Havering Pension Fund Annual Report March 2023

Pensions Regulator Registration Number:
10027841

Havering
LONDON BOROUGH

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Chair's Introduction

As Chair and on behalf of my fellow members of the Pensions Committee, I am pleased to introduce the 2022/23 annual report and accounts and provide an update on the Pension Fund's activities during 2022/23.

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 their responsibilities to all stakeholders very seriously. This includes 20,217 scheme members and 55 active employers, ensuring that the scheme is locally administered effectively and efficiently on their behalf.

Global financial markets have been volatile over 2022/23 resulting in the Fund's net asset value ending the financial year down £24m at £896m, delivering an overall return of minus 3.59%. This compares favourably with other London Funds. Since the last valuation date, liabilities have also fallen in value to the extent that the funding level has either improved or at least remained unchanged. The Fund is a long-term investor and the investment strategy has delivered an annual return of 7.99% and 5.09% over the three and five-year periods - respectively well ahead of the actuary's assumption.

The Fund received the results of the 2022 triennial valuation and reported an improved funding level, up from 70% to 80%. This was mainly attributable to a better-than-expected return on the Funds asset values over the preceding three years. This has resulted in the Fund's largest employer, the Council, being able to reduce its contribution by £7m over the next three years.

A key work stream during 2022/23 was the continued focus on mitigating climate risks to the Fund and have agreed a Climate Risk Policy and Action Plan. The Fund actuary also considered climate risk in their valuation. During 2023/24 the Committee will monitor progress against objectives and a net zero target will be adopted.

During the year, the Pensions Committee Members completed an online training course, demonstrating our commitment to ongoing development and training in line with good practice and regulation.

The Fund continues to have a close relationship with its asset pool, the London CIV, to progress the transition of remaining assets into its asset pool in accordance with Government guidance. The Fund has already pooled £538m (61%) of its assets and the London CIV have claimed that the Fund has made a net saving of £0.469m in 2022/23 from pooling its assets.

The Fund continues to fund its private market mandates, in accordance with agreed commitments.

During 2023/24 the Fund will implement changes to its investment strategy that will result in a slight pivot towards income generating assets. This forming part of the Fund's planning process and in anticipation of the inflationary challenges weighing on the Fund's cash flow.

The Committee will continue to deliver the work plan as set out in the 2023/26 Business Plan. The Business Plan sets out the work undertaken by the Committee during 2022/23 and the plan of work for the forthcoming three years. The Business Plan is reviewed and updated annually.

Any training and development undertaken is shown in the 2023/26 Business Plan. Also included within this report, is an overview of the activities of the Pension Administration Team.

My committee colleagues and I remain resolute in our determination to maintain a decent pension scheme for the membership, recruit new members especially in those groups that are under-represented, invest responsibly, and provide excellent value for council tax payers, employers and other stakeholders of the Fund.

I trust that this report is both clear and informative to Fund members and the general public.

Cllr Mandy Anderson
Chair of the Pensions Committee

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, a shared service arrangement between the London Boroughs of Havering and Newham.

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

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.

Table: Officers Responsible for the Fund

Position	Named Officer
Chief Executive	Andrew Blake-Herbert
Strategic Director of Resources - Section 151 Officer	Kathy Freeman – from August 2023 Dave McNamara (Interim from March 2022 – July 2023)
Pensions Administration Management - Director of Exchequer & Transactional Services (oneSource)	Sarah Bryant
Pension Fund Manager (Finance)	Debbie Ford (oneSource)

Table: Investment Managers used by the Fund

Equity	
Manager	**Mandate**
London CIV – Baillie Gifford	Global Alpha Paris Aligned Fund
London CIV – State Street	Passive Equity Progressive Paris Aligned Fund (PEPPA)
Legal & General Investment Management (LGIM)	Future World Fund Emerging Markets Fund Global Equity Fund
Real Assets	
Manager	**Mandate**
CBRE	Real Assets Global Property
JP Morgan	Infrastructure
London CIV	Renewable Energy Fund
Stafford Capital	Infrastructure
UBS	Property
Bonds and Cash	
Manager	**Mandate**
Churchill Asset Management	Private Debt
Permira Credit Solutions	Private Debt
Royal London Asset Management	Index Linked Bonds (divested Multi Asset Credit
Russell Investments	Currency Risk

Multi Asset	
Manager	**Mandate**
London CIV – Baillie Gifford	Diversified Growth Fund
London CIV – Ruffer	Absolute Return Fund

Table: Other Service Providers

Other organisations providing services to the Fund	
Service	**Provider**
Actuary	Hymans Robertson LLP
Asset Pool	London Collective Investment Vehicle (London CIV)
Auditors	Ernst and Young LLP
AVC Providers	• Prudential • Standard Life
Bankers	National Westminster Bank PLC
Custodian	The Northern Trust Company
Investment Advisers	Hymans Robertson LLP
Legal Advisers	London Borough of Havering Legal Services (oneSource)
Performance Measurement	• Pensions & Investment Research Consultants Limited (PIRC) • The Northern Trust Company
Scheme Administrator	Local Pension Partnership Administration (LPPA)
Subscriptions	Chartered Institute of Public Finance (CIPFA) Local Authority Pension Fund Forum (LAPFF) National Fraud Initiative (NFI)

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, oneSource officers, investment advisor and as necessary the Fund's 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.

