966	Global Equity	477,416
519,835		**671,752**
	Other Investments	
70,130	Pooled Property	68,986
19,630	Private Equity and Joint Venture	36,825
1,445	Derivatives – Forward Currency Contracts	1,148
91,205		**106,959**
6,778	Cash deposits Managers	3,321
725	Investment income due	480
7,503		**3,801**
707,932	**Total Investment Assets**	**858,560**
	Investment Liabilities	
	Derivative Contracts	
(2,173)	Forward Currency Contracts	(262)
(1)	Income Receivable	(1)
(2,174)	**Total Investment Liabilities**	**(263)**
705,758	**Total Net Investments**	**858,297**

14a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2020 Restated £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in Market Value during the year £000	Cash & Other Movements £000	Market Value at 31 March 2021 £000
Fixed Interest Securities	49,206	19,163	(32,774)	3,406	-	39,001
Index-linked Securities	40,033	95,380	(99.986)	1,380	-	36,897
Pooled Investment Vehicles	519,985	33,363	(43,672)	162,226	-	671,902
Other Investments	89,760	23,815	(4,685)	(3.079)	-	105,811
Derivatives – forward currency contracts	(728)	94,996	(94,996)	1,614	-	886
Cash Deposits (fund managers)	6,778	-	-	1	(3,458)	3,321
	705,034	**266,717**	**(276,023)**	**165,548**	**(3,458)**	**857,818**
Other Investment Balances	724	-	-	-	(245)	479
	705,758	**266,717**	**(276,023)**	**165,548**	**(3,703)**	**858,297**

	Market Value at 31 March 2019 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in Market Value during the year £000	Cash & Other Movements £000	Market Value at 31 March 2020 £000
Equities	96	-	(107)	11	-	-
Fixed Interest Securities	89,985	28,259	(71,671)	2,633	-	49,206
Index-linked Securities	33,086	41,935	(35,974)	986	-	40,033
Pooled Investment Vehicles	584,442	94,427	(45,707)	(23,417)	-	609,745
Derivatives – forward currency contracts	-	146,466	(146,466)	(728)	-	(728)
Cash Deposits (fund managers)	10,505	-	-	3	(3,724)	6,778
	718,114	**311,087**	**(299,925)**	**(20,518)**	**(3,724)**	**705,034**
Other Investment Balances	1,322	-	-	-	(598)	724
	719,436	**311,087**	**(299,925)**	**(20,518)**	**(4,322)**	**705,758**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Purchases and Sales of derivatives (forward current contracts) are recognised in Note 14a above for contracts settled during the period are reported on a gross basis as gross receipts and payments.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £0.067m (2019/20 Restated £0.096m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

The investments analysed by fund managers and the market value of assets under their management as at 31 March 2021 were as follows:

14b. Investments analysed by Fund Manager

Value 31 March 2020		Manager	Mandate	Value 31 March 2021	
£000	**%**			**£000**	**%**
Investments managed by London CIV asset pool:					
150	0.02	London CIV	Equities unquoted	150	0.01
97,738	13.85	Ruffer	Pooled Absolute Return Fund	111,270	12.96
136,341	19.32	Baillie Gifford	Pooled Global Alpha Growth Fund	191,042	22.27
80,000	11.34	Baillie Gifford	Pooled Diversified Growth Fund	87,978	10.25
314,229	**44.53**			**390,440**	**45.49**
PLUS Life Fund Investments aligned with London CIV asset pool:					
123,850	17.55	Legal & General Investment Management	Passive UK/Global Equities/ Emerging Markets	175,105	20.41
438,079	**62.08**	**London CIV Total**		**565,545**	**65.90**
Investments managed outside of the London CIV asset pool:					
70,577	10.00	Royal London Index linked Bonds Fund	Investment Grade Bonds	38,731	4.51
53,611	7.60	Royal London Corp Bond Fund	Investment Grade Bonds	37,958	4.42
-	-	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	61,822	7.20
41,067	5.82	UBS Property	Pooled Property	41,034	4.78
5,038	0.71	GMO Global Real Return (UCITS) Fund	Pooled Multi Asset	-	-
28,956	4.10	CBRE	Global Pooled Property	27,793	3.24
17,447	2.47	Stafford Capital SISF II	Overseas Pooled Infrastructure	19,118	2.23
-	-	Stafford Capital SISF IV	Overseas Pooled Infrastructure	1,557	0.18
26,964	3.82	JP Morgan	Overseas Pooled Infrastructure	23,861	2.78
14,026	1.99	Churchill	Overseas Pooled Private Debt	19,138	2.23
5,605	0.79	Permira	Overseas/UK Pooled Private Debt	17,687	2.06
(728)	(0.10)	Russell Investments	Currency Management	2,666	0.31
5,116	0.72	Other	Other	1,387	0.16
267,679	**37.93**	**Managed outside asset pool Total**		**292,752**	**34.10**
705,758	**100.00**	**Total Fund**		**858,297**	**100.00**

The following investments represent more than 5% of the net assets of the Fund

Market Value 31 Mar 2020 £000	% of Total Fund	Security	Market Value 31 Mar 2021 £000	% of Total Fund
136,341	18.70	London CIV Global Alpha Fund	191,042	21.85
97,738	13.41	London CIV Ruffer Absolute Return Fund	111,270	12.73
80,000	10.97	London CIV Diversified Growth Fund	87,978	10.96
51,296	7.04	LGIM All World Equity Index	71,550	8.18
44,638	6.12	LGIM FTSE RAFI AW 3000 Index	64,316	7.36
-	-	Royal London Multi Asset Credit Pooled Fund	61,822	7.07
41,067	5.65	UBS Property	-	-
451,080		**Total Fund**	**597,978**	

14c. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, Legal and General Investment Management (LGIM), who carry out stock lending as part of the Fund’s activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stock lending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2021, the value of quoted equities on loan was £3.233m (nil 31 March 2020). These equities continue to be recognised in the fund's financial statements.

15. Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holdings in derivatives are to hedge liabilities or hedge exposure to reduce risk in the Fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and various investment managers.

Forward foreign currency

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund’s exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London. A breakdown of forward contracts held by the Fund as at 31 March 2021 is given below:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value (Unrealised Gain)	Liability Value (Unrealised Loss)
		000		000	£000	£000
Up to One month	**GBP**	11,135	**EUR**	(10,706)	429	-
	GBP	17,511	**USD**	(17,328)	183	(1)
	GBP	2,642	**AUD**	(2,582)	60	-
	USD	414	**GBP**	(409)	5	-
	EUR	507	**GBP**	(517)	-	(10)
	AUD	308	**GBP**	(309)	-	(1)
Up to Two months	**GBP**	12,422	**EUR**	(12,238)	184	-
	GBP	17,027	**USD**	(17,277)	-	(250)
	GBP	2,346	**AUD**	(2,310)	37	-
	USD	70	**GBP**	(69)	1	-
	EUR	1,855	**GBP**	(1,855)	-	-
	AUD	111	**GBP**	(111)	-	-
Up to Three months	**GBP**	12,871	**EUR**	(12,714)	157	-
	GBP	13,749	**USD**	(13,670)	79	-
	GBP	2,027	**AUD**	(2,014)	13	-
Open forward currency contracts at 31 March 2021					**1,148**	**(262)**
Net forward currency contracts at 31 March 2021						**886**
Gross open forward currency contracts at 31 March 2020					**1,445**	**(2,173)**
Net forward currency contracts at 31 March 2020						**(728)**

16. Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market based information. There has been no change in the valuation techniques used during the year.

Asset and Liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Where quoted market prices are not available or where valuation techniques are used to determine fair value based on observable data.

Level 3

Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The Valuation basis for each category of investment asset is set out below:

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled Quoted	Level 1	Published bid	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK Pooled instruments- property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the "RICS" Appraisal and Valuation Standards	Valuations could be affected by significant differences in rental value and rent growth
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. For this fund, Income approach was used based on Unobservable input of Discount/WAAC rate and Exit EBITDA Multiples.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled instruments	Level 3	Fair Value is determined by the Fund manager in	Fair Value is determined by the	Risks to the valuation involve a number of local, national and international economic conditions.

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Infrastructure Funds (Stafford Capital)		accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount.
Overseas Pooled instruments Private Debt Funds (Churchill)	Level 3	Valuations undertaken quarterly and determined by the Investment Manager. To determine the value the manager relies on guidance by various regulatory and industry organisations and authorised to use independent third party pricing services and valuation firms.	Unobservable inputs are determined by the Investment Manager and shall take into account items that it reasonably believes would impact the valuation (such as expenses and reserves).	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Private Debt Funds (Permira)	Level 3	Fair Value is determined by the AIFM based on advice from Portfolio Manager and based on the International Private Equity and Venture Capital guidelines or other standards agreed by the Senior Fund Advisory Committee.	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent performance measurement service , the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

	Assessed valuation range (+/-) %	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Pooled Property Funds	3.40	68,985	71,330	66,640
Pooled unit Trusts	7.80	81,361	87,707	75,015

16a. Fair Value Hierarchy

The following tables provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which fair value is observable.

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	**Level 1** **£000**	**Level 2** **£000**	**Level 3** **£000**	**Total** **£000**
Financial Assets				
Financial assets at fair value through profit and loss	704,263	150	150,346	854,759
Loans and receivables	20,204	-	-	20,204
Total Financial Assets	**724,467**	**150**	**150,346**	**874,963**
Financial Liabilities				
Financial liabilities at amortised cost	(728)	-	-	(728)
Total Financial Liabilities	**(728)**	**-**	**-**	**(728)**
Net Financial Assets	**723,739**	**150**	**150,346**	**874,235**

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	**Level 1** **£000**	**Level 2** **£000**	**Level 3** **£000**	**Total** **£000**
Financial Assets				
Financial assets at fair value through profit and loss	566,530	150	133,749	700,429
Loans and receivables	31,055	-	-	31,055
Total Financial Assets	**597,585**	**150**	**133,749**	**731,484**
Financial Liabilities				
Financial liabilities at amortised cost	(2,788)	-	-	(2,788)
Total Financial Liabilities	**(2,788)**	**-**	**-**	**(2,788)**
Net Financial Assets	**594,797**	**150**	**133,749**	**728,696**

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

16b Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2020	Transfer Into Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Market Value 31 March 2021
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Property Funds	70,130	-	-	(80)	(1,065)	-	68,985
Infrastructure	43,989	7,561	490	(2,299)	(5,192)	(13)	44,536
Private Debt	19,630	18,753	5,064	(4,606)	(2,016)	-	36,825
Total	**133,749**	**26,314**	**5,554**	**(6,985)**	**(8,273)**	**(13)**	**150,346**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account

(a) Transferred from Level 1 to Level 3 due to progressing the change in investment strategy - disinvestment from Level 1 to invest in Infrastructure Level 3

(b) Transferred from Level 1 to Level 3 due to progressing the change in investment strategy - disinvestment from Level 1 to invest in Private Debt Level 3

(c) All transfers between levels are recognised in the month in which they occur.

17 Financial Instruments

(a) Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and net asset statement heading. No financial instruments were reclassified during the accounting period.

31 Mar 2020 Restated				31 Mar 2021		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial Assets			
150	-	-	Long Term Investments	150	-	-
49,206	-	-	Bonds -Fixed Interest Securities	39,001	-	-
40,033	-	-	Bonds - Index linked securities	36,897	-	-
1,445	-	-	Derivative contracts	1,148	-	-
519,835	-	-	Pooled investment Vehicles	671,752	-	-
19,630	-	-	Private Equity and joint venture	36,825	-	-
70,130-		-	Property	68,986	-	-
-	6,778	-	Cash	-	3,321	-
-	725	-	Other Investment Balances	-	480	-
	23,552		Debtors	-	16,403	-
707,609	**31,055**	**-**	**Financial Assets Total**	**854,759**	**20,204**	**-**
			Financial Liabilities			
(1)	-	-	Other Investment Balances	(1)	-	-
(2,173)	-	-	Derivative contracts	(262)	-	-
-	-	(614)	Creditors	-	-	(465)
(2,174)	**-**	**(614)**	**Financial Liabilities Total**	**(263)**	**-**	**(465)**
698,255	**31,055**	**(614)**	**Grand total**	**854,496**	**20,204**	**(465)**
728,696				**874,235**		

(b) Net Gains and Losses on Financial Instruments

2019/20 £000		2020/21 £000
	Financial assets	
(20,518)	Fair value through profit and loss	165,548
(20,518)	**Total**	**165,548**

The Authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

18. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the authorities' pensions operations. Polices are reviewed regularly to reflect changes in activity and in market conditions.

(a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investing return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. The Fund's investment managers mitigate this risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movements during the financial year, in consultation with Pensions & Investments Research Consultants (PIRC) , it has been determined that the following movements in market price risk are reasonably possible for the 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2021 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	539,389	15.6	623,532	455,243
Total Bonds	75,898	7.7	81,743	70,054
Pooled Overseas Unit Trusts	81,361	7.8	87,707	75,015
Global Pooled inc.UK	87,978	6.5	93,697	82,260
Pooled Property	68,985	3.4	71,331	66,640
Cash	4,686	0.6	4,714	4,658
Total	**858,297**		**962,724**	**753,870**

Asset Type	Value as at 31 March 2020 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Equities	260,341	13.10	294,446	226,237
Total Bonds	122,119	8.00	131,888	112,349
Pooled Overseas Unit Trusts	63,619	14.40	72,780	54,457
Global Pooled inc.UK	182,776	6.00	193,742	171,809
Pooled Property	70,130	4.00	72,935	67,325
Cash	6,773	0.60	6,814	6,733
Total	**705,758**		**772,605**	**638,910**

Interest Rate Risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

Interest Rate Risk Sensitivity Analysis

The analysis that follows assumes all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk

Assets exposed to interest rate risk	Value as at 31 March 2021 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	75,898	759	76,657	75,140
Cash and Cash Equivalents	4,686	47	4,733	4,639
Cash Balances	15,963	160	16,123	15,804
Total Change in Asset Value	**96,547**	**966**	**97,513**	**95,583**

Assets exposed to interest rate risk	Value as at 31 March 2020 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	122,119	1,221	123,340	120,898
Cash and Cash Equivalents	6,773	68	6,841	6,705
Cash Balances	23,056	231	23,287	22,825
Total Change in Asset Value	**151,948**	**1,520**	**153,468**	**150,428**

Currency Risk

Currency risk represents the risk that fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling.

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 8.4% over a rolling 36 month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 8.4% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Value as at 31 March 2021 £000	Potential Market movement at 8.40% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	91,468	7,683	99,151	83,784
Overseas Cash	541	45	587	496
Total change in assets available to pay benefits	**92,009**	**7,728**	**99,738**	**84,280**

Assets exposed to currency risk	Value as at 31 March 2020 £000	Potential Market movement at 7.40% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	86,970	6,436	93,406	80,534
Overseas Cash	4,836	358	5,194	4,478
Total change in assets available to pay benefits	**91,806**	**6,794**	**98,600**	**85,012**

(b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties.

Cash not needed to settle immediate financial obligations are invested by the Authority in accordance with the Treasury Investment Strategy. The Treasury Investment Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments.

The Fund's cash holding under it treasury management arrangements as at 31 March 2021 was £15.963m (31 March 2020 £23.056m). The Pension Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow statements are prepared to manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's cash management policy and in line with the Fund's strategy holds assets that are considered readily realised.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2021 the value of liquid assets was £724m, which represented 83% of the total Fund (31 March 2020 £595m, which represented 82% of the total fund assets).

(d) Refinancing Risk

The key risk is that the Authority will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Authority does not have any financial instruments that have a refinancing risk as part of its investment strategies.

19. Funding Arrangements

Actuarial Statement for 2020/21

This statement has been prepared in accordance with Regulation 57(1) (d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated December 2019. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by council tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £733 million, were sufficient to meet 70% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £320 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Assumptions	31 March 2019 %
Discount Rate for Period	3.3
Salary increases assumption	3.0
Benefit increase assumption (CPI)	2.3

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a for males and females. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.6 years	23.7 years
Future Pensioners*	22.4 years	25.2 years

** Aged 45 at the 2019 Valuation*

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administrating Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but in the 2020/21 year they recovered strongly. As a result, the funding level of the Fund as at 31 March 2021 is broadly similar to that reported at the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will be reviewed at that time.

20. Actuarial Present Value of Promised Retirements

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities to disclose the actuarial present value of retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19.

31 March 2020 £m	Year Ended	31 March 2021 £m
1,195	Present Value of Promised Retirement Benefits	1,557
729	Fair Value of Scheme assets (bid value)	874
466	**Net Liability**	**683**

The promised retirement's benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2021 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2020 IAS26 reporting and is continued to be allowed for within the liabilities this year.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made any allowance for unfunded benefits.

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2021 and 31 March 2020. It is estimated that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £299m. It is estimated that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £21m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2021 % p.a.	Year Ended	31 March 2020 % p.a.
2.85	Pension Increase Rate	1.90
3.55	Salary Increase Rate	2.60
2.00	Discount Rate	2.30

Longevity assumption

Life expectancy is based on the Fund's VitaCurves alongside future improvements based on the CMI 2020 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.8 years	24.1 years
Future Pensioners	22.9 years	25.9 years

Please note the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2020	Approximate increase to liabilities %	Approximate monetary amount £m
0.5% p.a. increase in the Pension Increase Rate	9	138
0.5% p.a. increase in the Salary Increase Rate	1	12
0.5% p.a. decrease in the Real Discount Rate	10	153

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

These notes accompany the covering report titled 'Actuarial Valuation as at 31 March 2021 for accounting purposes'. The covering report identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

21. Current Assets

2019/20 £000		2020/21 £000
	Debtors:	
265	Contributions due from employers	307
68	Contributions due from employees	79
1,307	Pension Fund Bank Account Balances	116
3	Sundry Debtors	9
21,909	Cash deposit with LB Havering	15,876
-	Holding Accounts	16
23,552	**Current Assets**	**16,403**

22. Current Liabilities

2019/20 £000		2020/21 £000
	Creditors:	
(314)	Benefits Payable	(252)
(140)	Sundry Creditors	(169)
(160)	Holding Accounts	(44)
(614)		**(465)**

23. Additional Voluntary Contributions

Market Value 2019/20 £000	AVC Provider	Market Value 2020/21 £000
753	Prudential*	841
108	Standard Life	144

Some employees made additional voluntary contributions (AVC's) of £31,030 (2019/20 £33,022) excluded from these statements. These are deducted from the employees' salaries and forwarded to the stakeholder pension schemes provided by the Prudential and Standard Life. The amounts forwarded during 2020/21 £28,730 to the Prudential (2019/20 £30,622) and £2,400 (2019/20 2,400) to Standard Life.

24. Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are fully reclaimed from the employer bodies.

2019/20 £000		2020/21 £000
1,360	Payments on behalf of Havering Council	1,329

25. Related Party Transactions

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund.

The Fund is administering by the London Borough of Havering. During the reporting period, the council incurred costs of £0.538m (2019/20 £0.230m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.

The Authority is also the largest employer in the Fund and in 2020/21 contributed £33.392m (2019/20 £32.257m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of the London Borough of Havering, through a service level agreement. As at 31 March 2021 cash holdings totalled £15.837m (2019/20 £23.056m), earning interest over the year of 0.126m (2019/20 0.202m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2021 (19/20 £0.150m) are included as long term investments in the net asset statement. A mixed portfolio of pension fund investments is managed by the London CIV as shown in Note 14b. During 2020/21 a total of £2.086m was charged to the Fund by the London CIV in respect of investment management services (19/20 £1.732m).

Governance

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer and the Managing Director of oneSource.

No members of the Pension Fund Committee are in receipt of pension benefits from the Havering Pension Fund.

Each member of the Pension Fund Committee and Local Pension Board are required to declare their interests at each meeting.

During the year no Member or Council officer with direct responsibility for Pension Fund issues has undertaken any declarable material transactions with the Pension Fund.

The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within Note 11.

Note 25a Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit Regulations 2015 satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 244. This applies in equal measure to the accounts of the Havering Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Havering Council.

26. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2021 were £50.62m (31 March 2020 £49,94m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. As mentioned in Note 10 there are potential liabilities of £0.706m in respect of individuals transferring out of the pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

Three admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £1.33m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Six admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £0.36m.

The Fund, in conjunction with the other borough shareholders in the London CIV, has entered into an exit payment agreement with the London CIV, acting as a Guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with the City of London. Should the amount become due the Fund will meet 1/32 share of the costs.

Asset Pools

In 2015 the Department of Housing, Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- benefits of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with the Havering Pension Fund.

The Havering Pension Fund's asset pool is the London CIV (LCIV).

The LCIV is a Collective Investment Vehicle for London Local Authorities (LLA) Local Government Pension Scheme (LGPS) funds. It is a Financial Conduct Authority (FCA) regulated firm and its purpose is to be the LGPS pool for London to enable the London Local Authorities to achieve their pooling requirements. They work in partnership with the London Local Authorities in order to do so.

The LCIV was established in 2015 as a voluntary collaborative venture by the London Local Authorities to pool/invest the assets of the London LGPS. In line with Central Governments vision to reduce investment costs but maintain performance levels it has been a mandatory requirement to pool assets since 2016.

It is the Fund's intention to invest its assets through the LCIV pool. As at 31 March 2021 the Fund has 45% (44% 2019/20) of its assets fully pooled with LCIV and a further 20% (18% 2019/20) of its assets passively managed under advisory/execution mandates by the LCIV.

Those assets held with the LCIV are now managed by them and report performance to the Committee periodically.

The Fund will continue to assess the products available on the LCIV platform for their suitability to meet the Funds investment strategy objectives.

For a breakdown of assets managed directly by the pool and investment assets managed outside of the pool please refer to the Investment Policy and Performance section of the report under Asset Allocation.

Contact details of the pool company:

Postal address
London CIV
Fourth Floor
22 Lavington Street
London
SE1 0NZ
Email: pensionsCIV@londonciv.org.uk
Telephone: 0208 036 9000

Governance Arrangements

London CIV Governance Framework

Major decisions, including approval of the budget, objectives and business plan are reserved to Shareholders in General Meeting as set out in a Shareholder Agreement. As part of the 2019/20 governance review it was agreed to provide for a Disputes and Deadlock procedure to be put in place.

Certain decisions require written approval from all (or a majority of) shareholders.

The overall strategic direction, management and general policy of London CIV is vested in the Board, which is responsible for major decisions unless reserved to shareholders. The Executive Directors, led by the Chief Executive, are responsible for the day-to-day management of the company and there is an Executive Committee (EXCo) which is attended by other senior managers in the firm.

The London CIV Committee structure consists of the following:

Board -The Board has the opportunity to consider any views presented to it by the Committee but will not be obliged to take any action in respect of such views unless the Board believes this to be in the best interests of the Shareholders and the Company. The Board consists of an independent Chair, five Non – Executive Directors (NEDs), two NEDs nominated by Local Authorities, three Executive Directors, plus a Local Authority Treasurer as an observer. The Board Governance Committees are an Investment Oversight Committee (IOC); a Compliance, Audit, and Risk Committee (CARCO); and a Remuneration and Nomination Committee (RemNomCo) which includes the Chair of the Shareholder Committee. The Shareholder Committee is a consultative committee to the Board.

Shareholders Committee is a committee of the London CIV and acts collectively, are to be consulted by the Board on strategy, direction and financial performance and Company polices. It will also identify, assess and discuss emerging issues and opportunities facing Shareholders which may impact the Company, and discuss solutions proposed by the Company; and to express views to the Board and Shareholders collectively as appropriate. The Shareholder Committee meets quarterly and is made up of 12 members from London Local Authorities (a mix of four Treasurers and eight leaders/pension chairs) plus the Chair of the Board.

General meeting - A General Meeting of the London CIV will be held twice a year with all 32 shareholders plus a Chair, managed by London CIV. The meeting is to inform all shareholders on the performance of the LCIV and allow shareholders to exercise their rights under the Shareholders.

During 2020/21 LCIV implemented the changes to their corporate governance arrangements agreed following the 2019/20 governance progress review. They have also made changes to ensure that the business model is characterised by visibly high levels of client fund engagement, in particular in respect of Client Fund involvement in fund launch development (Seed Investor Groups “SIGs”) and engagement with fund managers. They now have an active Responsible Investment Reference Group (RIRG) which has provided a sounding board to steer the development of our Responsible Investment and Stewardship activity. The Cost Transparency Working Group (CTWG) has supported LCIV in the work to review the funding model and develop cost transparency and benchmarking activity. The new website and client portal have allowed LCIV to improve the quality and transparency of information about London CIV’s decisions

The Terms of Reference of the Shareholder Committee were amended to include the Trade Union member as a voting member which means that beneficiaries are now more explicitly included in their governance structures, in line with Scheme Advisory Board expectations and Investment Association guidance in respect of good corporate governance in respect of stakeholders. This is consistent with the Committee’s consultative role and responsibility for identifying emerging issues which may impact on the Company or shareholders and assists Directors in fulfilling their Companies Act s172 obligation to consider the impact of decisions on stakeholders.

The arrangements with Local Authorities are formalised via a Service Level Agreement (SLA).

POST POOL REPORTING

Pool set up costs

The breakdown of set up costs has not been made available in the detail required so it is not practical to compile data in the relevant format suggested in the guidance.

Please see the following table for the set ups cost and as reported by the London CIV their management costs and fee savings:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Cumulative Total
Set Up Costs:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000's**
Share Purchase Subscription	150						150
Annual Service Charge	25	25	25	25	25	25	150
Implementation Fund	50	-	-	-	-		50
Development Fund	-	-	75	65	65	85	290
Total Set Up costs Total	**225**	**25**	**100**	**90**	**90**	**110**	**640**
ADD LCIV Indirect management Fees	Not available	59	76	78	92	92	394
ADD LCIV Direct management Fees	-			2	7	8	17
Total cost	**225**	**84**	**176**	**170**	**189**	**210**	**1,054**
Gross Fee savings	6	35	98	259	534	543	1,475
Net Savings	**(219)**	**(49)**	**(78)**	**89**	**345**	**333**	**421**

Ongoing investment management costs

In addition to the operating costs of the pool shown above the Fund also pays ongoing investment costs. These costs include fees paid to the pool for managing the investments and fees paid to managers for assets held outside the pool.

An analysis of these costs are further split between those costs for which the funds pay directly via an invoice and costs that are indirectly charged by reducing the valuation of the fund (In the accounts we take account of the indirect costs by increasing the change in market value).

Analysis of costs for the year to 31 March 2021, as per the statement of accounts, can be seen in the following table:

	Asset Pool			Non asset pools			
	Direct	Indirect	Total	Direct	Indirect	Total	Fund Total
	£000	£000	£000	£000	£000	£000	£000
Management Fees							
…ad valorem	35	1,931	**1,966**	285	819	**1,104**	**3,070**
…performance	-	-	**-**		102	**102**	**102**
Total Management Fees	**35**	**1,931**	**1,966**	**285**	**921**	**1,206**	**3,172**
Asset Shared Cost (LCIV Management Fees)	-	89	**89**	-	-	**-**	**89**
Transaction costs	-	6	**6**		1	**1**	**7**
Custody Costs	-	60	**60**	70	-	**70**	**130**
Other Costs	-	-	**-**	14	-	**14**	**14**
Total	**35**	**2,086**	**2,121**	**369**	**922**	**1,291**	**3,412**

Asset Allocation and performance for the year as at 31 March 2021

Asset Category	**Opening Value**	**Closing Value**	**Performance Gross**	**Performance Net**	**Passive index**	**Local Target**
	£000	**£000**	**%**	**%**	**%**	**%**
Asset pool managed investments						
Pooled Multi Asset/DGF Total	177,738	199,248	20.30	19.54	n/a	4.02
Pooled Equities Total	136,491	191,192	56.28	56.28	39.58	n/a
Passive Listed Equity Total	123,850	175,105	41.38	41.36	41.55	n/a
Asset pool managed Total	**452,079**	**565,545**	**39.12**	**38.72**	**n/a**	**27.47**
Non Asset pool managed investments						
Pooled Multi Asset/DGF Total	5,038	-	n/a	n/a	n/a	n/a
Pooled Property Total	70,130	68,985	1.03	0.28	n/a	3.79
Pooled Infrastructure Total	43,988	44,536	-3.87	-1.65	n/a	5.74
Pooled Private Debt Total	19,631	36,825	-4.18	-6.50	n/a	4.36
Active Bonds Total	122,119	137,720	9.15	8.95	n/a	8.84
Cash Deposits Total	6,778	1,541	n/a	n/a	n/a	n/a
Other Total	723	479	n/a	n/a	n/a	n/a
Derivatives (Currency Overlay) Total	-728-	2,666	n/a	n/a	n/a	n/a
Non Asset pool managed investments Total	**267,679**	**292,752**	**2.30**	**1.80**		**5.60**
Fund Total	**705,758**	**858,297**	**25.4**	**24.90**		**16.00**

Notes for the above table

- Performance figures are based on information provided by Northern Trust in their quarterly performance reporting to 31 March 2021, which we understand are net of fees;
- The performance of certain mandates (including Private Debt and Infrastructure) captures an element of FX rate movement due to these mandates being denominated in a non-GBP currency. In practice, these currency fluctuations are hedged through the Fund's currency overlay programme. Russell.
- We have approximately blended performance from underlying mandates, by allowing for estimated average asset levels over the periods invested. For this purpose, average asset levels are based on information provided to us by the investment managers or Northern Trust for quarterly monitoring purposes;
- Gross of fees performance is estimated by adding the charges to the net performance figures. For this purpose, we have used charges set out in Hymans regular monitoring reports.
- We have assumed 'passive index' relates to investments which can be replicated via index-tracking funds and 'local target' for other investments;
- In general, blended performance figures should be regarded as 'indicative'. Whilst they are calculated based on available information, a more accurate approach would allow for precise asset levels, and cash flows.

Pensions Administration Strategy

Under regulation 34(1) (g) and in accordance with regulation 65 (2) (b) of the Local Government Pension Scheme (Administration) Regulations 2008, an administering authority has the option to include an annual report dealing with the fund's position with regard to benchmarking administration performance. In line with regulations and after consideration, the Administrative Authority has not adopted a Pension Administration Strategy. This position will be regularly reviewed.

Although the Administering Authority has not adopted an Administration Strategy it has documents that cover the information on the pension scheme, forms and contribution schedules. All new scheme employers are provided with information regarding their roles and responsibilities, service standards are outlined and electronic copies of all information, forms and schedules are provided. Employing authorities must ensure proper records of staff are kept so that the right contributions are paid and members receive the benefits to which they are entitled when they leave employment.

Funding Strategy Statement

The Fund publishes a Funding Strategy Statement (FSS) in accordance with Regulation 58 of the LGPS Regulations 2013.

The Regulation requires the Pension Fund Administering Authority to publish a statement, keep its statement under review and to make such revisions as are appropriate following a material change to its policy as set out in the statement.

The FSS was reviewed as part of the 2019 valuation process and produced in line with the revised and updated guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2016. The FSS was effective from December 2019.

The FSS was prepared by the Administration Authority in collaboration with the Fund's Actuary, Hymans Robertson and after consultation with the Fund's employers. The draft version of the Funding Strategy Statement was distributed to all participating employers and the consultation ended on 20 December 2019.

The FSS sets out the objectives of the London Borough of Havering Pension Fund's funding strategy and includes a summary of the Fund's approach to funding its liabilities.

The FSS can be found in the appendices attached to this report and is available on the Authority's website by selecting the link Havering Pension Fund

The Authority undertakes regular reviews of the above statement and will consider any comments you may have for future reviews. Please forward comments to the contact point designated on page 112 of this report.

There was a regulatory update on the 20th March 2020 which will require the Administering Authority to determine appropriate exit credits. The FSS will be updated to reflect this change in due course.

In collaboration with the Fund's Actuary the Fund has produced an Admissions Policy. The Admissions Policy covers acceptance, on-going treatment and cessation of admitted bodies. This is to ensure that a considered and consistent approach to the admission of new employers to the Fund can be followed. To view the Admissions Policy please select the following link: http://www.yourpension.org.uk - select Employer Guides

Investment Strategy Statement

The Local Government Pensions Scheme (LGPS) (Management and Investment of Funds) Regulations 2016 came into force in November 2016 and guidance was issued by the Department for Communities and Local Government (DCLG) in September 2016, now known as the Ministry of Housing, Communities and Local Government (MHCLG).

The Fund has in place an Investment Strategy Statement (ISS), which consists of a document split into two sections:

<u>Investment Strategy Statement</u> - The Statement sets out the London Borough of Havering's policies, in its capacity as Administering Authority, for the investments of the Fund.

In line with LGPS (Management and Investment of Funds) Regulation 2016 – Regulation 7, the authority's statement must include:

(a) a requirement to invest money in a wide variety of investments;
(b) an assessment of the suitability of particular investments and types of investments;
(c) its approach to risk, including the ways in which risks are to be measured and managed;
(d) its approach to pooling investments, including the use of collective investment vehicles and shared services;
(e) a policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisations of investments; and
(f) a policy on the exercise of the rights (including voting rights) attaching to investments.

The primary investment objective of the Fund is to ensure that the assets are invested to secure the benefits of the Fund's members under the LGPS.

The ISS has been prepared by the Fund's Pension Committee having taken advice from the Fund's investment adviser, Hymans Robertson LLP and having regard to guidance issued by MHCLG.

The Committee adopted a new Investment Strategy Statement (ISS) in November 2017 and implementation of achieving the long term target asset allocation has been ongoing since then. An updated version of the ISS was presented to the Pensions Committee at its meeting on the 29 July 2020 (postponed from 17 March 2020) to reflect the decisions and progression of the implementation of the strategy made by the Committee since its launch in 2017.

In line with LGPS (Management and Investment of Funds) Regulations 2016 Section 7 (5) the authority consulted with participating stakeholders and the consultation was closed on the 16 March 2020.

Following the 29 July 2020 meeting the Committee considered and agreed further developments in the investment strategy at its meetings on the 1 October 2020 and 16 March 2021.

The Pensions Committee has also completed its development of a formal Statement of Investment Beliefs. These beliefs have now been incorporated into the ISS. The Pensions Committee believe that having a clear set of investment beliefs can improve governance by providing a framework for all investment decisions. It will provide a rationale for the decision making process and drive the ISS going forward.

Myners - The LGPS (Management and investment of Funds) regulations 2016 have removed the requirement to publish compliance against the six Myners principles but the Committee agreed it was best practice to still publish and explain compliance against these principles. This is published with the ISS when it was published in July 2020. This statement shows the extent to which it complies with guidance as issued by the Secretary of State. Where it does not comply, reasons for non-compliance must be disclosed.

In demonstrating best practice the Fund has published its compliance against the Myners principles, having regard to CIPFA's guide to the application of the Myners Principles 'investment decision making and disclosure' in December 2009.

A copy of the ISS and compliance against the Myners Principles can be found in the appendices attached to this report.

This ISS and the Myners compliance table have also been published on the Authority's website by selecting the link Havering Pension Fund.

The Authority undertakes regular reviews of the above statement and will consider any comments you may have for future reviews. Please forward comments to the contact point designated on page 105 of this report.

Communication Policy Statement

The Local Government Pension Scheme Administration Regulations 2015 requires the administering authority to prepare and publish a written statement covering communications with scheme members and employing authorities.

The statement must set out the policy concerning:

- communications with members, representatives, prospective members and employing authorities
- format, frequency and method of distributing such information or publicly
- The promotion of the scheme to prospective members and their employers

This statement is reviewed periodically. A revised Communications Policy Statement was approved at the Pension Committee on 13th November 2018 for the period 2018 – 2021. A review of the Communication Strategy achievements for 2020/21 is shown below.

The Communications Strategy for 2018 -21 can be found in the appendices at the back of this report.

This Statement has also been published on the Authority's website by selecting the link havering_council_pension_fund_communication_strategy_2018_to_2021

Communication Policy Delivery

Action	**Audience**	**Media**	**End of Year Review 2020/21**
Review and update the pension website	All	Web	In December 2020, LPPA launched a new pension's website which provides an improved member facility and easy access to the My Pension Online - Member Self Service portal. However it does not contain any Havering Fund specific information. A new pension's page within the Havering.gov.uk website is being created to ensure that Havering Documents, Factsheets and Policies are available online.
Promote the use of the pension website	All	Web	The website is promoted on all member correspondence and during face to face meetings. We have also utilised corporate communications to increase awareness.

Action	Audience	Media	End of Year Review 2020/21
Promote My Pension Online – Member Self Service	Active and Deferred	Web	Member Self Service (MSS) is promoted to all new members to the pension scheme. We have utilised corporate and employer communications to increase awareness. At the end of March 2021 14.7% of active and deferred membership had registered for MSS, an increase of 2.1% from the previous year.
Explore the development of My Pensions Online – Member Self Service for pensioner members	Pensioner	Web	Basic information is now available to our pensioner members. They are able to update contact details, view any Expression of Wish details held and review the pensioner newsletters and payment date information. At the end of March 2021, 9% of our pensioner members were registered for Member self Service, and increase of 4% from the previous year.
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic	Standard communications are monitored as part of the KPI monitoring process.