Members of the Pensions Committee have voting rights and reflects the political balance of the Council. The structure of the Committee is as follows;

Labour Group

Cllr Mandy Anderson (Chair)

Cllr Matthew Stanton (until Dec 22)

Conservative Group

Cllr Robert Benham

Cllr Dilip Patel

Cllr Viddy Persaud

Havering Residents' Group

Cllr Julie Wilkes

Cllr Philip Ruck (Vice chair)

Cllr James Glass (from Dec 22)

Other Members

Trade Union Observers x2 (Non-voting) – Derek Scott (Unison), (Vacant)
Admitted/Scheduled Body Representative x 1(voting) (Vacant)

Attendance at Pensions Committee meetings:

All Pensions Committee agendas and public minutes can be found on the Authority's website [Havering - Pensions Committee]

Table: Committee attendance 2022/23

Pension Committee	26/07/22	20/09/22	08/11/22	13/12/22	19/03/22
Councillor Mandy Anderson	✓	✓	✓	✓	✓
Councillor Mathew Stanton	✓	✓	✓	n/a	
Councillor James Glass	n/a			×	✓
Councillor Philip Ruck	×	*V*	*V*	✓	✓
Councillor Julie Wilkes	✓	✓	✓	✓	✓
Councillor Robert Benham	×	✓	✓	×	×
Councillor Dilip Patel	×	×	✓	✓	✓
Councillor Viddy Persaud	✓	✓	✓	✓	✓
Trade Union Observer - Derek Scott	✓	×	✓	×	✓
Trade union observer (vacant)	×	×	×	×	×
Employer Representative (vacant)	×	×	×	×	×

V denotes attended virtually

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 3 Scheme employer representatives and 3 scheme member representatives. The role of Chair was filled by an employer representative whilst recruitment for an independent Chair was undertaken.

Employer representatives	Scheme Member representatives
Denise Broom - Life Academy Trust	Mark Holder
Andrew Frater – Empower Learning Academy Trust	Yasmin Ramjohn
Joanne Sladen -Hornchurch Academy Trust	Dionne Weekes

Independent Chair: Jonathan Bunt (from October 2023)

The Local Pension Board produces a separate annual report, which is available here Havering LGPS Pension Administration

The Fund adopts a Business Plan/Report on the work of the Pensions Committee which sets out the work undertaken by the Committee during 2022/23 and the plan of work for the following year and beyond. This also includes a Training and Development Plan which is linked to the Pension Fund coverage of meetings.

CONFLICTS 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 2022/23 there were no conflicts of interests declared.

Risk Management

Overall

The Administering Authority's overall policy on risk is to identify and mitigate risks to the Fund both in aggregate and at an individual risk level.

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 declaring conflicts of interest.

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

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

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, any exceptions highlighted by the auditor are evaluated by officers.

Table: Internal Controls Report

	Type of Report	Period of Report	Assurance obtained	Reporting accountant
Fund Manager				
Legal and General	ISAE 3402	1 Jan 22 - 31 Dec 22	Reasonable Assurance	KPMG
London CIV	LCIV 3rd Party Controls Oversight	31 March 23	Operational controls oversight performed by London CIV	LCIV
London CIV – Sub Funds	LCIV 3rd Party Controls Oversight (1)	31 March 23	No qualifications	LCIV
UBS	Risk Management Process Report	Risk management report November 22	Control framework reported to the Board	Internally assessed by the Board to meet FCA requirements
J P Morgan (CITCO)	SOC1 Type #2	1 Oct 21 – 30 Sep 22	Reasonable Assurance on Systems administrator, investor relations & custody	Ernst & Young
CBRE	AAF01/20 & ISAE 3402	1 Jan 22 – 31 Dec 22	Reasonable Assurance	KPMG
Churchill	SOC1	1 Oct 21 – 30 Sep 22	Reasonable Assurance	Ernst & Young
Royal London	ISAE 3402	1 Oct 21 – 30 Sep 22	Reasonable Assurance	PricewaterhouseCoopers
Permira (Alter Domus)	ISAE 3402	1 Oct 21 – 30 Sep 22	Reasonable Assurance	Ernst & Young
Russell Investments	SOC 1	1 Oct 21 – 30 Sep 22	Reasonable Assurance	Ernst & Young
Stafford	n/a (2)		n/a	
Custodian				
Northern Trust	SOC 1	1 Oct 21 – 30 Sep 22	Reasonable Assurance	KPMG

(1) London CIV collect and track internal control reports of investment managers and any identified control issues are discussed

(2) 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.

Benefits Administration Risks

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

- Maintain accurate records;
- Pay benefits accurately and on time;
- 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 October 2023, Havering received the annual internal control assurance report 2022/23 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.

Several audits were undertaken by both LPPA's own risk and compliance team and their internal auditors. Key business activities were reviewed and a number of exceptions were identified for which LPPA have an improvement plan in place to address.

Details on how these risks are mitigated are included in the Risk Register.

Risk Register

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. 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.

This updated Risk Register was agreed at the Pensions Committee meeting at its meeting on the 7 November 2023. The Full Risk Register can be found as an appendix at the back of this report.

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.

The overarching aims 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 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.