Communications with Prospective Scheme Members

Action	Audience	Media	End of Year Review 2020/21
Ensure pension forms are included in starter packs	New employees	Paper	Following a review of this process, forms are no longer included with new contracts. However the link to the pension's website is provided within the starter packs along with confirmation they will be enrolled into the pension scheme.
Review and update the pension website	All	Web	In December 2020, LPPA launched a new pension's website which provides an improved member facility and easy access to the My Pension Online - Member Self Service portal. However it does not contain any Havering Fund specific information. A new pension's page within the Havering.gov.uk website is being created to ensure that Havering Documents, Factsheets and Policies are available online.
Work with employer to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic	During 2020-21 a number of scheme employers reached their automatic re-enrolment dates and support was provided where required. All affected staff received appropriate communications and tPR reports were submitted

Communications with Scheme Employers

Action	Audience	Media	End of Year Review 2020/21
Maximise the use of the newly developed ERM employer communication database on Altair	Employers	System	LPPA use their own Client Relationship Manager database which is monitored and maintained centrally.
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face	No meetings were carried out but all relevant information was sent via email with telephone support given by the Pensions Projects and Contracts Manager.
Review and update the pension website	Employer	Web	In December 2020, LPPA launched a new pension's website which provides an improved member facility and easy access to the My Pension Online - Member Self Service portal. However it does not contain any Havering Fund specific information. A new pensions page within the Havering.gov.uk website is being created to ensure that Havering Documents, Factsheets and Policies are available online
Work with LPP and Scheme employers to implement Your Fund secure portal.	Employer	Web	The use of Your Fund has been promoted to employers and a guide has been issued. The majority of employers are now signed up and we will continue to monitor its use to ensure employer compliance.
Work with LPP and Scheme employers to ensure accurate and timely data submissions	Employer	Email, phone calls or face to face	Continued promotion of the Your Fund secure portal continues to improve the flow of information. During the year a number of areas for improvement have been highlighted and we have been working with LPPA and scheme employer to address issues and provide support.

Communications with Representatives of Members

1. **Pensions Committee**

Action	Audience	Media	End of Year Review 2020/21
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web	All relevant reports were submitted and presented to Committee and uploaded onto the Havering Website
To arrange required training as and when required	Pensions Committee Members	Face to Face	Various training was provided to all Committee members during the year

2. Local Pensions Board

Action	Audience	Media	End of Year Review 2020/21
To submit reports in line with the Board work plan and any additional areas identified at meetings	Local Pension Board	Paper and web	All relevant reports were submitted and presented to the Local Pension Board and uploaded onto the Havering Website
To arrange required training as and when required	Local Pension Board	Face to Face and online	Induction training has been provided to new Board member and information regarding external training courses has been circulated.

3. Havering and OneSource Managers

Action	Audience	Media	End of Year Review 2020/21
To write key or non-key executive decision reports as required in line with the Council's constitution	Senior or oneSource Management	Paper or email	All relevant reports have been written and submitted in line with the Council's Constitution
To ensure the provision of employer estimates is in line with the contractual agreement	HR and Heads of Service	Paper or email	Estimates have been supplied in line with contractual agreements for 100% of requests. This is continually monitored to ensure the flow of information is secure and efficient.

The pension website is promoted on the staff intranet at the Council and in Global News articles to ensure information on the pension scheme is accessible and available to everyone, not just scheme members.

The website provides links to relevant external agencies.

The Council jobs page includes, within the General Conditions of Employment, relevant for all potential and actual applicants, information on the Local Government Pension Scheme.

External Audit Opinion

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING ON THE PENSION FUND FINANCIAL STATEMENTS

The external audit opinion for the Pension Fund Annual Report is reliant on the audit of the statement of accounts to be completed, for the reasons stated below:

The external audit of the draft statement of accounts for the year ended 31 March 2021 has not yet been completed by our external auditors, EY LLP, due to the audit being rescheduled. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. (See attached link: http://www.legislation.gov.uk/uksi/2015/234/regulation/10/made).

Therefore this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2020/21 final statement of accounts in line with deadline of 30th September 2021, as per paragraph (1). The Governance & Assurance Committee will consider the results of the 2020/21 audit, after which we will publish the final audited accounts.

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Contact Points for Further Information

If you have any queries on the benefits or costs of membership of the Pension Fund please contact:

Local Pensions Partnership Administration (LPPA)
PO Box 1383
Preston
PR2 OWR

Telephone: 0300 323 0260

Website Contact page: https://www.lppapensions.co.uk/contact/

For further information on issues relating to Fund Investments and Accounts, or feedback on any of the contents in this report please contact:

Debbie Ford
Pension Fund Accountant
Central Library, 1st Floor
Romford
RM1 3AR

Telephone: 01708 432569
Email: PensionsFinance@havering.gov.uk

Other useful addresses:

National Local Government Pension Scheme website: https://www.lgpsmember.org/

The Pension Service website: www.thepensionservice.gov.uk
www.gov.uk/browse/working/state-pension

APPENDICES

PENSION FUND

GOVERNANCE COMPLIANCE STATEMENT

Updated November 2019

Contents

1. STRUCTURE AND ROLE OF MEMBERS

The Council is the Administering Authority of the Havering Pension Fund (the Fund). The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund. The Council agreed changes to its Constitution on the 25 March 2015 to establish the Havering Local Pension Board and adopt their Code of Conduct and Conflict of Interest policies.

Day to day management of the Fund is delegated to the Chief Finance Officer (s151).

1.1 Role of Pensions Committee

Under the Council's Constitution the duties and terms of reference of the Pension Committee are as follows:

- To consider and agree the investment strategy and statement of investment principles for the pension fund and subsequently monitor and review performance;

- Authorise staff to invite tenders and award contracts for actuaries, advisors and fund managers and in respect of other related investment matters;

- To appoint and review the performance of advisors and investment managers for pension fund investments;

- To take decisions on those matters not to be the responsibility of the Cabinet under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 relating to those matters concerning the Local Government Pension Scheme.

There is a code of conduct in place which includes a process that considers potential conflicts of interest, with clearly identified steps on how to report or act should a conflict occur. All members are required to declare any interests in relation to the Pension Fund or items on the agenda at the start of each meeting.

1.2 Role of Local Pension Board (the Board)

The functions of this board are as follows:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme connected to it;

- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions regulator;
- Such other matters as the scheme regulations may specify.

All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

The full version of the Board's Terms of reference can be found on the Havering pension fund website: www.Yourpension.org uk.

2. MEMBERSHIP AND REPRESENTATION

2.1 Pensions Committee

Since May 2019, the membership of the Pensions Committee reflects the political balance of the Council and consists of seven councillors as listed below:

Conservative Group (3)	**Resident's Group (1)**	**Upminster & Cranham Residents' Group (1)**	**North Havering Residents' Group (1)**	**Labour Group (1)**
John Crowder (Chair) Osman Dervish Jason Frost	Stephanie Nunn	Ron Ower	Martin Goode (Vice chair	Keith Darvill

The staff trade union may appoint two representatives, entitled to attend and speak at meetings of the Pension Committee. They possess no voting powers. These representatives are however entitled to remain within the Committee, should the public be excluded on the grounds that exempt information is to be considered.

Scheduled and Admitted bodies may appoint one representative, entitled to attend the meetings of the Pensions Committee on their behalf. Voting rights were assigned to this representative at a Council meeting on the 28 March 2012.

Representatives are shown below:

Admitted/Scheduled bodies representatives	**Trade Union Observers**
Vacant	Andy Hampshire (GMP) Derek Scott (UNISON)

Longevity in membership of the Committee is encouraged in order to ensure that expertise is maintained within. The Council recommends that the membership of the Pension Committee remain static for the full term of elected office in order that members are fully trained, unless exceptional circumstances require a change. Furthermore substitute members are expected to have also been trained. The Council's constitution 'rules of procedure' section was amended on the 28 March 2012 to include a stipulation that if a member does not undertake the required training within six months of appointment than that member shall not partake in the decision making of the Committee until their training has been completed.

2.2 Local Pension Board

The Havering Pension Board consists of four members as follows:

Two Employer representatives - shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

Two Scheme Member Representatives - shall either be scheme members or have capacity to represent scheme members of the Fund. Scheme member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Chair - Chair is to be appointed by the employer and scheme member representatives of the Board from amongst their own number on a rotating basis with the term of office shared between an employer and a scheme member representative on an equal basis.

Each employer representative and scheme member representative appointed shall serve for a fixed four year period which can be extended for further period (s) subject to re-nomination to ensure that expertise is maintained within and members can be fully trained.

Each member of the Board will have one vote but it is expected the Board will as far as possible reach a consensus.

3. GUIDANCE AND MONITORING

3.1 Pensions Committee

The Pensions Committee is supported by the Chief Finance Officer (s151) and oneSource Shared Support Service. The Director of Exchequer and Transactional Services (oneSource) has the responsibility to administer the day to day operations of the Council's Pension Fund. The (Interim) Director of Finance and Transformation (oneSource) is responsible for providing advice in the overall management of the Pension Fund supported by expert advisors. Members also receive briefings and advice from the Fund's investment advisor at each committee meeting.

The Pensions Committee also considers advice, as necessary, from the fund's appointed professional actuary who also attend the meetings as and when required.

Investment Managers are invited to present at the Pensions Committee meeting on a rotational basis. Only one fund manager will attend each committee meeting to give greater focus to investment strategy development. Mandates that operate within the London Collective Investment Vehicle (LCIV) are now managed and monitored by them. However if there are any specific matters of concern to the Committee relating to the managers performance, arrangements will be made for additional presentations.

3.2 Local Pension Board

Officers will attend the Board meetings and provide support and advice as and when required. A budget has been allocated for the Board to fulfil its tasks and this budget includes an allocation for professional advice.

4. REIMBURSEMENT

4.1 Pensions Committee

Members expenses are reimbursed in line with the Council's constitution as laid down in part 6 'Members Allowance Scheme'.

4.2 Local Pension Board

Board members will receive an allowance per scheduled meeting attended, at the same rate paid to co-opted members' for other committees. No payment will be made for non-attendance.

Reasonable travelling expenses for training will be reimbursed.

5. TRAINING

5.1 Pensions Committee

Associated training aligned with the Pensions Committee's foreword plan is submitted to the Pensions Committee for approval as part of the Business Plan. Committee Members receive in depth training on a wide range of topics. Training is given on specific investment topics prior to any key decisions being taken. This approach ensures that important decisions are taken whilst training is still fresh in Members minds.

The Fund uses the CIPFA's Knowledge and Skills self-assessment training questionnaire to identify and evidence the knowledge and skills of the members. In addition to the cyclical training that the Committee will have over the lifetime of their membership, training will be provided in the areas where it has been specifically requested or has been identified as required. Associated training and development is linked to the Pensions Committee meeting cyclical coverage

5.2 Local Pension Board

A joint training strategy has been developed and adopted by the Pensions Committee and the Board.

The Fund uses the CIPFA's Knowledge and Skills self-assessment training questionnaire to identify and evidence the knowledge and skills of the members. Training will be provided in the areas where it has been specifically requested or has been identified as required.

6. MEETINGS

6.1 Pensions Committee

The Pension Committee meets five times a year and occasionally holds extra meetings if required. Three Members constitute a quorum.

6.2 The Local Pension Board

The Board will hold five meetings per year, approximately two weeks after the Pensions Committee meeting, with one Annual meeting being held at the beginning of the committee cycle. Two members constitute quorum providing that there is present at least one member from both the Employer and Scheme Member Groups. Advisors and officers do not count towards the quorum.

7. SCOPE

7.1 Trustees are encouraged to look beyond administration procedures to really understand the key risks associated with all the functions and activities of the scheme. They are expected to consider risk management and stewardship in broad terms. Key risks include:

- Risk of fraud
- Corporate risk – risk of deterioration in the strength of employer covenant
- Funding and Investment risk – inappropriate investment strategies (one example of this could be risk of a mismatch of assets and liabilities)

- Compliance of Regulatory risk – risk of failure to comply with scheme rules and legislation

7.2 The further practical steps undertaken to cover these risks are as follows:

- The Investment Strategy Statement includes procedures to undertake a risk management review, and ensures terms of reference of delegations cover all key responsibilities.

- The Funding Strategy Statement identifies the measures in place to control the key risks identified as financial (including investment risk), demographic, regulatory and governance.

- The Risk Register identifies the key risks that the Pension Fund may face and the measures that can and have been put in place to mitigate those risks

- The Pension Committee periodically sets out a Business Plan for the year.

- The Pension Committee comply with the Whistle Blowing requirements of the Pension Act 2004. It urges anyone to inform the correct authorities of any known wrong doings.

8. ACCESS AND PUBLICATION

8.1 Pensions Committee

Details of the Pension Committee meetings are published on the Council's website, seven days prior to the meeting date, together with agendas and minutes. All members have equal access to papers. The meetings of the Pension Committee are held at the Town Hall and are generally open to the public.

Scheduled and Admitted bodies are directed to the Agenda and minutes published on the Council's web-site and are notified in writing of any major issues.

An Annual Pension Fund Report and Accounts is published on the Council's web-site, reporting on the activities and investment performance of the fund. The report also includes the meetings held and details of matters considered.

8.2 Local Pension Board

Details of the Local Pension Board meetings are published on the Council's website, seven days prior to the meeting date, together with agendas and minutes. All board members have equal access to papers. The meetings of the Board are held at the Town Hall during office hours and are open to the public.

9. REVIEWING AND UPDATING

As well as undertaking an annual review the Council will review the policy as and when material changes occur.

10. COMPLIANCE TABLE

A table is appended to this document and shows the extent of compliance with guidance given by the Secretary of State.

	PRINCIPLE	HAVERING POSITION
A	**<u>Structure</u>**	**Full compliance.**
	a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Duties and terms of reference are laid out in the Council's constitution (Part 3) and states that management of the pension fund assets lies with the Pensions Committee. Day to day management of the administration of benefits of the Pension Fund is delegated to the OneSource Shared Services (Director of Exchequer and Transactional Services. Select link to Havering Website to read the Council's constitution: Havering Constitution Section 1 the Governance Compliance Statement refers.
	b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the committee.	**Full compliance.** Admitted/Scheduled bodies may appoint one representative to attend the committee meetings. The staff Trade Unions may appoint two representatives to attend and speak at meetings. The Local Pension Board includes two employer representative and two scheme member representatives. There is no secondary committee. Section 2 of the Governance Compliance Statement refers.
	c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	No secondary committee or panel has been established.
	d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	No secondary committee or panel has been established.

	PRINCIPLE	HAVERING POSITION
B	**<u>Committee Membership and Representation</u>**	
	a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:	
	i) employing authorities (including non-scheme employers, e.g. admitted bodies);	**Full compliance** - A position has been established for Admitted/Scheduled bodies' representative to be a member of the Pensions Committee and is currently vacant. Supplementary to the above stakeholders are consulted for their views with regard to various policies and are directed to papers and reports held on the Council's website.
	ii) scheme members (including deferred and pensioner scheme members),	**Full compliance** – via trade union representation
	iii) where appropriate, independent professional observers, and	**Non-compliance –** The Pension Committee have considered this and decided that it is not appropriate to appoint an independent observer on the basis that the current monitoring arrangements are sufficient for the size of the fund.
	iv) expert advisors (on an ad-hoc basis)	**Full compliance** – The Fund has appointed an Investment Advisor, an Actuary and Performance Measurers, who attend meetings as and when required. Sections 2 and 3 of the Governance Compliance Statement refers.

	PRINCIPLE	HAVERING POSITION
C	**Selection and role of lay members**	
	a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	**Full compliance**. Duties and terms of reference are laid out in the 'Council's Constitution and states that management of the pension fund lies with the Pensions Committee. Sections 1 and 2 of the Governance Compliance Statement refer.
	b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	**Full compliance.** Declarations of interest are always an agenda item at the Pension Committee meetings. Section 1 of the Governance Compliance Statement refers.
D	**Voting**	
	a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**Full compliance.** The Governance Compliance Statement is clear about voting rights Section 2 of the Governance Compliance Statement refers.
E	**Training/Facility time/Expenses**	
	a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision- making process.	**Full compliance.** Member's expenses and allowances are laid out in the Council's Constitution (Part 6). Local Pension Board members will receive an allowance per scheduled meeting attended, at the same rate paid to co-opted members' for

PRINCIPLE	HAVERING POSITION
	other committees. No payment will be made for non-attendance. Reasonable travelling expenses for training will be reimbursed to Local Pension Board members. The Business Plan includes the policy on training. Sections 4 and 5 of the Governance Compliance Statement refer.
b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**Full compliance.** As above.
c. That the administrating authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken	**Full compliance.** As above. A joint training policy has been adopted by the Pensions Committee and the Local Pension Board and is included within the Annual Business Plan/Work of the Committee. The Business Plan is agreed by the Pensions Committee and all committee members and nominated substitutes are offered training. A training log is maintained which records attendance and training undertaken. Section 5 of the Governance Compliance Statement refers.

	PRINCIPLE	HAVERING POSITION
F	**<u>Meetings (frequency/quorum)</u>**	
	a. That an administering authority's main committee or committees meet at least quarterly	**Full compliance.** The Pension Committee meets five times a year and occasionally holds extra meetings if and when required. Section 6 of the Governance Compliance Statement refers.
	b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the committee sits.	No secondary committee or panel has been established.
	c. That an administration authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which interests of key stakeholders can be represented.	**Full compliance**. Membership on the Pensions Committee includes a representative to serve all Admitted/Scheduled bodies. Representatives also sit on the Local Pension Board. The current forums for which stakeholders interests can be represented are: • Through invitation to committee meeting Written correspondence – employers are invited for comments via letters and email as part of any consultation process, including proposed policy changes. Havering is one of the partnerships working with the London Pensions Fund Authority, who have produced a website for scheme members to use. Factsheets and scheme communications are also published on this website along with contact details at Havering for members to contact with their views.

	PRINCIPLE	HAVERING POSITION
G	**<u>Access</u>**	
	a. That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**Full compliance.** Committee papers are sent to members at least seven days prior to the meeting and non-confidential papers are published on the Council's website. Section 8 of the Governance Compliance Statement refers.
H	**<u>Scope</u>**	
	a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	**Full compliance.** The Committee already considers a wider range of pension issues. Section 7 of the Governance Compliance Statement refers.
I	**<u>Publicity</u>**	
	a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	**Full compliance.** Governance arrangements are published on the Council's website and comments are invited from stakeholders. Section 8 of the Governance Compliance Statement refers.

Havering
LONDON BOROUGH

HAVERING PENSION FUND

COMMUNICATION STRATEGY

2018-2021

Introduction

An effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to their stakeholders.

The Communications Strategy is required by the provisions of Regulation 61 of the Local Government Pension Scheme Regulation 2013. The provision requires the Administering Authority to:

(1) Prepare, Maintain and publish a written statement setting out its policy concerning communications with:

- (a) Members
- (b) Representatives of members
- (c) Prospective members
- (d) Scheme employers

(2) In particular the statement must set out its policy on:

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers

The Fund aims to use the most appropriate communications medium for the audiences receiving the information. This may involve using more than one method of communication.

Pension Fund Administration

From 1 November 2017, the London Borough of Havering delegated the pension administration service to Lancashire County Council (LCC) who has engaged the Local Pensions Partnership (LPP) to undertake their pension's portfolio. LPP was formed in 2016 through a collaboration between LCC and the London Pensions Fund Authority (LPFA) and the group was split into LPPI (Investments) and LPPA (Administration) in June 2020. LPPA provides pension administration services to 17 public sector pension fund clients.

Communication Responsibilities and Resources

The provision of timely, relevant information in a suitable format is key to ensuring efficient and effective communications. It is important that we consider the costs in terms of resource and staff time for all communications and work with the LPPA to ensure there are appropriate systems and processes in place to facilitate these communications with our stakeholders.