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 Management costs, as set out in the Business Plan, follow in this report.

Pensions Administration -. 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 Pensions and Treasury team within the oneSource Finance Service supports the Pension Fund consists of an establishment of 2 full time equivalent posts (3 officers). They ensure that members of the committee receive advice on investment strategy and monitoring of the managers. The team also manage accounting for the activities of the Fund and other issues as appropriate.

A Finance transformation project undertaken during 2021 identified the need to develop an appropriate succession plan and introduce trainee level staff or rotations. Succession planning is currently ongoing.

In line with the Chartered Institute of Public Finance & Accountancy (CIPFA) LGPS Management Costs guidance, management expenses are shown split between three cost categories as follows:

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

	2021/22 Actual £000	**2022/23 Estimate £000**	**2022/23 Actual £000**	**2023/24 Estimate £000**	**2024/25 Estimate £000**	**2025/26 Estimate £000**
Administration & Processing*	674	745	728	735	735	735
Other Fees	8	10	8	10	10	10
Other Costs (interest)	27	20	70	30	30	30
Income	0	0	(79)	0	0	0
TOTAL	**709**	**775**	**727**	**775**	**775**	**775**

Please note the following regarding the above figures:

- Administration & processing costs include the Pension Administration Contract LPPA, Project & Contract manager, payroll & legal charges and ad hoc project costs.
- 2022/23 increase in interest payments reflects the late processing of pension payments whilst our administrator LPPA undertook transition of data to their new system and an increase in interest rates
- 2022/23 Income relates to a one-off exercise to clear down income held in the balance sheet in relation to pension recoveries. Future income will offset payments to pension benefits.
- No allowances for inflation after 2023/24

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. A breakdown of management fees over asset classes can be found in Note 11a in the Statement of Accounts.

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Fund Manager Fees	3,954	3,500	4,109	4,000	4,000	4,000
Performance Related Fees	117	120	121	120	120	120
Transaction Costs	97	80	310	300	300	300
Custodian Fees	42	40	42	40	40	40
Performance Measurement services	31	35	36	35	35	35
Other Investment Fees	0	15	10	15	15	15
TOTAL	**4,241**	**3,790**	**4,628**	**4,510**	**4,510**	**4,510**

Please note the following regarding the above figures:

- Fund Manager Fees are charged according to the fund value; therefore, an average figure from the last two years has been applied for estimates 2023/24 onwards

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.

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Financial Services	178	165	210	220	220	220
Actuarial Fees	19	100	130	25	25	25
Audit Fees	78	60	(14)	60	60	60
Member Training (inc. LPB)	1	10	3	10	10	10
Advisor Fees	72	75	86	75	75	75
London CIV	119	120	118	120	120	120
Local Pension Board	3	5	4	5	5	5
Pensions Committee	35	35	33	35	35	35
Other Fees	19	5	1	5	5	5
TOTAL	**524**	**575**	**585**	**555**	**555**	**555**

Please note the following regarding the above figures:

- Work on the 2022 valuation was undertaken in 2022/23 – higher actuarial costs during a valuation year is expected.
- 2022/23 credit on audit fees relates to a prior year accrual not offset by invoice due in following year. Incompletion of prior year audits causing delays for accurately predicating audit fees. Audit fees subject to approval by Public Sector Audit Appointments (PSAA).

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
OVERALL MANAGEMENT TOTAL	**5,474**	**5,140**	**5,940**	**5,840**	**5,840**	**5,840**

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 working cash balance monitored monthly and 3-year cash flow projections are carried out.

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

Income received by the Fund can be split between **predictable** such as employer and employee contributions and the more **unpredictable** such as transfers in from other pension schemes.

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

	Cash Movement 2018/19 £m	Cash Movement 2019/20 £m	Cash Movement 2020/21 £m	Cash Movement 2021/22 £m	Cash Movement 2022/23 £m
Balance b/f	(17.7)	(13.7)	(23.1)	(16.0)	(14.3)
Income					
Predictable	(43.2)	(47.9)	(47.0)	(48.7)	(51.0)
Unpredictable	(2.4)	(6.2)	(5.5)	(4.6)	(5.7)
Sub Total	**(45.6)**	**(54.1)**	**(52.5)**	**(53.3)**	**(56.7)**
Expenditure					
Predictable	40.0	35.1	34.9	(2)45.7	41.3
Unpredictable	9.6	9.6	(1)24.7	9.3	13.5
Sub Total	**49.6**	**44.7**	**59.6**	**55.0**	**54.8**
Total	4.0	(9.4)	7.1	1.7	(1.9)
Balance c/f	**(13.7)**	**(23.1)**	**(16.0)**	**(14.3)**	**(16.2)**

(1) Includes one-off settlement of £15m to fund bulk transfer out
(2) Includes £10.5m to fund investment movements

As expected, the overall cash balance continues to be positive

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. 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 2022, 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

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.

Table: 2022/23 Employee contribution rates

Contribution Table 2022/23			
Band	**Actual Gross Pensionable Pay for an employment**	**Contribution Rate for that employment**	
	£	**Main Section %**	**50/50 Section %**
1	Up to15,000	5.50	2.75
2	15,001 to 23,600	5.80	2.90
3	23,601 to 38,300	6.50	3.25
4	38,301 to 48,500	6.80	3.40
5	48,501 to 67,900	8.50	4.25
6	67,901 to 96,200	9.90	4.95
7	96,201 to 113,400	10.50	5.25
8	113,401 to 170,100	11.40	5.70
9	170,101 or more	12.50	6.25

Employers also pay a contribution towards the pension costs. This amount is calculated every three years following an independent actuarial evaluation by the Fund's Actuary. In 2022/23 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.