Communications with Scheme Members

Our aims for communicating with our scheme members are:

- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPPA administration team
- to encourage the use of the pension scheme website and registration to My Pension Online - Member Self Service.

The Key actions will be:

- continual review of employee communication methods to ensure they are effective and efficient
- on-going promotion of the Havering Pension Scheme website and Member Self Service
- Working with LPP to ensure communications are relevant and timely

Action	Audience	Media	End of Year Review 2020/21
Review and update the pension website	All	Web	In December 2020, LPPA launched a new pensions website which provides an improved member facility and easy access to the My Pension Online - Member Self Service portal. However it does not contain any Havering Fund specific information. A new pension's page within the Havering.gov.uk website is being created to ensure that Havering Documents, Factsheets and Policies are available online.
Promote the use of the pension website www.lppapensions.co.uk	All	Web	The website is promoted on member correspondence and during face to face or virtual meetings. We have also utilised corporate and employer communications to increase awareness.
Promote My Pension Online – Member Self Service	Active and Deferred	Web	Member Self Service is promoted to all new members to the pension scheme. We have utilised corporate and employer communications to increase awareness. At the end of March 2021 14.7% of active and deferred membership had registered for MSS, an increase of 2.1% from the previous year.

Action	Audience	Media	End of Year Review 2020/21
Explore the development of My Pensions Online – Member Self Service for pensioner members	Pensioner	Web	Basic information is now available to our pensioner members. They are able to update contact details, view any Expression of Wish details held and review the pensioner newsletters and payment date information. At the end of March 2021, 9% of our pensioner members were registered for Member self Service, and increase of 4% from the previous year.
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic	Standard communications are monitored as part of the KPI monitoring process.

The pension scheme will provide the following communications as required, in addition to day to day individual communications with members.

Communication	Media	Frequency of Issue	Distribution	Audience
Pension Website www.lppa.co.uk	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Factsheets	Web	Continually available. Updated and replaced as required	For viewing as required	All
Newsletters and scheme updates	Web or paper	As required	For viewing as required. Post to home address for targeted communication	All
Forms	Web or paper	As required	Available to download or post to home address	All

Communication	Media	Frequency of Issue	Distribution	Audience
Annual Benefit Statements	Web or paper if opted out of online statements	Annually	For viewing as required. Members are informed of availability via personal email, email to employers or internal Global News	Active and Deferred
Road shows/ Workshops/ online events	Face to face or virtually	When required	Advertised via email, Global News, Posters and employers	Active
Pensioner payslips	Paper	1st pension payment and every April, May and October	Post to home address	Pensioner
Notice of Pensions Increase	Paper	Annually in April	Post to home address with April payslip	Pensioner
Internal Disputes Resolution Procedure	Paper or Web	Continually available. Updated as required	Post to home address or available to download	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to monitor this site provided by LPPA to all its clients.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Factsheets – These are leaflets that provide information in relation to specific topics, such as redundancy, protections following a drop in pay, survivor benefits and pensions increase.

Newsletters - Newsletters are issued as required, usually when a significant change to the scheme occurs. Pensions Increase newsletters are sent annually to advise pensioner members of the increase to their pension.

Forms – Many of the required LGPS forms are available on the pension website such as opt out form, 50:50 or Main Scheme election form and expression of wish form.

Annual Benefit Statements – For active members these include the current value of benefits as well as the projected benefits to their normal retirement date. The associated death benefits are shown along with details of any individuals the member has nominated to receive the lump sum death grant. For deferred members these show the current value of the pension benefits, associated death benefits and details of any individuals the member has nominated to receive the lump sum death grant. These released at the end of August and are available on My Pension Online – Member Self Service. Members can opt out of the online service and elect to receive a paper copy sent to their home address.

Road shows – These are available, when required, providing staff with the opportunity to have a face to face conversation about their pension rights.

Pensioner payslips – The payslips are sent when a member receives their first pension payment, if the monthly amount varies by more than £5, each April and May. They are posted to the pensioner's home address.

Internal Disputes Resolution Procedure – A formal notification of the procedure to follow in the event that a dispute cannot be resolved by the LPP pension administration team or the Havering Pensions Projects or Contracts Manager

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pension's website.

Communications with Prospective Scheme Members

Our aims for communicating with our prospective scheme members are:

- to increase the take up of the LGPS
- to better educate members of the benefits of the scheme to reduce the general queries being directed to the LPPA administration team

The Key actions will be:

- review of communication methods to ensure they are effective and efficient
- ensuring automatic enrolment and re-enrolment is well communicated

Action	Audience	Media	End of Year Review 2020/21
Ensure pension forms are included in starter packs	New employees	Paper	Following a review of this process, forms are no longer included with new contracts. However the link to the pensions website is provided within the starter packs along with confirmation they will be enrolled into the pension scheme
Review and update the pension website	All	Web	In December 2020, LPPA launched a new pension's website which provides an improved member facility and easy access to the My Pension Online - Member Self Service portal. However it does not contain any Havering Fund specific information. A new pensions page within the Havering.gov.uk website is being created to ensure that Havering Documents, Factsheets and Policies are available online
Work with employer to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic	During 2020-21 a number of scheme employers reached their automatic re-enrolment dates and support was provided where required. All affected staff received appropriate communications and tPR reports were submitted

The pension scheme will work with employers to provide the following communication as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Joiner Option Form	Paper	On commencing employment	Via employers	New employees
Pensions Website www.lppa.co.uk	Web	Continually available. Updated as required	Advertised on all communications	All
Scheme booklet	Web	Continually available. Updated as required	For viewing as required	All
Education Sessions	Face to Face	As required	Part of induction workshops	New Employees

Communication	Media	Frequency of Issue	Distribution	Audience
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All

Explanation of communications

Pensions Joiner Option Form – Form provided to all new employees which provides the details of the pension scheme website and allows them to advise of any previous pension entitlements.

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to monitor this site provided by LPPA to all its clients.

Scheme booklet - A booklet providing detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to purchase additional pension.

Education sessions – A talk providing an overview of the benefits of the pension scheme and an opportunity to ask questions.

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pension's website.

Communications with Scheme Employers

Our aims for communicating with our scheme employers are:

- to improve relationships
- to assist them in understanding their role as a scheme employer
- to assist them in understanding their funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers

The Key actions will be:

- offer induction meetings for all new scheme employers
- assist with the implementation of Your Fund, the LPPA's online submission portal
- on-going promotion of the employer section of the Havering pension website
- working with relevant parties to admit new employers to the fund

Action	Audience	Media	End of Year Review 2020/21
Maximise the use of the newly developed ERM employer communication database on Altair	Employers	System	LPPA use their own Client Relationship Manager database which is monitored and maintained centrally.
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face or virtually	No meetings were carried out but all relevant information was sent via email with telephone support given by the Pensions Projects and Contracts Manager.
Review and update the pension website	Employer	Web	In December 2020, LPPA launched a new pension's website which provides an improved member facility and easy access to the My Pension Online - Member Self Service portal. However it does not contain any Havering Fund specific information. A new pensions page within the Havering.gov.uk website is being created to ensure that Havering Documents, Factsheets and Policies are available online
Work with LPPA and Scheme employers to implement Your Fund secure portal.	Employer	Web	The use of Your Fund has been promoted to employers and a guide has been issued. The majority of employers are now signed up and we will continue to monitor its use to ensure employer compliance
Work with LPPA and Scheme employers to ensure accurate and timely data submissions	Employer	Email, phone calls, face to face, virtually	Continued promotion of the Your Fund secure portal continues to improve the flow of information. During the year a number of areas for improvement have been highlighted and we have been working with LPPA and scheme employer to address issues and provide support.

The pension scheme will provide the following communication to employers as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Contact sheet	electronic	Annually	By email	All
Induction meeting	Email, phone calls, face to face, virtually	On becoming a scheme employer	By email	New scheme employers

Pension Website yourpension.org.uk/handr	Web	Continually available. Updated as required	Advertised on all communications	All
Tupe Manual and Admissions Policy	Web	Continually available. Updated as required	For viewing as required	Scheme employers and potential admitted bodies
Employer roadshows	Email, phone calls, face to face, virtually	When required following scheme changes	Advertised via email to employer	All
Annual Report and Accounts	Web	Continually available. Replaced annually	For viewing as required.	All
Pension Fund Valuation reports	Electronic	Every three years	Via email	All
Funding Strategy Statement	Web	Continually available. Replaced every three years and updated as required	For viewing as required.	All

Explanation of communications

Contact sheet – A form distributed annually to all scheme employers to ensure contact details are kept up to date. Details are recorded on the ERM system on Altair

Induction Meeting – A meeting offered to all new academies and admitted bodies to discuss roles and responsibilities. An information leaflet is being updated to accompany the meeting and will be made available on the pension website once completed

Pension Website - The website will provide scheme specific information, forms, documents (such as newsletters and report and accounts), factsheets, links to related sites including My Pension Online Member Self Service and contact information. We continue to monitor this site provided by LPPA to all its clients.

Tupe Manual and Admissions Policy – These documents are relevant to Letting Authorities that are looking to outsource a service to a third party supplier

Employer Roadshows – Provided by LPPA as required following a significant change in the scheme

Annual Report and Accounts – Detailed document providing information regarding the value of the Pension Fund during the financial year, income, expenditure and other scheme based information such as the number of scheme members and scheme employers. This is published and available on the pension's website

Pension Fund Valuation Reports – A report issued every three years setting out estimates assets and liabilities of the Fund as a whole and setting individual employer contribution rates for the next three year period

Funding Strategy Statement – A summary of the Fund's approach to funding its liabilities, including reference to the Fund's other policies although it is not an exhaustive statement of policy on all issues.

Communications with Representatives of Members

1. Pensions Committee

Our aims for communicating with Pensions Committee are:

- to provide information to enable the Committee to make decisions delegated under the Council's constitution
- to provide information to ensure the Committee are kept informed of pension related matters
- to ensure the Committee are aware of their responsibilities in relation to the Scheme

The Key actions will be:

- to submit Committee reports, which have been reviewed by the relevant Council business partners and senior manager
- To arrange training sessions when required

Action	**Audience**	**Media**	**End of Year Review 202/210**
To submit Committee reports in line with the annual plan and as and when required	Pensions Committee Members	Paper and web	All relevant reports were submitted and presented to Committee and uploaded onto the Havering Website
To arrange required training as and when required	Pensions Committee Members	Face to Face or virtually	Various training was provided to all Committee members during the year

The pension scheme will provide the following communication to Pensions Committee Members as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Committee Reports	Paper and Web	Quarterly and as and when required	By email and available on the Havering.Gov website	Pension Committee Members and Trade Union representatives
Pensions Committee Briefings	Face to face or virtually during the pandemic	Quarterly and as and when required		Pensions Committee Members and Trade Union representatives
Communication	**Media**	**Frequency of Issue**	**Distribution**	**Audience**
Training sessions	Face to face or virtually	When there is a new Pensions Committee and as and when required	By email	Pensions Committee Members and Trade Union representatives

Explanation of communications

Pensions Committee Reports – Formal reports written by Pension Fund officers and reviewed by Business Partners and a Senior Leadership Team member. Published on the havering.gov.uk website

Pension Committee Briefings – Pension Fund officers attend each Committee meeting and provide a verbal briefing on each Committee report

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Training is shared with the Local Pension Board members where applicable

2. Local Pensions Board

Our aims for communicating with the Local Pensions Board are:

- to provide information to enable the board to assist the Scheme Manager in executing their duties
- to provide information to ensure the board are kept informed of pension related matters
- to provide training with regards to investment and administration matters

The Key actions will be:

- to submit reports on areas identified for review by the Board.

- To arrange training sessions with Fund officers, advisors and external experts when required

Action	Audience	Media	End of Year Review 2020
To submit reports in line with the Board work plan and any additional areas identified at meetings	Local Pension Board	Paper and web	All relevant reports were submitted and presented to the Local Pension Board and uploaded onto the Havering Website
To arrange required training as and when required	Local Pension Board	Face to Face and virtually	Induction training has been provided to new Board member and information regarding external training courses has been circulated.

The pension scheme will provide the following communication to the Local Pension Board as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Local Pension Board Reports	Paper and Web	Quarterly and as and when required	By email and available on the Havering.Gov and yourpension.org.uk websites	Local Pension Board
Local Pension Board Briefings	Face to Face and virtually	Quarterly and as and when required	Fund officers attend each meeting	Local Pension Board
Training sessions	Face to face/ virtually and online	When a new members is appointed. Continual self- development is also required	Face to face delivered by Fund officers and targeted online training	Local Pension Board

Explanation of communications

Local Pension Board reports – Written by Pension Fund officers to provide a formal update to a particular area of work

Local Pension Board briefings – Pension Fund officers attend each Board meeting to provide a verbal overview of written reports and to provide updates on any on-going work

Training sessions – Provided by Pension Fund officers, advisors or external experts on investment or administration related matters. Targeted training is also available for Local

Pension Board members online via the Pensions Regulator website. Training is shared with the Pensions Committee members where applicable

3. Havering and oneSource Managers

Our aims for communicating with the Havering and oneSource managers are:

- to provide information to be able to make decisions delegated under the Council's constitution
- to provide accurate, timely and relevant information on request
- to ensure they are aware of any pension related employer costs

The Key actions will be:

- to submit executive decision reports on areas identified as requiring management approval.
- to ensure that employer requests for pension estimates are monitored against the contractual key performance indicator and include employer costs

Action	Audience	Media	End of Year Review 2020
To write key or non-key executive decision reports as required in line with the Council's constitution	Senior or oneSource Management	Paper or email	All relevant reports have been written and submitted in line with the Council's Constitution
To ensure the provision of employer estimates is in line with the contractual agreement	HR and Heads of Service	Paper or email	Estimates have been supplied in line with contractual agreements for 100% of requests. This is continually monitored to ensure the flow of information is secure and efficient

The pension scheme will provide the following communication to managers as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Key and non-key executive decision reports and background papers where required	Paper or electronic	As and when required	By email	Officer delegated responsibility under the Council's constitution
Employer requested pension estimates, usually for redundancy, flexible retirement or ill health retirement	Electronic	As requested	By email	HR or Head of Service

Explanation of communications

Key and non-key executive decision report - Formal reports written by Pension Fund officers and reviewed by Business Partners and agreed by a Senior Leadership Team member in accordance with the Council's constitution.

Employer requested pension estimates – A detailed statement of the scheme member's pension benefits and any cost to the employer due to the payment of the pension to the member.

4. Other Stakeholders

Pension Fund Manager (Finance)

The Pension Fund Manager (Finance) responds to staff, employer and other enquiries. Skills and knowledge are kept up to date through participation in seminars and conferences.

Pension Projects and Contracts Manager

The Pensions Projects and Contracts Manager is responsible for monitoring the administration contract with the Local Pensions Partnership. Monthly client reviews take place to monitor the contract and check the service level agreements are being met. They are also responsible for maintaining relationships with scheme employers, trade unions and other relevant stakeholders.

Investment Fund Managers

Day to day contact between the Pension Fund Manager (Finance) and the investment fund managers is maintained. Each fund manager is required to present their performance reports to the Pensions Committee on a cyclical basis, unless performance concerns override this.

Trade Unions

Trade unions in the London Borough of Havering are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Scheme.

London Borough of Havering Pension Fund

Funding Strategy Statement

December 2020

Contents

Funding Strategy Statement

Appendices

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Havering Pension Fund ("the Fund"), which is administered by London Borough of Havering, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 12 January 2021.

1.2 What is the London Borough of Havering Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the London Borough of Havering Fund, in effect the LGPS for the London Borough of Havering area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Debbie Ford in the first instance at e-mail address Debbie.Ford@oneSource.co.uk or on telephone number 01708 432569.

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

- Calculate the employer contribution rate such that it has a predetermined minimum likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

The New Fair Deal gives any council staff providing services under contract to certain maintained schools (including Foundation schools), who are TUPE'd to another contractor, the right to remain in the LGPS. This would be through an admission agreement and are referred to as transferee admission bodies as set out below.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. Please note, the terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

The extension of TABs, particularly for low value contracts, can expose both the scheme employers and the other employers in the Fund to risk. The risk from Academies is partly offset by the Secretary of State guarantee.

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or surplus is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits/surpluses are short term, high level risk measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result; and
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, covenant assessment, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However, it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make no allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation.

The Fund has taken the following action:

- Reserved additional prudence within the discount rate. As at 31 March 2019, the Fund's investment strategy had a greater than 80% likelihood of delivering 3.3% p.a. Had there not been any risks associated with McCloud, the Fund would have considered a lower likelihood of success; and
- Increased the pace of funding. When setting the funding plans for scheduled bodies, the Fund has determined contributions allowing for a higher probability of employer's meeting their funding targets over their respective time horizons. For instance, the Council rate has been set such that there is at least a 67% likelihood of being fully funded (as opposed to 60% previously). Academies have target 75% (as opposed to the 70% which was the proposed target before McCloud risks were introduced).

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

The Fund intends to carry out its next actuarial valuation in 2022 (3 years after the 2019 valuation date) in line with MHCLG's desired approach in the consultation. The Fund has therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?

2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.

3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore, the Administering Authority, with advice from the actuary, may adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies		Community Admission Bodies and Designating Employers		Transferee Admission Bodies*	
Sub-type	Local Authorities	Academies	Open to new entrants	Closed to new entrants	Open to New Entrants	Closed to New Entrants
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)		Ongoing, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)	
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	No				
Maximum time horizon – Note (c)	20 years	20 years	Future working lifetime subject to a maximum of 15 years		Outstanding contract term subject to a maximum of 15 years	
Secondary rate – Note (d)	Monetary Amount or percentage of pay as appropriate					
Treatment of surplus	Covered by stabilisation arrangement	Contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority			Reduce contributions by spreading the surplus over the remaining contract term	
Likelihood of achieving target – Note (e)	60%***	70%***	75%**		75%	75%**
Phasing of contribution changes	Covered by stabilisation arrangement	3 years, subject to the Administering Authority being satisfied as to the strength of the employer's covenant.			None	
Review of rates – Note (f)	Review of rates will be carried out in line with the Regulations and as set out in Note (f)					
New employer	n/a	Note (g)	Note (h)		Notes (h) & (i)	
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j).		Can be ceased subject to terms of admission agreement. Exit valuations will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Exit valuations calculated on the contractor exit basis, unless the admission agreement is terminated early by the contractor in which case the gilts exit basis would apply. The letting employer will be liable for future deficits and contributions arising. See Note (j) for further details.	

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

** The Administering Authority may reduce the required likelihood where a cessation is imminent.

*** Please see section 2.7

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority; and
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2016 valuation exercise (see Section 4), the Administering Authority has agreed a stabilisation mechanism with the Fund Actuary taking into account a number of factors.

The stabilisation criteria and limits will be reviewed at the 31 March 2022 valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll),
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Under the Regulations the Fund may amend contribution rates between valuations for "significant change" to the liabilities or covenant of an employer. The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an Administering Authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the scheme within the next two years and before completion of the next valuation;

- an employer agrees to pay increased contributions to meet the cost of an award of additional pension, under Regulation 31(3) of the Regulations;
- there are changes to the benefit structure set out in the LGPS Regulations including the outcomes of the McCloud case and cost sharing mechanisms (if permitted in Regulation at that time) which have not been allowed for at the last valuation;
- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the Administering Authority that there has been a significant change in the ability of an employer or employers to meet their obligations (i.e. a material change in employer covenant);
- it appears to the Administering Authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the Administering Authority.

The Administering Authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or they are going through a significant restructuring impacting their membership).

Except in circumstances such as an employer nearing cessation, the Administering Authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation. It should be noted that any review may require increased contributions.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion. Therefore, new academies may start with a deficit, depending on market conditions, which will be recovered over the same period as the ceding council;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above; and

v. It is possible for an academy to leave one MAT and join another. If this occurs, all active deferred and pensioner members of the academy will transfer to the new MAT. The Fund Actuary may need to reassess the contributions of both the former and new MAT in which the academy participates.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and Department for Education (DfE) guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies and will be reflected in a subsequent version of this FSS. In particular, policy iii above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will normally be reassessed on a triennial basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor. In particular there are three different routes that such employers may wish to consider:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of surplus would be determined by the Administering Authority in accordance with the Regulations and this FSS.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. Alternatively, letting employers and Transferee Admission Bodies may operate any of the above options by entering into a separate Side Agreement.

The Administering Authority would not necessarily be a party to the side agreement, but may treat the Admission Agreement as if it incorporates the side agreement terms where this is permitted by legislation.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Exiting the Fund)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (please note, recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund;
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund; or
- On termination of a deferred debt agreement.

On cessation, the Administering Authority may put in place a deferred debt arrangement or will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus.

Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 30 days of the employer being notified. However, in line with the Regulations, the Fund may agree this payment to be spread over a period not exceeding 3 years, however, such agreement would only be permitted at the Fund's discretion, where payment of the debt in a single immediate lump sum could be shown to be materially detrimental to the employer's normal operations. In cases where payment is spread, the Fund reserves the right to require that the ceasing employer provides some form of security (such as a charge over assets, bond indemnity or guarantee) relating to the unpaid amount of debt at any given time.

Where there is a surplus, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising as a result of the employers contributions, any representations (such as risk sharing agreements or guarantees) made by the employer and any other employer providing a guarantee and any other pertinent information If a risk sharing agreement has been put in place (please see note (i) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will:

- Where another employer in the Fund is the ultimate guarantor to the ceasing employer, there will be no adjustment for McCloud; and
- Where no other employer in the Fund is the ultimate guarantor to the ceasing employer (such as a single academy trust), the liabilities associated with the will have a loading applied. The loadings are 3% of any active liabilities transferring to another employer, 1% of any deferred liabilities and 0% of any pensioner liabilities.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Administering Authority may enter into a written agreement with the Admission Body to defer their obligations to make an exit payment and continue to make secondary contributions (a 'deferred debt agreement'). The Admission Body must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund Actuary until the termination of the deferred debt agreement.

The Administering Authority will consider deferred debt agreements in the following circumstances:

- The Admission Body requests the Fund consider a deferred debt agreement;
- The Admission Body is expected to have a deficit if a cessation valuation was carried out;
- The Admission Body is expected to be a going concern; and
- The covenant of the Admission Body is considered sufficient by the Administering Authority.

The Administering Authority will normally require:

- Security be put in place covering the Admission Body's deficit on their cessation basis;
- Regular monitoring of the contribution requirements and security requirements;
- All costs of the arrangement are met by the Admission Body, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A deferred debt agreement will normally terminate on the first date on which one of the following events occurs:

- the Admission Body enrols new active Fund members;
- the period specified, or as varied, under the deferred debt agreement elapses;
- the take-over, amalgamation, insolvency, winding up or liquidation of the Admission Body;
- the Administering Authority serves a notice on the Admission Body that the Administering Authority is reasonably satisfied that the Admission Body's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months;
- the Fund actuary assesses that the Admission Body has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. Admission Body is now largely fully funded on their cessation basis);
- the Fund actuary assesses that the Admission Body's value of liabilities has fallen below an agreed *de minimis* level if the employer becomes an exiting employer on the calculation date; or
- The Admission Body requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the Admission Body pays their outstanding cessation debt on their cessation basis).

On the termination of a deferred debt agreement, the Admission Body will become an exiting employer and a cessation valuation will be completed in line with this FSS.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- smaller CABs (as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service);

- Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools; and
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

The intention of any pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out (for instance by pooling across a number of employers).

On the other hand, it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Fund Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply. This would mean potentially very different (and in particular possibly much higher) contribution would be required from the employer in that situation.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at each formal valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's covenant and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). The relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014. Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

3.7 Ill health early retirement costs

Employers will usually have an 'ill health allowance'. The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirements over any inter valuation period exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.8 Ill health risk management

Each employer may elect to use external insurance which has been made available by the Fund. If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and

- there is no need for monitoring of allowances.

When an active member retires on ill health early retirement the claim amount will be paid directly from the insurer to the insured employer. This amount should then be paid to the Fund to allow the employer's asset share to be credited.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund.

In exceptional circumstances the Fund may permit an employer with no remaining active members and an exit debt to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.9 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the 'cash equivalent transfer values' of transferring members calculated using Government Actuary's Department guidance and factors in force at the point of transfer;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund Actuary, the current funding policy is consistent with the current investment strategy of the Fund. The assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying the ongoing basis include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset valued. However, the Fund Actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the investment performance quarterly and reports this to the regular Pensions Committee meetings. In addition, the Administering Authority carries out an inter-valuation period assessment of the Fund's relative funding position, i.e. changes in the relationship between asset and liability values.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 (“Section 13”), the Government Actuary’s Department must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;

2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustments certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The MHCLG has stated that the purpose of the FSS is:

*“to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities.”*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers on **19 November 2019** for comment;

b) Comments were requested by **20 December 2019**;

c) Following the end of the consultation period the FSS was updated where required and then published, on 27 January 2020.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the Councils website, at https://www.havering.gov.uk/pensionfundingstrategystatement and
- Published on the Pensions website, at http://www.yourpension.org.uk/handr/Havering-Publications/Havering-Fund-Employers.aspx
- Copies sent to investment managers and independent advisers; and
- Copies made available on request.
- A4 How often is the FSS reviewed?

The FSS is reviewed in detail at every formal valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at

http://www.yourpension.org.uk/handr/Havering-Publications/Havering-Fund-Employers.aspx

https://www.havering.gov.uk/pension

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
- prepare and maintain a FSS and an ISS, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

financial;

demographic;

regulatory; and

governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure four key outcomes. Chosen option considered to provide the best balance.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Academy school ceases due to failure.	The Fund seeks a cessation valuation and makes a claim to the Secretary of State for Education under the Academies guarantee.
Admission Bodies failure.	The Fund will seek to have in place a bond/indemnity and/or 'pass-through' arrangement with scheme employer or a tripartite admission agreement.
Effect of possible asset underperformance as a result of climate change	Explicitly consider ESG issues when setting the overall funding and investment strategies. Carry out scenario testing on potential Government policy changes when evaluating funding and investment strategies.

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.

Risk	Summary of Control Mechanisms
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on any settlement as a result of the McCloud ruling and will consider an interim valuation or other appropriate action once more information is known. Explicit allowance has been made in Employer funding plans to help manage the potential effects of McCloud. The Government's long term preferred solution to GMP indexation and equalisation – conversion of GMPs to scheme benefits – was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor.

Risk	Summary of Control Mechanisms
	Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3). Consider the use of a deferred debt arrangement if the employer is a going concern with sufficient covenant.
An employer ceasing to exist resulting in an exit credit being payable.	The Administering Authority regularly monitors admission bodies coming up to cessation and adjusts funding plans to reduce the risk of any deficit or surpluses at exit. The Administering Authority invests in liquid assets which can be realised to meet any exit credits as and when required.

Appendix D – The calculation of Employer contributions

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund’s actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below);
2. at the end of the determined time horizon (see 3.3 Note (c) for further details);
3. with a sufficiently high likelihood, as set by the Fund’s strategy for the category of employer (see 3.3 Note (e) for further details); and
4. allowing for any adjustments that may be required to keep contributions as stable as possible.

The projections are carried out using the Economic Scenario Service. The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer’s valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer’s liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore, it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.

2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers. Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

Using the cashflow approach, the Fund Actuary tracks employer assets on an annual basis. Starting with each employer's assets from the previous year end, the Fund Actuary allows for cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the year to calculate an asset value at the year end. The approach has some simplifying assumptions in that all cashflows and investment returns are assumed to have occurred uniformly over the course of the year. As the actual timing of cashflows and investment returns are not allowed for, the sum of all employers' asset values will deviate from the whole fund asset total over time (the deviation is expected to be minor). The difference is split between employers in proportion to their asset shares at each triennial valuation.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) which has been derived by the Fund Actuary.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities") and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

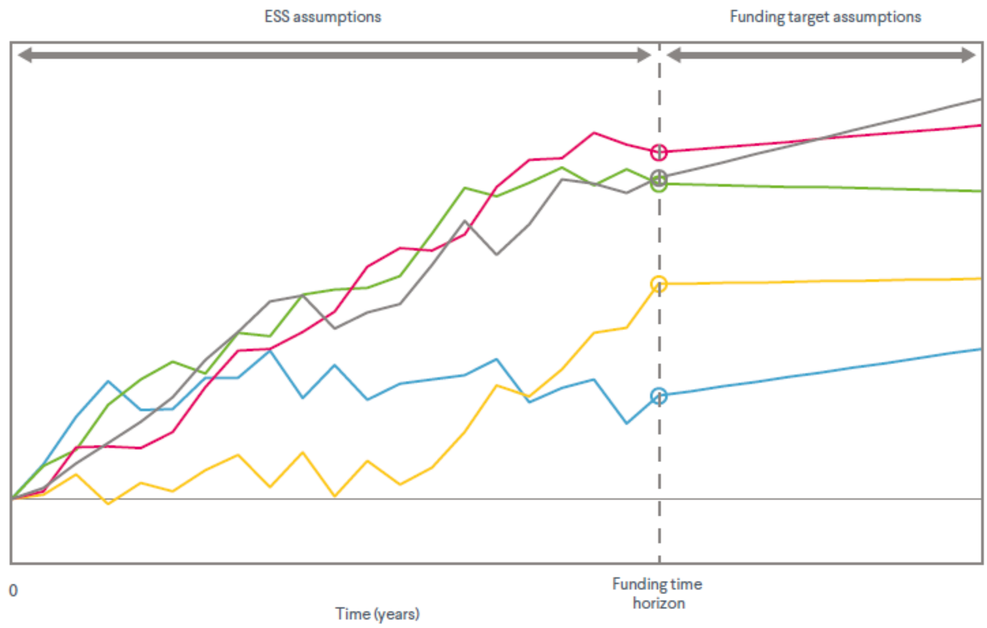
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary's approach to calculating employer contribution rates involves the projection of each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer's required likelihood) being successful at the end of the employer's time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson's proprietary stochastic economic model - the Economic Scenario Service ("ESS").

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases (described in E3 below).



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing basis	Contractor exit basis	Gilts exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 1.8% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, cashflows and in the funding target:

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2021, followed by
2. The retail prices index (RPI) p.a. thereafter.

This gives a single "blended" assumption of RPI less 0.3%. This is a change from the previous valuation, which assumed a blended assumption of RPI less 0.7%. This change has led to an increase in the funding target (all other things being equal) when compared to the 2016 valuation.

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government and is not under the control of the Fund or any employers. At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI (please note, the reduction is applied on a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Bond Indemnity	To cover early termination of a contract due to, but not limited to, • funding strain arising from the early payment of liabilities that will arise as a consequence of redundancy if the Employer goes into liquidation, insolvency or winds up. Employees over age 55 are eligible for immediate payment of pension in the event of being made redundant; • any general funding shortfall, arising from variations between experience and assumptions used when determining the ongoing Employer's contribution rate; and • a provision to cover the potential liability due to adverse market conditions over the period until the next actuarial valuation. This bond does not cover any final cessation payments at the end of a contract.
Cessation Valuation	At the natural end of a contract or when the last active member of an employer retires, a cessation valuation is carried out to determine the final contribution due from the employer or the excess of assets over the value of the liabilities The final contribution or exit credit due may be subject to a 'pass-through' arrangement with the scheme employer.
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.

Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy. The letting employer will meet the actuarial fees for setting contribution rates and any bond reviews.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Pass-through	A risk sharing agreement between the letting employer and the contractor.
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.

Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. .
Valuation	A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

Havering

LONDON BOROUGH

Investment Strategy Statement July 2020

1. Introduction and background

1.1 This is the Investment Strategy Statement ("ISS") of the London Borough of Havering Pension Fund ("the Fund"), which is administered by Havering Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

1.2 The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP and having regard to guidance issued by the Ministry for Housing, Communities and Local Government (MHCLG). The Committee acts on the delegated authority of the Administering Authority.

1.3 In order to guide the ongoing development of its investment strategy, the Committee has considered and agreed a series of investment beliefs. These beliefs are set out in Appendix 1.

1.4 The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

1.5 The Committee seeks to invest, in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement (dated December 2019).

1.6 The ISS was approved by the Committee on 29 July 2020.

2. The suitability of particular investments and types of investments

2.1 The primary investment objective of the Fund is to ensure that the assets are invested to secure the benefits of the Fund's members under the Local Government Pension Scheme. Against this background, the Fund's approach to investing is to:

- Optimise the return consistent with a prudent level of risk;
- Ensure that there are sufficient resources to meet the liabilities; and
- Ensure the suitability of assets in relation to the needs of the Fund.

2.2 The Fund's funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

2.3 The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed, but will take account of future salary and/or inflation increases.

2.4 The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. It plays an important role in meeting the longer-term cost of funding, and how that cost may vary over time. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

2.5 It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

2.6 Within each major market the Fund's investment managers will maintain a diversified portfolio of securities through direct investment or via pooled vehicles. For direct investments, an Investment Management Agreement is in place for each investment manager, which sets out the relevant benchmark, performance target and asset allocation ranges, together with further restrictions. For pooled vehicles, appropriate governing documentation is in place for each pooled fund.

2.7 The Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile;
- The level of expected risk;
- Outlook for asset returns.

2.8 The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation. The Committee has adopted a rebalancing policy which is triggered if the Fund's asset allocation deviates by 5% or more from the strategic allocation.

2.9 In order to avoid excessive rebalancing, the assets will not be brought back to the absolute strategic benchmark, but to a position that is approximately half way between the tolerance level and the target allocation. This also takes into consideration that there is a time lag between reporting a variance, and the rebalancing of the funds.

2.10 If rebalancing is triggered, the assets will be rebalanced back to within 2.5% of the strategic asset allocation.

2.11 In exceptional circumstances, when markets are volatile or when dealing costs are unusually high, the Pensions Committee may decide to suspend rebalancing temporarily. The priority order for funding rebalancing is to first use surplus cash, followed by dividend and or interest income and lastly using sales of overweight assets. The Pensions Committee will seek the written advice of the investment adviser with regard to rebalancing and detailed distribution of cash or sale proceeds.

3 Investment of money in a wide variety of investments

Asset classes

3.1 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

3.2 The Committee reviews the nature of the Fund's investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

3.3 The Fund's target investment strategy is set out in Table 1 below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Table 1: Strategic benchmark allocation

Asset class	Benchmark Proportion %	Maximum %
Global Equity	40.0	45.0
Multi Asset	22.5	40.0
Property	10.0	15.0
Infrastructure	7.5	15.0
Bonds & Cash	20.0	25.0
Total	100.0	

3.4 At 31 December 2019, the expected return of this portfolio over a 20-year time horizon was 5.0%p.a. with an expected volatility of 12.9%p.a. This volatility includes an assumed diversification benefit. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Managers

3.5 The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

3.6 The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The current manager benchmarks are set out in Appendix 2 to this Statement. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects the composition of their respective benchmark indices.

4 Risk management

4.1 The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has a risk management programme in place that aims to help it identify the risks being taken and has put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.

4.2 The principal risks affecting the Fund are set out below. We also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

4.3 Asset values may not increase at the same rate as liabilities with an adverse impact on the funding position. A Funding Strategy Statement ("FSS") is prepared every three years as part of the triennial valuation and the Committee monitors the Fund's investment strategy and performance relative to the growth in the liabilities at mid -cycle to the triennial valuation. The following key risks have been identified:

- **Financial mismatch**: The Committee recognises that assets and liabilities have different sensitivities to changes in financial factors. To mitigate the risk an investment strategy is set which provides exposure to assets providing inflation protected growth as well as cash flow generating assets that match the Fund's liabilities.

- **Changing demographics**: This relates to the uncertainty around longevity. The Council recognises there are effectively no viable options to mitigate these risks and assesses the impact of these factors through the Funding Strategy Statement and formal triennial actuarial valuations.

- **Systemic risk**: The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.

4.4 The Committee measures and manages financial mismatch in two ways:

- As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. This analysis will be revisited as part of the 2019 valuation process. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark.

- The Committee also assesses risk relative to liabilities by monitoring the delivery of returns relative to a strategic benchmark. The current strategic benchmark is the return on index-linked Government bonds plus 1.8% per annum, which is consistent with the discount rate used by the Actuary to value the Fund's liabilities.

4.5 The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to the Committee's own views and the level of risks associated with these assumptions to be assessed.

4.6 The Committee seeks to mitigate systemic risk through a diversified portfolio but recognises that it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

4.7 The Committee recognises that the Fund's investments are exposed to a range of asset specific risks which include:

- **Concentration risk**: This relates to the risk that the performance of a single asset class, investment or manager has a disproportionate influence on the Fund's performance. The Committee attempts to mitigate this risk by establishing a well-diversified strategic asset allocation, reviewing the investment strategy regularly and following a regular fund manager review process. The Fund's investment in multi-asset and absolute return mandates increases diversification further, with investment managers able to invest across the full spectrum of the investment universe in order to manage risk.

- **Liquidity risk**: Investments are held until such time as they are required to fund payment of pensions. The liquidity risk is being very closely monitored as the Fund matures (i.e. as the level of benefit outgo increases relative to the contributions received by the Fund). The Council manages its cash flows and investment strategy to ensure that all future payments can be met and that sufficient assets are held in liquid investments to enable short term cash requirements to be met.

- **Currency risk**: The strategic asset allocation adopted by the Committee provides for an element to be held overseas to provide diversification and exposure to different economies. Such investment is however subject to fluctuations in exchange rates with an associated positive or adverse impact on performance.

- **Environmental, social and governance ("ESG") risks**: The extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

- **Manager risk**: Fund managers could fail to achieve the investment targets specified in their mandates. This is considered by the Committee when fund managers are selected and their performance is reviewed regularly by the Committee as part of the manager monitoring process.

- **Climate risk**: The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

4.8 The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, the Committee has recognised the need for access to liquidity in the short term.