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 2022/23 was 16.5% of salary plus cash of £12.650m (2021/22 16.5% 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 provided with instructions 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 12 active admitted bodies in the fund.

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

Table: Overpayment recovery analysis

Year debt raised	Amount of debt raised £	Debt collected £	Debt outstanding £
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
2021/22**	34,915	4,237	30,678
2022/23	16,420	5,468	10,952

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

** Mortality screening identified a number of pensions in payment in respect of deceased members. This led to a number of backdated overpayments where invoices have been issued to the next of kin's last known address. As these are historic cases, the contact information is sometimes out of date and recovery is proving difficult.

The Administering Authority has a policy in place with regard to the overpayment of pensions following the death of a pensioner or dependent member. The policy was introduced in March 2019 enabling overpayments of pension of less than £250 net following the death of a pensioner or dependant member, where there is no ongoing dependant pension payable, to be automatically written off.

The total debt automatically written off during 2022/23, in line with the policy, was £1,943.04 (£4321.89 2021/22) covering 22 different cases (48 2021/22), which is an average of £88.32 per case (£90.04 2021/22), and falls below the expected average of £5,000 per annum.

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 2021. LPPA also utilise 'Tell Us Once' service which is monitored on a weekly basis and a monthly mortality screening exercise.

The total value of contributions paid into the Fund was £53.11m made up of employer contributions of £43m and employee contributions of £8.8m. Four employers paid their contributions late on nine occasions. It was not considered to be material and no charge was made. The Fund's charging policy is available on the Council's website havering - charging policy

The fund has a number of Administration polices which can be found by selecting the following link: finance_pensions_and_data/pension_fund

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 developed a formal Statement of Investment Beliefs. These beliefs have been incorporated within 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 an updated version of the Investment Strategy Statement (ISS) at its meeting on 29 July 2020

Following the 29 July 2020 meeting, the Committee considered and agreed further developments/implementation in the investment strategy at its meetings on the 1 October 2020, 16 March 2021, 20 July 2021 and 14 September 2021. Implementation of this ISS has largely been met with no significant movement during 2022/23.

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

Asset Class	**Long Term Target Allocation ISS July 2020** **%**	**Actual Asset allocation March 2022** **%**	**Actual Asset allocation March 2023** **%**	**Asset Allocation March 2023 vs ISS Current Target %**
Equities	**40.0**	**39.8**	**38.6**	**-1.4**
Passive Global Equity	5.0	3.8	3.9	-1.1
Passive Emerging Markets	5.0	4.1	4.1	-0.9
Passive Future World	10.0	10.1	10.5	0.5
Passive Equity Progressive Paris Aligned Fund (PEPPA)	5.0	4.9	4.9	-0.1
Active Global Alpha Paris Aligned	15.0	16.9	15.2	0.2
Multi Asset	**20.0**	**22.3**	**20.4**	**0.4**
LCIV Absolute Return	12.5	13.0	13.0	0.5
LCIV Diversified Growth	7.5	9.3	7.4	-0.1
Real Assets:	**20.0**	**16.5**	**19.1**	**-0.9**
Property	10.0	10.2	9.6	-0.4
Infrastructure	7.5	5.5	8.2	0.7
Renewable Infrastructure	2.5	0.8	1.3	-1.2
Bonds and Cash	**20.0**	**21.4**	**21.9**	**1.9**
Index Linked bonds	5.0	4.4	3.0	-2.0
Multi Asset credit	7.5	6.9	6.8	-0.7
Corporate Bonds	0	2.4	0.0	0.0
Private Debt	7.5	6.0	9.0	1.5
Cash	0	1.8	3.0	3.0
Currency Hedging P/L	0	-0.1	0.1	0.1
Total	**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.

Overweight positions in Infrastructure and private debt are likely to remain temporarily above the proposed target allocation whilst we await the return of capital to correct this.

Contributing to the underweight position in Renewable Infrastructure relates to the Funds commitment not fully called.

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

Table: Pooling analysis as at 31/03/2023

	Value £m	Percent of invested assets
Pooled assets	373	42%
Deemed pooled (LGIM passive global mandate)	165	19%
Total pooled	**537**	**61%**

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 Department of Levelling Up, Housing

Outstanding Capital commitments as at 31 March 2023 total £75.5m and will continue to be met during 2023/24 and beyond.

Table: 2022/23 Capital calls settled

Investment Manager	Mandate	Amount Paid £000	Commitments outstanding* £000
Stafford II	Infrastructure	nil	2,803
Stafford IV	Infrastructure	8,092	10,671
LCIV Renewables	Infrastructure	2,591	16,482
Churchill II	Private Debt	1,250	1,483
Churchill IV	Private Debt	8,062	6,987
Permira PCS4	Private Debt	3,528	4,860
Permira PCS5	Private Debt	12,521	32,250
JP Morgan	Infrastructure	12,000	nil
Total		**48,044**	**75,536**

Following the Fund’s Actuarial Valuation as at March 2022 a review of the current ISS was carried out to ensure that it remained appropriate to meet its long term objectives, this being to ensure that the assets are invested to secure funding for member’s benefits.