4.9 The Committee has chosen to manage currency risk as follows:

- Within equity mandates, the Committee has chosen to retain currency risk unhedged;

- Within multi-asset mandates, the managers employed have discretion to make use of currency exposure as a source of potential return although are mandated to deliver returns relative to a sterling objective. The Committee is therefore satisfied that currency risk is managed within these mandates but monitors currency exposures;

- Within real asset and private debt mandates, where overseas currency exposure arises, the Committee has chosen to hedge 100% of such currency exposure (subject to de minimis limits) given the expectation that income is a primary driver of return.

4.10 The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing a number of managers and making use of passive investment. The Committee assesses the investment managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

4.11 Details of the Fund's approach to managing ESG and climate risks are set out later in this document.

Other provider risks

4.12 The Committee recognises that investment risk arises in the operational management of the Fund and have identified the following major risks:

- **Transition risk**: The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.

- **Custody risk**: The risk of losing economic rights to Fund assets, when held in custody or when being traded.

- **Credit default**: This risk relates to the other party(s) in a financial transaction (the counterparty) failing to meet its obligations to the Fund. Where appropriate, the Committee has set guidelines with its fund managers and its custodian to limit its exposure to counterparty risk.

- **Stock-lending risk**: The possibility of default and loss of economic rights to Fund assets.

4.13 The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

4.14 A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

5 The approach to pooling

5.1 The Fund is a shareholder and a participating scheme in the London CIV Pool. The London CIV is authorised by the FCA as an alternative I investment Fund Manager with permission to operate a UK based Authorised Contractual Scheme Fund. The structure and basis on which the London CIV Pool will operate was set out in the July 2016 submission to Government.

5.2 The Fund's intention is to invest its assets through the London CIV Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the 2016 submission to Government. The key criteria for assessment of Pool solutions is as follows:

- That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund.
- That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

5.3 At the time of preparing this statement, 62.5% of the Fund's assets were invested through the Pool or through passive vehicles facilitated by the Pool as set out in Table 2 below:

Table 2: Pool allocations

Asset **class**	Invested through pool **%**	Retained outside pool **%**
Global Equity	35.0	-
Multi Asset	27.5	-
Property	-	10.0
Infrastructure	-	7.5
Bonds & Cash	-	20.0
Total	**62.5**	**37.5**

5.4 The Fund has committed 7.5% of its assets to private debt mandates that were procured on a collaborative basis in conjunction with other London LGPS funds.

5.5 The Fund holds 17.5% of the Fund in property and infrastructure assets and these will remain outside of the London CIV pool as the cost of exiting these strategies would have a negative financial impact on the Fund. These will be held until such time as a cost-effective means of transfer to the Pool is available or until the Fund changes asset allocation and makes a decision to disinvest.

5.6 Any assets not currently invested in the Pool will be reviewed at least annually to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money.

6 Approach to responsible investment including climate change considerations

6.1 It is recognised that a range of factors, including ESG factors, can influence the return from investments. The Fund will therefore invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including ESG factors to the extent these directly or indirectly impact on financial risk and return. In making investment decisions, the Fund seeks and receives proper advice from internal officers and external advisers with the requisite knowledge and skills.

6.2 The Fund recognises that climate change is a systemic risk with the potential to directly impact economic, financial and social systems. Wherever possible, the Fund will directly consider the potential impact of climate risks on investment decision making within its investment portfolios.

6.3 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, climate and ethical considerations, into the decision-making process for all fund investments. Within passive mandates where the choice of index dictates the assets held by the investment manager and the manager has minimal freedom to take account of factors that may be deemed to be financially material, the Fund will review the index benchmarks employed for the Scheme on at least a triennial basis.

6.4 The Fund expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed. As a minimum, the Fund expects its managers (including the London CIV) to be signatories of the UN supported Principles for Responsible Investment and, where appropriate, the FRC UK Stewardship Code. The Fund will periodically review its managers' reporting against these standards, as well as other relevant industry standards, and will challenge its managers to improve their practices where the Fund deems it appropriate to do so.

6.5 The Fund expects its external investment managers (and specifically the London CIV through which the Fund will increasingly invest) to undertake appropriate monitoring of underlying investments with regard to the policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund such as corporate governance and environmental factors. The Fund will engage with its managers to understand what actions have been taken during regular review meetings.

6.6 Whilst the Fund expects that manager appointments in respect of new investments will be made through the London CIV, where the Fund makes its own appointments, responsible investment considerations will form a component of the manager selection decisions. The Fund will also encourage the London CIV to adopt best practice standards in the evaluation and monitoring of managers employed for investment.

6.7 Effective monitoring and identification of ESG issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes. Where appropriate, the Fund will work with the London CIV to promote collective engagement on behalf of all investors.

6.8 The Fund monitors the activity of its investment managers on an ongoing basis and will review the approach taken annually.

7 Consideration of non-financial factors and social investments

7.1 At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee will review its approach to non-financial factors periodically, taking into account relevant legislation and the Law Commission's guidance on when such factors may be considered. Additionally, the Committee monitors legislative and other developments with regards to this subject and will review its approach in the event of material changes.

7.2 The Committee understands the Fund is not currently able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

7.3 The Fund does not at the time of preparing this statement hold any assets which it deems to be explicit social investments; however, this ISS places no specific restrictions on the Fund in respect of such investments beyond those of suitability within the Investment Strategy as a whole and compatibility with the Committee's fiduciary duties. In considering any such investment in the future, the Committee will have regard to the Guidance issued by the Secretary of State and to the Law Commission's guidance on financial and non-financial factors.

8 Stewardship of assets

8.1 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

8.2 The Fund recognises that its equity assets are invested in pooled vehicles, it remains subject to the voting policies of the managers of these vehicles:

- Investments through the London CIV are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

- In respect of Fund investments outside the London CIV, the Committee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value.

8.3 The Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2) (f). The Committee monitors the voting decisions made by all its investment managers and receive reporting from their advisers to support this on an annual basis.

8.4 The Committee will request its investment manager provide details of any change in policy on an annual basis. The Committee will review these changes and, where necessary, will challenge managers to explain the reasoning for any change.

8.5 The Committee reviews voting activity by its investment manager on an annual basis and may also periodically review managers' voting patterns. The Committee will challenge its managers to explain voting decisions on certain issues, particularly with regard to climate risk disclosure. The Fund will also incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Council website.

8.6 At the time of production of the ISS the Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the Stewardship Code. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

8.7 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to promote best practice by the CIV and enhance the level of engagement both with external managers and the underlying companies in which invests.

Appendix 1: Investment beliefs

1 Clear and well-defined objectives are essential to reflect the Funds long-term strategic direction of travel and to help build a plan for achieving these objectives.

2 The Fund and its liabilities are long-term in nature and the Committee supports long term investing as a means of enhancing returns, reducing transaction costs, encouraging improved governance and delivering stable contribution rates.

3 Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection.

4 Diversification between asset classes and regions is expected to provide greater stability to investment returns whilst diversification over many different managers needs to be balanced against the Committee's governance budget.

5 Returns net of fees and costs are more important than the absolute level of fees although investment managers' fees should be transparent and reviewed regularly.

6 Active management can add value although the performance of active managers should be measured over a sufficiently long investment horizon.

7 Benchmarks matter, particularly where they dictate the manner in which assets are invested.

8 Environmental, Social and Governance factors can pose financially material risks and it is incumbent on investment managers, where they have the discretion to do so, to ensure that such risks are reflected in decision making

9 Effective stewardship through informed voting and engagement can positively influence corporate behaviours although success is most likely to be achieved through greater collaboration

10 Climate change and the expected transition to a low carbon economy represents a long-term financial risk to Fund outcomes and should be considered as part of the Committee's fiduciary duty.

11 Decision making can be improved through the greater disclosure of information and the Fund should both support and demonstrate high standards of disclosure.

12 Excluding assets from portfolios for non-financial reasons is unlikely to be appropriate in the majority of circumstances.

Appendix 2: Manager Benchmark allocations

Mandate	Manager	Allocation	Benchmark/Target
Equity			
Global equities	LGIM	7.5%	FTSE All World Index
Fundamental Equity	LGIM	7.5%	FTSE RAFI All World 3000 Index
Emerging Market Equity	LGIM	5.0%	FTSE Emerging Markets Index
Global equities	LCIV	15.0%	MSCI ACWI + 2% p.a.
Multi Asset			
Absolute Return	LCIV	15.0%	Preserve and grow capital (LIBOR +4% p.a.)
Diversified Growth	LCIV	12.5%	Bank Base Rate +3.5% (net)
Property			
UK property	UBS GAM	6.0%	MSCI All Balanced Funds WA Index
Global property	CBRE GIP	4.0%	UK CPI + 5% p.a. (net of fees)
Infrastructure			
Infrastructure	Stafford Capital	3.5%	UK CPI + 5% p.a. (net of fees)
Infrastructure	JP Morgan	4.0%	UK CPI + 5% p.a. (net of fees)
Bonds			
Index Linked Gilts	Royal London AM	5.0%	Over 5 year index linked gilts index
Multi Asset Credit	Royal London AM	7.5%	LIBOR +4% p.a.
Private Debt	Churchill	3.0%	LIBOR +4% p.a.
Private Debt	Permira	4.5%	LIBOR +4% p.a.

Note that the table includes ongoing mandates only.

MYNERS Principles for Investment Decision Making

The Pensions Committee will regularly review the Fund's compliance with this Statement of Investment Principles.

The Action the Council has taken to meet the recommendations made in the Myner's report was last updated in July 2020 and is available as an appendix to this statement.

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
1. Effective decision-making		**SUMMARY: FULLY COMPLIANT**
Administrating authorities should ensure that :		
(a) Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and	1) Administering authorities should have a designated group of elected members appointed to a committee to whom responsibility for pension fund activities have been assigned.	A designated group of elected members, reflecting the political balance of the Council, have been appointed to a Pensions Committee who are responsible for pension fund functions, as specified in the Council's constitution (Part 2).
(b) those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest	2) Roles of the officers with responsibility for ensuring the proper running of the administration authority's and the committee's business should be set out clearly. The rules drawn up should provide a framework for the committee's code of business and include a process for the declaration of conflicts of interest.	Roles of the officers with responsibility for the day to day running of the administering authority's and the committee's business is specified in the Council's constitution (Part 3). Declarations of interests are considered at the start of each committee meeting.
	3) The committee should be governed by specific terms of reference, standing orders and operational procedures that define those responsible for taking investment decisions, including officers and/or external investment managers.	The Pensions Committee is governed by specific terms of reference and is specified in the Council's constitution (Part 3), officer functions are also specified (Part 3).
	4) The process of delegation should be described in the constitution and record delegated powers relating to the committee. This should be shown in a public document, such as the statement of investment principles.	The delegation process for the day to day running of the pension scheme is specified in the Council's constitution (Part 3). The Council's constitution is available via the Council's website: www.havering.gov.uk, follow links council, democracy and council, constitution of the council or select the link below. Havering - Library folder - Constitution
	5) In describing the delegation process, roles of members, officers, external advisors and managers should be differentiated and specified.	Roles of members, officers, external advisors and managers are no longer required to be specified in the ISS
	6) Where possible, appointments to the committee should be based on consideration of relevant skills, experience and continuity.	Where possible, appointments made to the committee are based on consideration of relevant skills, experience and continuity.

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	7) The committee should ensure that it has appropriate skills, and is run in a way designed to facilitate effective decision making. It should conduct skills and knowledge audits of its membership at regular intervals. The adoptation of a training plan and an annual update of training and development needs would represent good practice to demonstrate that the committee is actively managing the development of its members. A statement should appear in the annual report describing actions taken and progress made.	Structured training of elected members ensures that members are proficient in investment issues. The Council incorporates training within its forward looking business plan for the fund. Forward looking business plan is presented at the first Pensions Committee meeting of the financial year and reported in the Pension Fund Annual Report. Members agreed to completing the CIPFA's Knowledge and Skills self-assessment of training needs. The training plan incorporates the outcomes of the self-assessments. Following the establishment of a Local Pension Board (LPB) a joint training strategy will be developed that will incorporate training of Pension Committee members with LPB members, where appropriate.
	8) The committee review its structure and composition regularly and provide each member with a handbook containing committee's terms of reference, standing orders and operational procedures. It is good practice to establish an investment or other subcommittee to provide focus on a range of issues.	Council recommends that the membership of the Pensions Committee remains static for the life of their term in office to facilitate knowledge continuity and helps to maintains expertise within the committee. Elected members are provided with a copy of their roles and responsibilities.
	9) The committee may wish to establish subcommittees or panels to take responsibility for progressing significant areas of activity between meetings.	The committee has not established any subcommittees as the Pensions Committee focuses only on the activities of the pension fund. The Council does have a pension panel that exercises discretions within the LGPS and deals with the Internal Dispute Resolution Procedure regulations.
	10) The committee should obtain proper advice from suitably qualified persons, including officers. The CFO should assess the need for proper advice and recommend to the committee when such advice is necessary from an external advisor. The committee should ensure that it has sufficient internal and external resources to carry out its responsibilities effectively.	The Pensions Committee has appointed two advisors – Investment advisor and Actuarial advisor. The Pension Fund Manager (finance) provides in house support to members. The Pension Committee is also supported by the Statutory Section 151 and the Council's Pension Administration and payroll sections. Internal and external resources are considered as part of the business plan.
	11) Allowances paid to elected members should be set out in a published allowances scheme and reviewed regularly.	Members of the Pensions Committee expenses are reimbursed in line with the Council’s constitution (Part 6 - ‘Members Allowance Scheme’)

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	12) Employees appointed as member representatives should be allowed adequate time off from normal duties to attend meetings.	Havering Council's conditions of service permits special leave up to a number of specified days for employees who act as a member of a publicly elected body.
	13) Papers and related documentation should be clear and comprehensive, and circulated to members of the committee sufficiently in advance of the meeting.	Committee policy established and ensures that target dates for report clearance and agenda dispatch targets are met. Members receive agendas five working days prior to meeting date.
	14) The **CFO** should be given the responsibility for the provision of a training plan and ensure that members are fully aware of their statutory & fiduciary duties.	The Training Plan is incorporated within the Business Plan and includes a log of training undertaken and attendance. Indicative future training plans are also included in the Business Plan.
	15) The **CFO** should ensure that a medium term business plan is created and contains: financial estimates for the investment and administration of the fund, appropriate provision for training, major milestones and issues to be considered, key targets and method of measurement. The business plan should be submitted to the committee for consideration.	The Business Plan is considered by the Pensions Committee and contains: financial estimates for the investment and administration of the fund, appropriate provision for training, major milestones and issues to be considered, key targets and method of measurement. The Business Plan also incorporates the training plan.
	16) Business plan to review the level of internal and external resources the committee needs to carry out its functions.	Medium term Business Plan is considered by the Pensions Committee. The Business Plan includes the outcome of an internal review of resources, when appropriate.
	17) Administrating Authorities are required to prepare, publish and maintain statements of compliance against a set of good practice principles for scheme governance and stewardship.	The Pension Fund prepares, publishes and maintains a Governance compliance statement which shows the extent to which the administrating authority complies with the principles and is reviewed annually.
	18) Administrating authorities are required to publish a Governance Compliance Statement in accordance with CLG guidance.	The Governance Compliance Statement is included within the Annual Report and is available on the Council's website: www.havering.gov.uk (under Council, democracy and elections, council budgets and spending, then Pension Fund) or select the link to the pension's page below. Pension Fund Page

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	19) The fund's Administration Strategy documents should refer to all aspects of the committee's activities relevant to the relationship between the committee and the employing authorities.	In line with regulations, the fund currently does not have an administration strategy; consideration of adopting this strategy is reviewed regularly.
2. Clear objectives		**SUMMARY: FULLY COMPLIANT**
	The committee should:	As part of the Valuation process consideration is given, with full consultation of the fund's actuary, to :
(a) An overall investment objective (s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and these should be clearly communicated to advisors and investment managers.	1) demonstrate that in setting an overall objective of the fund it has considered: the fund's liabilities in the context of expected net contribution inflows; the adequacy of the fund's assets to meet its liabilities; the maturity profile of the fund's liabilities and its cash flow situation.	the fund's liabilities in the context of the expected net contribution inflows; adequacy of the assets to meet its liabilities; maturity profile and its cash flows;
	2) consider the nature of membership profiles and financial position of the employers in the fund and decide, on the advice of actuaries, whether or not to establish sub funds.	membership profiles; financial position of the employers and whether or not to establish a sub fund;
	3) seek to include the achievement of value for money and efficiency in its objectives and all aspects of its operation	value for money;
	4) with the **CFO** need to give consideration to the general and strategic impact of the funding levels and employer contribution rates on Council tax levels over time. The responsibility of the actuary to keep employer contribution rates as constant as possible over time is the primary means of achieving this.	and the general and strategic impact of the funding levels and employer contribution rates on Council tax levels over time.
		The Fund's investment policies and objectives are laid out in the Funding Strategy Statement (FSS) and can be found on the Councils website, www.havering.gov.uk, council, democracy and elections, council budgets and spending, then pension fund or by selecting the link below. Pension Fund Page

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	5) consider its own appetite for risk and that of the employers in the fund when considering advice on the mix of asset classes and on active and passive management. Consider all assets classes currently available to members.	The Pensions Committee considers, in consultation with the fund's investment advisor, its own appetite for risk when setting the investment strategy and considers the mix of asset classes and weighs up the risk v return in considering whether the assets are managed on a passive or active basis. The Investment Strategy currently includes a mix of different asset classes which are managed actively and passively.
	6) take proper advice and should appoint advisors in open competition and set them clear strategic investment performance objectives. The committee should state how the advisors' overall performance will be measured and the relevant short, medium and longer term performance measurement framework. All external procurement should be conducted within the EU procurement regulations and the administrating authority's own procurement rules.	The Pensions Committee appoints external advisors in line with EU procurement rules and the administrating authorities own procurement rules. The committee states how performance is to be measured for the advisors and a service review is undertaken and reported to the committee annually. At the 12 November 2019 pensions committee meeting it formally adopted the format as set out in the Pensions Regulator "trustee guide to: setting objectives for investment consultancy services" to comply with CMA "order" 2019
	7) also demonstrate that it has sought proper advice, including from specialist independent advisors, as to how this might be expressed in terms of the expected or required annual return on the fund and how it should be measured against stated benchmarks.	After full consultation with the Council's Actuary and Investment advisors a clear financial and therefore fully measurable investment objective for the fund has been set.
	8) consider when it would be desirable to receive advice based on an asset/liability study and make appropriate arrangements.	The Pensions Committee commission the fund's investment advisor and actuary to undertake an asset/liability study as appropriate, when compiling the investment strategy
	9) evaluate the split between equities and bonds before considering any other asset class. It should state the range of investments it is prepared to include and give reasons why some asset classes may have been excluded. Strategic asset allocations decision should receive a level of attention (and, where relevant, advisory or management fees) that fully reflects the contribution they can make towards achieving the fund's investment objectives.	All asset classes were considered as part of the investment strategy review process and the range of investments are included in the Fund's ISS.

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	10) have a full understanding of the transaction-related costs incurred, including commissions, and have a strategy for ensuring that these costs are properly controlled.	Transaction costs are disclosed in the statement of accounts. Havering Pension Fund is working towards encouraging ALL of its managers to adopt the voluntary adherence to the Transparency Code
	11) Understanding transaction-related costs should be a clear consideration in letting and monitoring a contract and where appropriate, independent and expert advice should be taken, particularly in relation to transition management.	Understanding transaction costs are considered and where appropriate expert advice would be sought. Costs are considered in the decision making process when any changes to the investment strategy are under discussion.
	12) The use of peer group benchmarks should be for comparison purposes only and not to define the overall fund objective.	The committee uses the services of State Street Global services (SSGS) (up to September 2019) and Northern Trust from the 1 October 2019 for independent monitoring of performance against benchmarks. Peer group benchmark performance provided by Pensions & Investment Research Consultants (PIRC) is used for comparison purposes only.
3. Risk and liabilities		**SUMMARY: FULLY COMPLIANT**
a) In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.	The committee should:	
b) These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	1) set an overall investment strategy for the fund that: represents its best judgement of what is necessary to meet the fund's liabilities given its understanding of the contributions likely to be received from employer (s) and employees; takes account of the committee's attitude to risk, and specifically its willingness to accept underperformance due to market conditions.	A full investment strategy review was carried out following the actuarial valuation results in 2016. The Fund has formulated its own asset allocation based on identified liabilities particular to the fund. The Fund's investment strategy was adopted having considered the members attitude to risks and are covered in the ISS and FSS. It is
	2) ensure that its investment strategy is suitable for its objectives and takes account of the ability to pay of the employers in the fund.	

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	3) consider the extent to which the cash flow from the fund's assets should attempt to match the liabilities and the relevant timing. It should also consider the volatility of returns it is prepared to accept.	anticipated that small adjustments may be made to the ISS once the 2019 valuation results are finalised
	4) be aware of its willingness to accept underperformance due to market conditions. If performance benchmarks are set against relevant indices, variations in market conditions will be built in, and acceptable tolerances above and below market returns will be stated explicitly. Benchmarks are likely to be measured over periods of up to seven years.	The Fund in aggregate has a liability related benchmark (strategic benchmark). However for individual mandates, the fund managers have a specific benchmark (tactical benchmark) and a performance target that may be based on broad indices or composites. The targets are shown in the Fund's ISS.
	5) believe that regardless of market conditions, on certain asset classes, a certain rate of return is acceptable and feasible.	
	6) state whether a scheme specific benchmark has been considered and established and what level of risk, both active and market risk, is acceptable to it.	Specific benchmarks are considered as part of any investment strategy review and monitored on an on-going basis.
	7) receive a risk assessment in relation to the valuation of its liabilities and assets as part of the triennial valuations. Where there is reasonable doubt during performance monitoring of the fund about valuation of assets and liabilities the **CFO** should ensure that a risk assessment is reported to the committee, with any appropriate recommendations for action to clarify and/or mitigate the risks.	The Fund receives a risk assessment as part of the Valuation process with full consultation of the Fund's Actuary. Performance is monitored and reported to the committee on a quarterly basis and includes recommendations for action where appropriate. Liabilities are considered as part of the triennial valuations and mid valuations, however cash flow is monitored monthly and reported to committee quarterly.
	8) at the time of the triennial valuations, analyse factors affecting long-term performance and receive advice on how these impact on the scheme and its liabilities. The committee should also ask this question of its actuaries and other advisors during discussions on performance.	

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	9) use reports from internal and external auditors to satisfy itself about the standards of internal control applied to the scheme to its administration and investment operations. Ensuring effective internal control is an important responsibility of the CFO.	The external auditors' opinion is included in the Pension Fund Annual Report. Internal control audits for pensions are undertaken frequently by internal auditors and are reported to Audit Committee. Any identified issues would be reported to the Pensions Committee. Audited Internal Control reports are submitted by the Investment Managers and checked by officers for matters of concerns.
	10) The fund's Statement of Investment Principles should include a description of the risk assessment framework used for potential and existing investments.	The Pension Fund's ISS includes a description of the risk assessment framework.
	11) Objectives for the overall fund should not be expressed in terms that have no relationship to the fund's liabilities, such as performance relative to other pension funds, or to a market index.	Objectives for the overall fund are set having regard to: the advisability of investing fund money in a wide range of investments; the suitability of particular investments and types of investments and the results of asset/ liability modelling.
	12) The Annual Report of the pension fund should include an overall risk assessment in relation to each of the fund's activities and factors expected to have an impact on the financial and reputational health of the fund. This could be done by summarising the contents of a regularly updated risk register. An analysis of the risks should be reported periodically to the committee, together with necessary actions to mitigate risk and assessment of any residual risk.	The Pension Fund Annual Report includes an overall risk assessment in relation to each of the fund's activities and includes a copy of the Risk Register. This will be reported periodically to the Pensions Committee. The Risk Register is designed to be a living document and is included as a standing item on the Fund's Local Pension Board Agenda. It is reported periodically to the Pensions Committee.
4. Performance assessment		**SUMMARY: FULLY COMPLIANT**
	Investments	
a) Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors	The committee should:	
b) Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members	1) explicitly consider, for each asset class invested, whether active or passive management would be more appropriate; where it believes active management has the potential to achieve higher returns, set both targets and risk controls that reflect this, giving managers the	As part of any investment strategy review the Pension Fund considered and adopted its own asset allocation in full consultation with the Fund's investment advisor, it considered and has adopted active and passive management and appropriate targets and risk controls set.

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	freedom to pursue genuinely active strategies; if setting limits on divergence from an index, ensure that they reflect the approximations involved in index construction and selection.	
	2) explicitly consider, in consultation with its investment manager (s), whether the index benchmarks are appropriate, and in particular, whether the construction of the index creates incentives to follow sub-optimal investment strategies	Benchmarks are set in agreement with the fund's investment manager (s)
	3) Where active management is selected, divergence from a benchmark should not be so constrained as to imply index tracking (i.e. passive management) or so wide as to imply unconstrained risk.	
	4) Performance targets in relation to benchmark should be related to clear time periods and risk limits and monitoring arrangements should include reports on tracking errors.	Performance monitoring reports are presented to the committee quarterly and covers the latest quarter, rolling one year and three year performance. In line with the reporting cycle, the Committee will see one fund manager at meeting unless there are performance concerns for individual managers. Where appropriate fund managers will report tracking errors
	5) Although returns will be measured on a quarterly basis a longer time frame (three to seven years) should be used to assess the effectiveness of the fund management arrangements and review the continuing compatibility of the asset/liability profile.	The asset /liability profile is considered at each triennial valuation.
	6) Investment activity in relation to benchmark should be monitored regularly to check divergence and any impact on overall asset allocation strategy.	In addition to officer reports, the investment advisor monitors and reports quarterly to the Pension Committee on performance, personnel, process and organisational issues of fund managers. The fundamental risk of the investment strategy not delivering the required – net of fee- return is measured quarterly in terms of the overall financial objective.

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	7) Returns should be obtained from specialist performance agencies independent of the fund managers.	The Pension Fund uses the services of SSGS Performance Services (up to 30 Sept 19) and Northern Trust from 1 October 2019 who independently report against the overall fund and individual manager returns on a quarterly basis. Performance returns are monitored against fund manager returns and discrepancies are investigated. The Fund also uses the Services of PIRC to provide LGPS universe comparisons.
	8) Investment manager returns should be measured against their agreed benchmark and variations should be attributed to asset allocation, stock selection, sector selection and currency risk, all of which should be provided by an independent performance measurement agency	Each quarter, SSGS Performance Services/ Northern Trust measure fund manager returns against their set benchmarks and variations are attributed to asset allocation and stock selection. Relative risk is also measured and the degree of the manager deviating from the benchmark is included in the performance report.
	9) In addition to the overall fund returns the return achieved in each asset class should be measured so that the impact of different investment choices can be assessed (e.g. equities by country, fixed interest by country and type etc.).	The Pension Fund does not measure fund returns on an asset class basis because the focus is on how individual manager performance contributes to the overall fund performance. However the weightings in each asset class are monitored and reported.
	10) The use of peer group benchmarks (such has CIPFA/WM) may not be appropriate for directing a mandate of a manager insofar as they infer a common asset liability structure or investment requirement. Such benchmarks can be used for comparative information.	PIRC performance returns against peer group benchmarks are used for comparison purposes only.
	11) The mandate represents the instruction to the manager as to how the investment portfolio is to be managed, covering the objective, asset allocation, benchmark, flexibility, risk parameters, performance targets and measurement timescales.	The mandate agreed with the investment manager includes how it is to be managed and covers the objective, asset allocation, benchmark, flexibility, risk parameters, performance targets and measurement timescales.
	Advisors	
	12) The committee should devise a performance framework against which to measure the cost, quality and consistency of advice received from its actuaries. It is advisable to market test the actuarial service periodically.	

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	13) It is necessary to distinguish between qualitative assessments (which are subjective) and quantitative reviews which require the compilation of series of data and are therefore more long term by nature.	Annual service assessments are undertaken for the services provided the Fund's actuary and advisors. They are measured against a set of criteria adopted by the Pension Committee. Objectives for the Investment consultant have now been formulated to be in line with the Competition and Markets Authority (CMA) Order 2019.
	14) Consultants should be assessed on a number of issues including the appropriateness of asset allocation recommendations, the quality of advice in choosing benchmarks and any related performance targets and risk profiles. The quality and appropriateness of the investment managers that are recommended and the extent to which advisors are proactive and consistent in recommending subsequent changes.	
	15) When assessing managers and advisors it is necessary to consider the extent to which decisions have been delegated and advice heeded by officers and elected members	
	Decision-making bodies	
	16) The process of self-assessment involves both officers and members of the committee reviewing a range of items, including manager selection, asset allocation decisions, benchmarking decisions, employment of consultants and best value outcomes;	Pensions Committee performance is reviewed as part of the Annual Report. Performance can be measured by the success or otherwise of the strategy put in place and the individual performance of investment managers appointed by the committee, and full compliance with governance requirements including attendance at all training sessions.
	17) the objective of the reviews would be to consider whether outcomes were as anticipated, were appropriate, or could have been improved.	
	18) The committee should set out its expectations of its own performance in its business plan. This could include progress on certain matters, reviews of governance and performance and attendance targets. It should include standards relating to administration of the committee's business such as:	The Business Plan sets out the expectations of the committee.
	19) attainment of standards set down in CIPFA's knowledge and skills framework and code of practice; achievement of required training outcomes; achievement of administrative targets such as dates for issuing agendas and minutes.	Achievement of training outcomes are self assessed by the Pensions Committee. Targets such as dates for issuing agendas and minutes are strictly adhered to. Achievement of administrative targets are reported in the Pension Fund Annual report.

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	20) This assessment should be included in the fund's Annual Report.	The assessment of the committee expectations and training are included in the Annual Report
5. Responsible ownership		**SUMMARY: PARTIALLY COMPLIANT**
Administrating authorities should:		
a) recognise, and ensure that their partners in the investment chain adopt, the FRC's UK Stewardship Code	1) Policies regarding responsible ownership must be disclosed in the statement of investment principles which must be contained the annual report.	Policies on Social Environmental and ethical considerations are disclosed in the ISS, a copy of which is also included in the Pension Fund Annual Report.
b) include a statement of their policy on responsible ownership in the statement of investment principles	2) Responsible ownership should incorporate the committee's approach to long term responsible investing including its approach to consideration of environmental, social and governance issues.	The Pension Committee has considered socially responsible investments and the view has been taken that the fund's investment managers to integrate all material financial factors into the decision making process for fund investments.
c) report periodically to scheme members on the discharge of such responsibilities.	3) The committee should discuss the potential for consideration of environmental, social and governance issues to add value, in accordance with its policies on responsible investing, when selecting investment managers and in discussing their subsequent performances.	On the 19 March 2019 the Pensions Committee established and published a Statement of investment Beliefs which reflects the broad views of committee members in regard to ESG .Over the long term, the Pensions Committee requires the investment managers to consider, as part of the investment decisions, socially responsible investment issues and the potential impact on investment performance. The Fund are members of LAPFF
	4) Authorities may wish to consider seeking alliances with either other pension funds in general, or a group of local authority pension funds, to benefit from collective size where there is a common interest to influence companies to take action on environmental, social and governance issues e.g. LAPFF.	
	5) It is important to ensure that through the terms of an explicit strategy that an authority's policies are not overridden, negated or diluted by the general policy of an investment manager.	The ISS is distributed to fund managers so that they are aware of the overall strategy. Fund managers are included in the consultation process if there are major changes.
	6) Where the exercise of voting action is separated from the investment manager, authorities should ensure that the appropriate investment decision is taken into account by reference to those appointed to manage the investments. Authorities may use the services of external voting agencies and advisors to assist compliance in	Fund managers have been given delegated authority to vote in accordance with their proxy voting policies. Fund Managers report voting activity quarterly and made available for the Pensions Committee to review.

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	engagement. Measuring effectiveness is difficult but can only be achieved by open monitoring of action taken	
	7) The committee should ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company that is acceptable within the committee's policy.	Consideration of compliance will need to be given for future appointments. For existing investment managers, where applicable they are compliant or work is well underway to becoming compliant.
	8) The committee should engage with, and consider the implications of, the UK Stewardship Code on a comply or explain basis	Whilst the Fund is not signatories to the Stewardship Code , the Committee fully endorses the principles laid down in the UK Stewardship Code
	9) The committee should also ensure that external partners in the investment chain (advisors, consultants, investment managers, etc.) adopt the UK Stewardship Code insofar as it relates to their activities on behalf of the fund.	The UK Stewardship Code is directed to institutional investors (asset owners and asset managers with equity holdings in UK listed companies) and should apply on a comply-or-explain basis. Currently all of the funds UK asset managers and service providers have adopted the code. The 2012 signatories to the code will be valid until the first signatory list is published in March 2021 under the new code launched in January 2020.
	10) The United Nations Environment Programme Finance Initiative (UNEP FI) has published Principles for Responsible Investment (UNPRI) and has encouraged asset owners and asset managers to sign up and commit to the six principles and regularly assess themselves against a comply or explain framework.	The UNPRI is voluntary and applies on a comply or explain basis. All but two of the fund's asset managers have adopted the code.
6. Transparency and reporting		**SUMMARY: FULLY COMPLIANT**
Administrating authorities should:	The committee should:	
a) act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives	1) ensure that its Governance Compliance Statement is maintained regularly. It should actively challenge any non- compliance and be very clear about its reasons for this and be comfortable with the explanations given.	The Governance Compliance Statement is considered and reviewed by the Pensions Committee on a regular basis. Any non-compliance is reported and necessary actions included.

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
b) provide regular communication to scheme members in the form they consider most appropriate.	2) have a comprehensive view of who its stakeholders are and the nature of the interests they have in the scheme and the fund. There should be a clearly stated policy on the extent to which stakeholders will take a direct part in the committee's functions and those matters on which they will be consulted.	The Governance Compliance Statement includes a statement on the extent to which stakeholders will take a direct part in the Pensions Committee's functions. Stakeholders are consulted and notified on major strategic and legalisation matters.
	3) build an integrated approach to its own governance and to communicating this and all other aspects of its work to its stakeholders.	The work of the Pensions Committee is publicly available on the Councils website at www.havering.gov.uk, follow links for council & democracy, committees, then pension committee. There is also a dedicated page on the Council's website for the Pension Fund under the page for council and democracy. How the work is communicated to its stakeholders is included in the fund's Communication Strategy, select link below to see the pension's page on the council's website. Pension Fund Page
	4) seek examples of good practice from the published reports and communication policies of other pension funds. It should also share examples of its own good practice. The full range of available media should be considered and used as appropriate.	Havering has undertaken partnership working with the London Pension Fund Authority who have developed a website to enable pension sharing best practices across the London Boroughs at www.yourpension.org.uk. Havering Pension Fund is also members of the CIPFA Pensions Network and the London Pension Fund Forum which are good sources of sharing best practices.
	5) compare regularly its annual report to the regulations setting out the required content and, if the report does not fully comply with the requirements, should ensure that an action plan is produced to achieve compliance as soon as possible.	The Pension Fund Annual Report is prepared in accordance with Regulation 57 of the LGPS Regulations 2013 which applied from 1 April 2014. It is also prepared in accordance with guidance published by CIPFA/PRAG 2019 edition.
	6) The Funding Strategy (FSS), the Statement of Investment Principles (SIP) and the Governance Compliance Statement are core source documents produced by the fund to explain their approach to investments and risks.	The FSS, the ISS and the Governance Compliance Statement are available on the Council's website at www.havering.gov.uk and are included on a dedicated page for the Pension Fund under the link for council and democracy, or select the link below. This page also includes the Pension Fund's Communication Strategy. Where applicable reference to all these documents is made in other publications. Pension Fund Page

MYNERS PRINCIPLES		
Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	With regard to the FSS and SIP, they should:	
	7) contain delegation process and the roles of officers, members, external advisors and managers should be differentiated. The process by which the overall fund allocation process has been determined and include reference to assumptions as to future investment returns; mandates given to managers should describe fees structures, scale of charges, whether ad valorum or fixed, performance element built in, stating the implications for risk control; copies should be made available and its availability made clear in publications.	The policies shows the delegation process and the roles of officers, members, external advisors and how managers are differentiated; the process by which the fund allocation has been determined and includes references to assumptions on future returns; mandates given to each manager are described, including fees; and implications for risk control.
	With regard to the Governance Compliance Statement it must include:	
	8) information on whether administrating authority delegates, the whole or part function; if it does delegate must state frequency of meetings, terms of reference, structure and operational procedures. It must also include whether the committee includes representatives of employing authorities and if so, whether they have voting rights.	The Governance Compliance Statement includes information on the administering authorities' delegation process and functions delegated to the Pensions Committee. It also includes the frequency of meetings, terms of reference, structure and operational procedures.
	9) details of the extent to which it complies with CLG guidance. Where the statement does not comply, reasons must be given. A copy of the statement must be sent to the CLG.	The Governance Compliance Statement also includes a table which shows the extent of compliance with DCLG guidance (now MHCLG).
	With regard to the fund's Communication Strategy it must:	
	10) set out the administering authority's policy on: the provision of information and publicity about the scheme to members, representatives of members and employing authorities; the format, frequency and method of distributing such information or publicity; the promotion of the scheme to prospective members and their employing authorities.	The Communication Statement includes: the administrating authorities' policy on provision of information and publicity about the scheme, it also includes the format, frequency and method of distribution of such information.