Conclusion of the review identified the need to shift towards “increased income” investments as part of any investment strategy changes. An outline of these considerations was presented to the Committee at its meeting on the 21 March 2023.

Following on from those discussions, the ISS will be presented to the Committee for ongoing updates during 2023 and beyond.

Investment Administration and Custody

The Fund uses the services of an appointed custodian, Northern Trust. They 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.

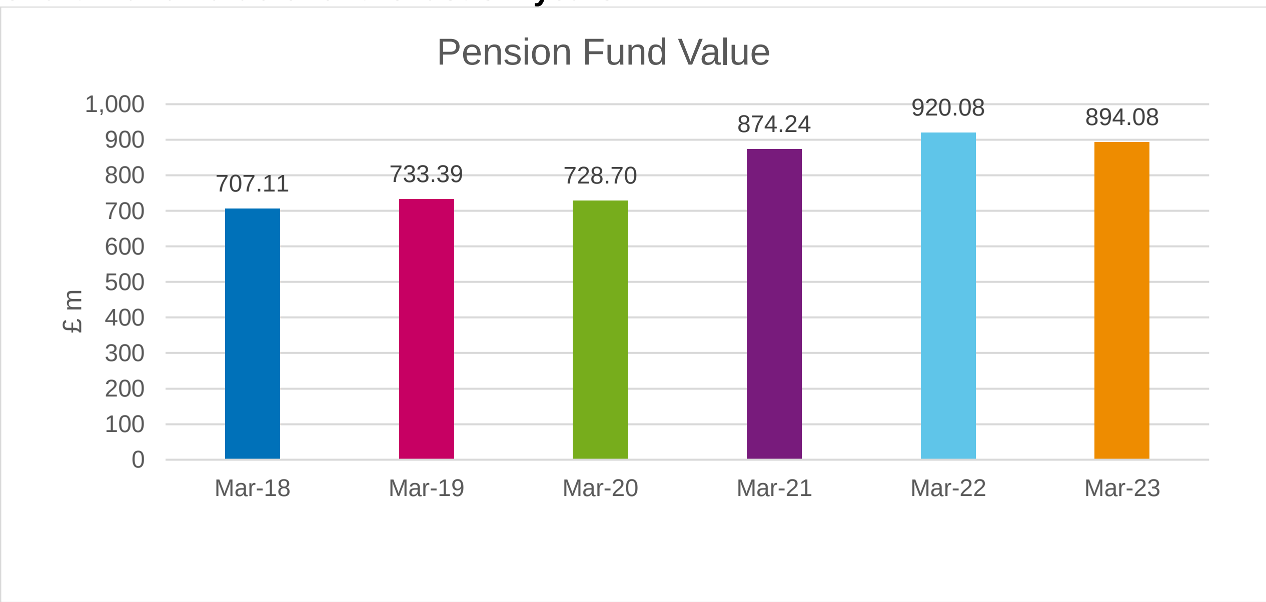
The Fund's investment advisors attend Committee meetings an Investment Performance Report, including market commentary.

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 decreased to **£896m** for 2022/23 from £920m in 2021/22, a net decrease of **£24m**.

Chart: Fund value over the last six 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 2022/23, the overall return on the Fund's investments was **-3.59%** (2021/22 4.59%). This represented an under performance of **-4.32%** against the tactical benchmark (2021/22 underperformance of -3.49%) and outperformance of **20.94%** against the strategic benchmark (2021/22 underperformance of -2.14%).

Table: Net of fees performance of the Fund

	1 year to 31 Mar 22 %	**1 year to 31 Mar 23 %**	**3 Years to 31 Mar 23 %**	**5 years to 31 Mar 23 %**
Fund Return	4.59	-3.59	7.99	5.09
Tactical Benchmark	**8.08**	**0.73**	**8.41**	**5.97**
Performance	-3.49	-4.32	-0.42	-0.89
Fund Return	4.59	-3.59	7.99	5.09
Strategic Benchmark	**6.74**	**-24.53**	**-5.67**	**-1.31**
Performance	-2.14	20.94	13.67	6.40

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 and an outperformance target against which their performance is measured.

Table: 2022/23 Fund Manager Benchmarks and targets

Asset Class	**Investment Manager / product**	**Segregated / pooled**	**Active / Passive**	**Benchmark and Target**
Equities				
UK/Global Equity	LCIV Baillie Gifford (Global Alpha Paris Aligned Fund)	Pooled	Active	MSCI ACWI by 2- 3 % p.a. over a rolling 5 five year period Plus have a weighted average greenhouse gas intensity that is lower than MSCI ACWI EU Paris Aligned Requirement index
UK/Global Equity	LCIV State Street Passive Equity Progressive Paris Aligned Fund (PEPPA)	Pooled	Active	Developed EX-Korea Large Midcap Net Zero 2050 Paris aligned ESG Index
UK/Global Equity	Legal & General Management Future World Fund	Pooled	Passive	FTSE AW ex CW Climate Balanced Factor Index
UK/Global Equity	Legal & General Investment Management	Pooled	Passive	FTSE World Emerging Markets