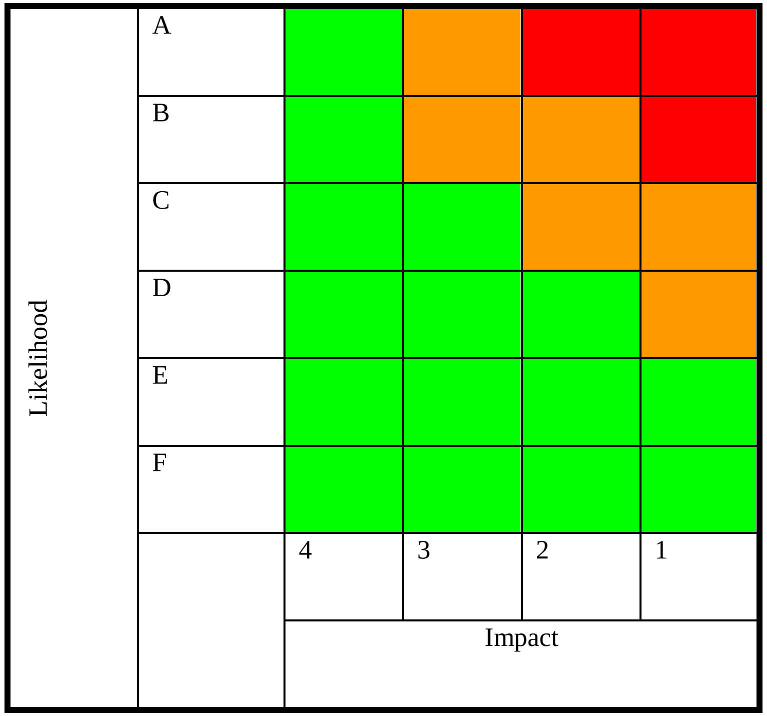
Pension Risk Register

Havering

October 2020

Generic Pension Fund Risk Register

The pension fund uses a 4 x 6 matrix to plot risk likelihood and impact and has set its risk appetite. The green shaded area on the matrix shows the risks where there is good control and the Council is comfortable with the risk. Risks in the amber and red zones are those over which closer control is needed.



Risk Likelihood
F = Very Unlikely
E = Unlikely
D = Possible
C = Likely
B = Very likely
A = Certainty

Risk Impact
4 = Negligible
3 = Moderate
2 = Serious
1 = Major

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood /Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
1	S151 Officer/ Director of Exchequer and Transactional Services Lower Level: PM/CMO PFM/CMO CMO PFM/CMO	**Risk of Inaccurate three yearly actuarial valuation** **Cause:** ▪ Inappropriate assumptions used by actuary in calculations for valuation ▪ Poor quality data provided from LB of Havering ▪ Personal data not maintained to a high standard (gaps/incorrect) ▪ Actuary's own assumptions are not robust or reflective	▪ Deficit not reduced ▪ Employers pay/ continue to pay inappropriate contribution percentages ▪ Increase in employer contributions ▪ Potential for Council Tax increases ▪ More investment risk may be taken to bridge a gap that doesn't actually exist ▪ Potential for a more risk adverse Investment Strategy when more risk is required.	▪ Valuation completed by a qualified professional actuary ▪ Robust, open procurement process in place for appointment of actuary ▪ Assumptions for valuation are in compliance with regulation ▪ Actuarial assumptions are open to challenge by officers and GAD ▪ Valuation results are checked for consistency across LGPS funds by GAD via the S13 report ▪ Local Government benchmarking/comparisons of assumptions ▪ Annual review of actuary performance undertaken by Pensions Committee ▪ Controls in place to ensure accuracy and completeness of data. ▪ Monitoring of contributions due and received	D/3	None identified at this point	

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood /Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
2	S151 Officer/ Lower Level as follows: PFM PFM PFM PFM PFM PFM PFM	**Risk of Incorrect / Inappropriate Investment Strategy** **Cause:** ▪ Lack or poor professional investment advice given ▪ Poor governance ▪ Investment advice is not taken ▪ Lack of understanding and awareness (Pension Committee) ▪ Lack of clear risk appetite ▪ Based upon inaccurate actuarial valuation ▪ Concentration risk by asset, region and sector	▪ Pension deficit not reduced ▪ Potential for financial loss ▪ Growth opportunities are not maximised ▪ Could generate inefficiencies and unintended risks if not fully understood. ▪ More investment risk may be taken to bridge a gap that doesn't actually exist ▪ Potential for a more risk adverse Investment Strategy when more risk is required. ▪ Potential for Council Tax increases ▪ Loss of investment opportunities and adverse performance	▪ Investment Advisor appointed to advice the Fund and is instrumental in setting Investment Strategy ▪ Independent advisor was appointed for a one off exercise following adoption of investment strategy in January 17 to undertake a health check and add robustness on the investment strategy. ▪ Robust, open procurement process in place for appointment of Investment Advisor ▪ Investment Advisor performance is annually reviewed by the Pensions Committee and conforms to Competitive Markets Order. ▪ Close working relationship is encouraged between actuaries and investment advisor in	D/2		

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood /Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
				the development of the investment strategy ▪ Investment strategy continually assessed as part of the quarterly monitoring process by the Pensions Committee ▪ Liabilities analysed during inter-valuation period ▪ Knowledge and skills training of LPB and Committee Members ▪ Inductions carried out for new LPB and Pension Fund Committee member.		▪ Pensions Committee - Training / Awareness - working towards full compliance with CIPFA Knowledge and Skills framework.	▪ Knowledge and Skills Training is on-going for Pension Committee and Local Pension Board members.
3	S151 Officer/ Lower Level as follows: PFM PFM PFM PFM PFM	**Risk of failure of investments to perform in-line with growth expectations** **Cause** ▪ Poor Fund Manager selection ▪ Underperformance by fund manager ▪ Poor investment advice provided to the Fund or not taken ▪ Negative financial market impacts ▪ External factors / increased market	▪ Deficit reduction targets are not met ▪ Potential for losses to be incurred ▪ Increased employer contributions ▪ Reputational risk from poor investments ▪ The fund's assets are not	▪ Robust, Fund Manager selection process ▪ Diverse portfolio to reduce negative effects from market volatility ▪ Fund performance and asset class split is reviewed quarterly by investment advisor/Pensions Committee and officers. ▪ Fund Managers (including LCIV) attend	D/3	▪ Pensions Committee Training/Awareness – working towards full compliance with CIPFA Knowledge and Skills framework	▪ CIPFA Knowledge and Skills Training is on-going.

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood /Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
	PFM PFM PFM PFM PFM	volatility (i.e. 2008), uncertainty of Brexit, COVID-19 Pandemic. ▪ Delays in the implementation of the strategy will reduce the effectiveness of the strategy and may impact growth ▪ Delays in compliance with capital calls on new illiquid mandates could result in penalty payments ▪ Underperformance of fund manager (LCIV new pooled holding) in achieving Asset Under Management Target ▪ Fund Managers – non-compliance to the Code of Transparency.	sufficient to meet its long term liabilities ▪ Economy downturn could result in general fall in investment values ▪ MTFS prediction may fail to reach the target – consequence being that annual development charges may not decrease in line with MTFS expectations ▪ Havering not able to disclose full management fees in the Pension Fund Annual Report and accounts. ▪ Failure to consider the extent of climate	Pension Committee to present quarterly performance reports and challenge by the Committee and Fund Advisor. ▪ Process in place to fund new illiquid mandates. ▪ Development costs are reported by the LCIV at the General Shareholder meetings attended by shareholder reps ie Councillors from each borough. ▪ Monitoring meetings are held with Officers from Havering and LCIV client relations team quarterly. ▪ Fund Managers complete the Code of Transparency compliance template annually. ▪ The Committee have developed a set of Investment beliefs that		▪ To continue the monitoring of the LCIV performance. ▪ To monitor the LCIV development costs ▪ Ensure annual compliance with receipt of completed templates.	• Regular reviews of the LCIV performance continues and this includes monitoring of the LCIV development costs **Further Action taken** ▪ Ongoing action taken as templates are submitted year on year. 2019/20 templates now all completed.

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood /Impact	Actions/ Recommendations	Review of Actions taken to date and further actions identified
		▪ Climate Risk Considerations	change could impact on financial outcomes.	recognizes that climate change and the expected transition to a low carbon economy represents a long – term financial risk to Fund outcomes. ▪ The Pensions Regulator has set up a working party to consider guidance for pension schemes which will be published in early 2020. The Scheme Advisory Board is also expected to incorporate climate change considerations into its guidance for LGPS funds during 2020.		▪ To monitor on – going discussions between tPR and Government regarding Climate Change and the expected guidance. Following issuance of guidance, the Committee could consider actions including: • Further training • Measuring exposure to and reporting. • Escalating engagement with investee companies on climate-related topics. • Next steps would be taking the Committees investment beliefs and building on developing market practice.	

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood/ Impact	Actions/Recommendations	Review of Actions taken to date and further actions identified
4	S151 Officer /Director of Exchequer and Transactional Services. Lower Level as follows: PFM/CMO PFM/CMO PFM/CMO PFM/CMO PFM/CMO	**Risk of failure to comply with legislative requirements** **Cause:** ▪ Lack of appropriate skills/knowledge of tPR, MHCLG and CIPFA Guidance, Financial Regulations and accounting standards ▪ Unaware of legislative changes ▪ key person dependency ▪ Poor/inaccurate interpretation of the regulations ▪ Failure/inability to administer the pension scheme appropriately	▪ Reputational damage ▪ Potential for financial penalties from the tPR ▪ Potential for costly legal challenges ▪ Impact on employer contributions, delayed due to non-compliance. ▪ Adverse external audit report	▪ Financial requirements are subject to external and internal audit with no qualifications. ▪ Experienced personnel in place ▪ Continual personal development for all Committee/LPB members and Officers ▪ Induction carried out for new Pension Fund Committee and Local Pension Board members ▪ Legislative changes are reported to the Pensions Committee where required ▪ Local Pension Board in place to oversee adherence to the regulations ▪ Active participation in Legislative Consultations where appropriate ▪ External and in house training provided where required	E/3	None identified at this point.	

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood/ Impact	Actions/Recommen dations	Review of Actions taken to date and further actions identified
				▪ Member of the CIPFA Pensions Network ▪ Participate in the CIPFA Pensions Network/ Peer forums to share knowledge & awareness ▪ Statutory policy documents reviewed annually to ensure compliance with legislation ▪ Access to specialist pension media sources.			
5	S151 Officer /Director of Exchequer and Transactional Services. Lower level as follows: PFM/CMO PFM/CMO PFM/CMO PFM/CMO PFM/CMO PFM/CMO	**Risk of inability to manage/govern the Pension Fund and associated services: Cause:** ▪ Ineffective / lack of succession planning ▪ Loss of corporate knowledge /expertise ▪ Long term sickness absence ▪ Increase in staff turnover ▪ Lack of resource (staffing/financial) ▪ No Knowledge base to store experiences/information	▪ Negative impacts upon service provision ▪ Time delays ▪ Potential for breach of legislation ▪ Financial penalties/ other sanctions ▪ Reputational Damage ▪ Increased costs due to "buying in" external expertise	• LPP appointed in Havering in November 17 to administer the Pension Fund • Attendance at local forum meetings • Continuous pension training for LPB, Pensions Committee members and staff • Attendance at Annual Pension Managers conference • Members of Local Authority Pensions Web	D/3	• Succession planning required for key personnel • Review / update procedure manuals • Option being assessed for joint administration with Newham to build resilience • Development of Training Matrix	• Succession planning in progress • CMO working to prepare procedure manuals. • Training matrix in place, however cannot be fully applied until all CIPFA K&S questionnaires are completed by Local Pension Board and

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood/ Impact	Actions/Recommendations	Review of Actions taken to date and further actions identified
	PFM PFM/CMO PFM/CMO PFM/CMO	▪ LCIV resourcing – LCIV staff turnover ▪ ICT failure/Disaster Recovery ▪ Cyber Security Risk ▪ Implementation of Oracle Cloud causes pension fund system issues	▪ Undermines investor confidence in the LCIV. ▪ Loss of infrastructure ▪ Failure of all ICT services ▪ Ransomware risk ▪ Pension Fund Accounts system malfunction	• Participates in the CIPFA Pensions Network/ Peer forums to share knowledge & awareness • Guidance from external agencies (some will be at a cost) • ICT/ Disaster Recovery in place • Constant security upgrades to computer systems. Internal Audit for oneSource Cyber Security carried out in Oct 2018.LPP have gained a certificate of Cyber Essentials from March 19 – March 20. • Oracle expertise aware of Pension Fund system requirements. Systems tested at each stage of implementation.		• Development of workflow/process management • Continued monitoring of LCIV • Ensure GDPR practice undertaken • Use protected portals to send personal information • Internal Firewalls recommended • Activities are underway to refresh LPP Group's Cyber Essentials Certification together with obtaining Cyber Essentials Plus certification	Pensions Committee members. • LPP works with the CMO to develop/improve workflow processes • Evidence that working from home to maintain service continuity successful after implementation of COVID-19 working restrictions **Further Actions** : • Fusion live in September 20 – Testing was undertaken by Pension Staff. System monitoring is on-going.

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood/ Impact	Actions/Recommendations	Review of Actions taken to date and further actions identified
	CMO CMO PFM/CMO PFM/CMO CMO CMO	▪ Poor pension fund administration including outsourced service by LPP ▪ Poor administration by the employers, payroll providers in the fund ▪ Poor monitoring of employer financial status ▪ Poor communications with stakeholders ▪ Excessive charges by suppliers ▪ Employer goes into default, deficit on termination, change of status, financial risk.	• Admission agreements not completed by the transfer date. • Pension costs and payments delayed or incorrect. ▪ Inaccurate data provided by the pension fund employers and payroll providers give rise to inaccurate data and financial reputational consequences such as actuary to set contribution rates with a high margin of error. ▪ Employer defaults ▪ Employer failure to pay scheme contributions on time ▪ Poor Communication with stakeholders giving rise to disaffection and actions against the Council	• Formal agreement in place with administrator, including SLA's • Service is subject to external auditor report of LPP processes • A statutory Local Pension Board is in place to assist the administering authority in effective and efficient governance of the Havering Pension Fund • The Council has in place a complaints system to address complaints via the website • CMO in post to review the administration work of LPP • Employer covenants checks undertaken • Bond or guarantee reviews in place and reviewed every three years as part of valuation process • Monthly reconciliations to monitor cash flow carried out. • Ee's and Er's contributions reconciled monthly – late payments chased		• Pension Fund Staff to interact regarding the progress of the Oracle Cloud Implementation • That LPP provide Havering with a copy of their external audit once this has been presented to their own audit committee and released • CMO is in place and continues to review the administration work of LPP and report to the LPB • Strengthen the process for Bond reviews.	• LPP External audit report was received by the CMO on 1st September 20. CMO to take to LPB for further discussion at a future meeting

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood/ Impact	Actions/Recommendations	Review of Actions taken to date and further actions identified
	PFM	▪ Inappropriate investment accounting – including reliance on third party providers.	▪ Qualified opinion on the accounts by external auditor ▪ Higher employer contributions due to poor investment performance ▪ Insufficient assets to meet short term liabilities	• Fee Invoices checked prior to payment • Pension Fund accounts subject to external audit. • Attendance at accounting seminars/training • Pension Fund uses the service of an external custodian to verify asset values and performance • Attendance at accounting seminars/training • Monitor audited accounts of third party providers to ensure consistent asset valuation. • Monitor investment managers performance – Fund Managers present at Pension Fund Committee meetings • Union Representative at the Committee			• Fund Managers performance is monitored quarterly.

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood/ Impact	Actions/Recommendations	Review of Actions taken to date and further actions identified
6	S151 Officer /Director of Exchequer and Transactional Services Lower Level as follows: PFM/CMO CMO PFM/CMO PFM/CMO CMO	**Risk of failure to on board or exit employers/members effectively** **Cause:** ▪ Delays in internal processing of documentation ▪ Member data incomplete ▪ Poor communications with stakeholders ▪ Lack of understanding by employers with regard to their responsibilities ▪ Lack of signed admission agreements from Employers	▪ Delays in collection of contributions from the employers/members ▪ Impacts cash flow ▪ Potential for litigation ▪ Employer contribution assessment can become out of date ▪ Potential breach of regulations ▪ Incorrect records of new members ▪ External Audit Opinion on internal controls ▪ Employer's liabilities may fall back onto other employers and ultimately local taxpayers.	▪ Escalation to Heads of Service ▪ Script in place to deliver to new Academy employers, with feedback process in place ▪ Database maintained on all contact details for LGPS communications. ▪ Monthly schedules maintained by the Havering Pensions Team ▪ Tracing agencies used to locate pension fund members ▪ Electronic file of required documents forwarded to new employers ▪ Actuarial assessment completed for all new admission requests to assess the level of risk. ▪ TUPE manual completed in November 2017	D/2	▪ Review of internal processes on boarding processes • Template admission agreement awaiting legal clearance	▪ Still in progress lead by the risk officer in LPP

		Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood/ Impact	Actions/Recommendations	Review of Actions taken to date and further actions identified
				▪ Admission policy and manual completed in November 2017 ▪ Bonds and suitable guarantees put into place to protect the Fund in case of default. ▪ Funding level of each employer is assessed as part of the triennial valuation and contribution rates set accordingly. ▪ CMO works closely with LPP. Carries out spot to checks review the work on a regular basis ▪ LPP performance report presented to the Local Pension Board at every meeting ▪ Pensions Accounts review and check all oracle entries relating to pensions against the LPP Altair report on a quarterly basis.		▪ Pensions Accounts refer any oracle queries to LPP for investigation.	
7	S151 Officer Director of Exchequer and Transactional Services. Lower Level as follows: CMO	**Risk of Pension Fund Payment Fraud Cause:** ▪ Pension overpayments	▪ Financial loss ▪ Reputational damage of	▪ Participate in the National Fraud Initiative (bi-annually)	E/1		

Risk No.	Risk Owner	Risk Title (Objectives)	Consequences of not achieving the objective (Effect)	Controls/Mitigations	Likelihood/ Impact	Actions/Recommendations	Review of Actions taken to date and further actions identified
	PFM/CMO PFM/CMO PFM/CMO	arising as a result of non-notification in change of circumstances ▪ Internal staff fraud ▪ Staff acting outside of their levels of authorisation ▪ Conflict of interest	Pension Administration team and Council ▪ Litigation / investigation ▪ Internal disciplinary ▪ Reputational damage	▪ Process is in place to investigate return of payment by banks. ▪ All pension calculations are peer checked and signed off by senior officer ▪ Segregation of duties within the Pensions Administration Team ▪ Segregation of duties between Payroll and Pensions Teams ▪ Address checked for deferred pensions prior to payment ▪ Internal audit checks carried out ▪ Signed up for DWP database Tell us Once – DWP inform Havering of deaths relating to members of the Havering LGPS fund ▪ September 20 – Mortality Screening outsourced to an external supplier ▪ Pension Fund bank account checked monthly ▪ Register of interests declarations covered at all board/Committee meetings			

CIPFA	Chartered Institute of Public Finance and Accountancy
DWP	Department for Work and Pensions
GAD	Government Actuary's Department
ICT	Information and Communications Technology
LCIV	London Collective Investment Vehicle
LGPS	Local Government Pension Scheme
LPB	Local Pension Board
LPP	Local Pensions Partnership
MHCLG	Ministry of Housing, Communities and Local Government
PFM	Pension Fund Manager – Finance – Debbie Ford
CMO	Contract Monitoring Officer - Caroline Berry