Asset Class	Investment Manager / product	Segregated / pooled	Active / Passive	Benchmark and Target
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) Outperform cash +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 & IV	Pooled	Active	CPI + 5% p.a (net of fees)
Infrastructure	LCIV Renewable Energy	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	• 50% ICE BAML, BB-B Index • 50% Credit Suisse US Leveraged Loan Index GBP Hedged
Private Debt	Churchill Nuveen II & IV	Pooled	Active	Outperform cash + 4% p.a
Private Debt	Permira PCS4 and PCS5	Pooled	Active	Outperform cash + 4% p.a
Currency	Russell	Segregated	Passive	Hedge 100% of EUR,USD and AUD (non-equities)

Table: 2022/23 Fund Manager performance against benchmark

Fund Manager	Return (Performance) %	Benchmark %	Performance vs benchmark %
Equities Passive:			
LGIM Emerging Markets	- 4.27	- 3.87	- 0.40
LGIM Future World Fund	0.05	0.20	- 0.15
LCIV Passive Equity Progressive Paris Aligned Fund	0.11	-1.73	1.85
Equities Active			
LCIV Global Alpha Paris Aligned Fund	-5.35	-0.99	-4.35
LGIM Global Equity	-0.95	-0.88	-0.07
Multi Asset:			
LCIV Diversified Growth Fund	-8.50	5.97	-14.48
LCIV Absolute Return Fund	1.30	6.30	-5.00
Property:			
CBRE	7.32	15.06	-7.74
UBS	-15.35	-14.49	-0.85
Infrastructure			
LCIV Renewable Infrastructure	39.06	15.06	23.99
Stafford SISF II	20.31	15.06	5.24
Stafford SISF IV	12.92	15.06	-2.15
JP Morgan	10.74	15.06	-4.32
Bonds & Cash:			
Royal London Index Linked/MAC	-15.45	-13.87	-1.58
Churchill II	12.10	6.30	5.80
Churchill IV	10.34	6.30	4.04
Permira IV	6.06	6.30	-0.24
Permira V*	-	-	-
Cash	0.27	2.27	-2.00

Source: Northern Trust Performance Measurement Service

* Performance not shown as not invested for entire period but short-term performance is included within the overall fund performance and at asset class level.

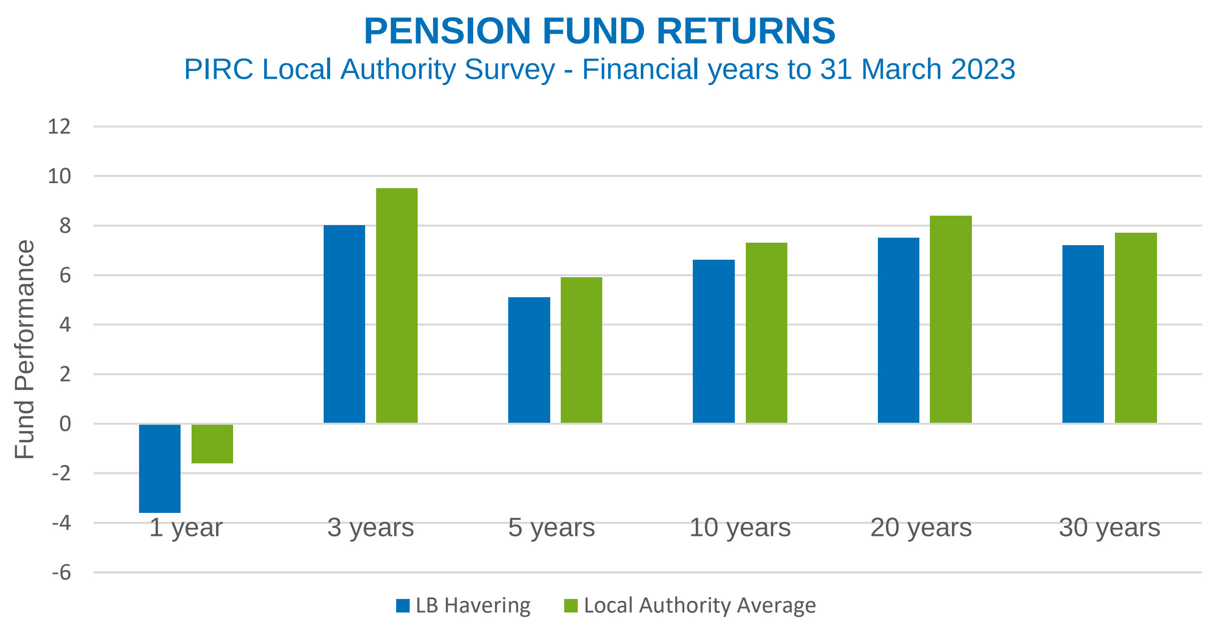
Table: Asset Class performance against benchmark

Asset Class	Return (Performance) %	Benchmark %	Performance vs benchmark %
Equities Overall	-2.69	-0.97	-1.72
Equities – passive	-0.88	-1.01	0.13
Equities – active	-5.35	-0.99	-4.35
Multi asset	-2.82	6.18	-9.00
Property	-7.55	-7.35	-4.20
Infrastructure	13.04	15.06	-2.02
Bonds	-8.54	-6.61	-1.93
Cash	0.27	2.27	-2.00

The Fund also uses the services of Pensions & Investment Research Consultants Ltd (PIRC) to provide LGPS universe comparisons against other LGPS funds. The Fund does not measure performance using the PIRC universe benchmarks it is shown as a comparison tool and information.

The PIRC Local Authority Universe comprised of 63 funds as at the end of March 2023 with a value of £243 billion.

Table: Universe Fund Performance



58th | 73rd | 75th | 79th | 93rd | 82nd

LB Havering's rank with Local Authority funds

Table: Universe asset allocations as at March 2023

Universe Data	Average Allocation %	Havering Allocation %	Average Return %	Havering Return %	Havering Percentile Ranking
Equities	51	38	0.0	-2.7	82
Bonds/Credit	17	19	-9.1	-8.5	49
Alternatives	19	9	6.5	16.0	7
Property	9	10	-7.9	-7.6	22
Cash	2	3	-	-	-
Diversified Growth	2	20	-4.0	-2.8	26

PIRC Universe Summary
Last 12 months:

- Last year the average fund delivered a negative investment return of -1.6%. Longer-term results are still ahead of inflation and funds' actuarial assumptions.
- A good year for alternative investments, the only area to deliver positive results.
- Equity performance was flat – and most active managers failed to add value.
- Bond performance was deeply negative with diversified strategies performing least badly.
- Property saw a strong decline in values over the year.

Asset Allocation

- Funds have reallocated 12% of total assets from equities into alternative over the last decade; this has been a key structural change.
- Infrastructure has emerged into a significant proportion of assets.
- 2016/17 was a pivotal year in terms of equity management away from regional to global mandates. This was also the year funds really began to diversify bond exposure away from government to alternative forms of credit.

PIRC Havering Summary

- The average fund had a negative return of -1.6%, with most funds returning between -3.3% and -4.6%. Havering's return of -3.6% was slightly below the median.
- The Fund return ranked 58th out of 63 funds. The Funds asset allocation varies from the average;
  - **The Fund has high exposure to diversified growth. This structure had a negative impact on relative performance last year.**
  - **Similar to other funds, the Funds property portfolio suffered a negative return.**

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 3.5% p.a. (as stated in the latest actuarial valuation date as at 31 March 2022). This target investment return is a slight increase from the 3.3% p.a. stated in the previous actuarial valuation (as at 31 March 2019).

Over the 12-month period to 31 March 2023, the Fund delivered negative returns in absolute terms and underperformed the tactical benchmark. However, over this period returns were comfortably ahead of the strategic benchmark. Over longer time periods of 3 years and 5 years to 31 March 2023 the Fund experienced strong asset growth, with investment performance returns of 8.0% p.a. and 5.1% p.a. respectively – marginally underperforming the tactical benchmark but comfortably ahead of the target investment return and strategic benchmark. Therefore, over longer time periods the Fund remains ahead of the longer term returns sufficient to support affordable and stable levels of contributions.

The negative investment performance (in absolute terms) over the 12-month period was primarily driven by the Fund's active equity, multi-asset credit and index-linked gilt allocations. High inflation and significant and rapid interest rate rises negatively impacted these allocations, causing valuations to fall.

The primary contributor to the Fund's underperformance relative to the tactical benchmark over the 12-month period was its multi-asset allocation. The multi-asset mandates have material exposure to global equity and credit markets, both of which underperformed the 'Cash Plus' style benchmark these mandates are measured against.

The Committee took further steps to develop the Fund's Climate Plan, building on the actions already taken to address climate risk. The Committee agreed key actions to embed climate risk management into the Fund's investment strategy over 2023, such as; completing a climate metrics baseline assessment of the Fund's existing investments, drafting and developing a climate risk management policy and agreeing a net zero target date (and the climate metrics to monitor progress towards this over time).

Implementation of the previously agreed changes in the investment strategy have continued over the year and have seen the allocation to the corporate bonds mandate wound down and a further allocation to private debt added in order to maintain the Fund's strategic benchmark allocation.

Additionally, towards the end of the Fund year (following the Fund's 2022 actuarial valuation) the Committee agreed some changes to the Fund's investment strategy in order to further improve the efficiency of the strategy and aim to capture investment opportunities. The Committee agreed to fully disinvest from the LCIV Diversified Growth Fund and, as an interim step, invest the proceeds with a further 2.5% to infrastructure and 5.0% to a new investment grade credit allocation. When deemed appropriate, the Committee have agreed that the 5.0% credit allocation be transferred to a longer-term target increase in multi-asset credit and private debt – with a 2.5% increase to each allocation. Implementation of these changes will begin during the 23/24 Fund year".

PIRC league tables – sole return focus

The PIRC league tables focus solely on return and make no allowance for risk / risk adjusted returns. Although helpful to get a general insight, this makes it difficult to get a true like-for-like comparison where different funds will have different investment strategies and levels of risk. This should be noted if comparing relative ranking in the PIRC tables.

VOTING AND ENGAGEMENT ACTIVITY

The Investment Belief adopted by the Fund believes that effective stewardship through informed voting and engagement can positively influence corporate behaviours although success is most likely to be achieved through greater collaboration

The Fund does not have its own voting and engagement 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 currently held are managed on a pooled basis so the Fund has no shareholder rights in respect of voting.

In relation to equity funds, 42% are managed via the London Collective Investment Vehicle (LCIV), the LCIV operator has responsibility for engaging directly with investment managers. 18% of the funds pooled passive equities are also managed by LGIM.

LCIV delegates voting to the appointed managers. Therefore, The Fund's voting is carried out in line with the house voting of the manager (LGIM, Baillie Gifford Ruffer and State Street Global Advisors).

LCIV produced their own voting policy in April 2022, which is a set of guidelines based on eight voting principles. London CIV - Responsible Investment

LCIV is a member of Local Authority Pension Fund Forum (LAPFF) and works with EOS at Federated Hermes to execute their votes and engagement activities.

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

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. This review also incorporates compliance with industry governance and stewardship standards.

The annual review of the year ending June 2022 was presented to the Pensions Committee at its meeting on the 21 March 2023 and in summary:

- Climate change and diversity and inclusion have been identified as areas of interest, so the report focussed on these areas when highlighting key votes and further engagement in the report.
- Climate change was a consistent engagement topic across all of the managers
- Diversity was in the top five themes for LGIM
- Exercise of voting rights were high across LGIM and Ruffer mandates. Baillie Gifford exercised less votes than other managers on average, particularly in the Diversified Growth Fund. Abstentions/withheld votes were relatively low
- The Fund Managers exercised voting policies and undertaken engagement activity in line with expectations and have no significant concerns with the extent to which stewardship activity has been exercised.

- Signatories to the UK 2020 Stewardship Code
  - London CIV
  - Equities and Multi asset - All of the Fund's Equity managers (LGIM, Baillie Gifford and Ruffer) invested via the LCIV
  - Real Assets – UBS and JP Morgan (later became a signatory in September 2022)
  - Currency Hedge Manager Russell
- NOT signatories to the UK 2020 Stewardship Code
  - CBRE, Stafford and Permira are considering a future application but no decision to date.
  - Churchill – are supportive of the principles but have made no immediate attention of applying to become a signatory
- Signatories to United Nations Principles for Responsible Investment (UNPRI) as follows:
  - London CIV
  - Equities and Multi Asset – All of the Fund's Equity managers (LGIM, Baillie Gifford and Ruffer) invested via the LCIV are signatories to the United Nations Principles for Responsible Investment (UNPRI) rated A or above.
  - Real Assets – All of the Fund's Real asset managers (UBS, CBRE, JP Morgan and Stafford) are signatories to the UNPRI rated A or above.
  - Bonds and Private Debt– Churchill, Permira and Royal London and are signatories to the UNPRI rated A or above.

RESPONSIBLE INVESTMENT (RI)

LCIV Responsible Investment, Investment Beliefs, Climate Change, Stewardship

The Fund has 42% of its investments directly managed via the LCIV, therefore the fund looks to the LCIV to have in place policies and processes to assist in meeting its RI and stewardship responsibilities. The following section provides an overview with regard to LCIV Responsible Investments, Investment beliefs, Climate Change, Stewardship and Collaborations

Responsible Investment- 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. Their approach is informed by their investment beliefs, client policies and priorities, and industry best practice demonstrated by our peers together with regulation. This not only feeds into their policies but is integrated and implemented throughout the business

Investment Beliefs – LCIV has adopted Investment Beliefs which direct their investment practices in alignment with London CIV's purpose and vision, specifically to collaborate with Client Funds and help to achieve pooling requirements and deliver value for London through long-term and sustainable investment strategies. The Beliefs also help with making practical decisions about the suitability of investment strategies, selection and monitoring of investment managers and pooled funds, performance objectives and the integration of best practice in sustainable investment and active ownership.

Climate Change – LCIV has developed a dedicated Climate Change Policy. This policy is designed to highlight their position and approach to mitigating climate change risk and includes 15 strategic objectives which will be reviewed and reported on at least annually. They have created a three-step strategy to protect their portfolios from the risks posed by climate change:

- Integration: embedding responsible investment into investment decision and design
- Engagement: collaboration with companies, managers, peers and participants
- Disclosure: transparent reporting in line with best practice.

London CIV has committed to become a Net Zero entity by 2040 in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C. It will also become a Net Zero Company across operational and supply chain emissions as early as 2025.

Alongside its main commitment, London CIV has set interim targets for its investments including a 35% carbon intensity reduction by 2025 (relative to 2020), and 60% by 2030 across funds invested via the London CIV.

London CIV plan to achieve its goals by decarbonising existing funds through targeted engagement, contributing to avoided emissions, launching Low-Carbon and Paris-Aligned funds and eventually contributing to negative emissions.

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

London CIV take a collaborative approach to stewardship through engagement with companies, investment managers, like minded peers and market participants. Recognising that engagement is an ongoing process, their approach is under constant refinement and review to reflect the evolving landscape of ESG risk and opportunity. Based on detailed research and review, they first select their annual engagement themes, refine their Stewardship Policy and Voting Guidelines as required, then work with their providers and support industry initiatives collaboratively in order to drive outcomes.

Collaborations – LCIV work in collaboration with a multitude of partners and industry leaders to achieve common goals. Some of these collaborations include Pensions for Purpose, Share action, Climate Action 100+.

For further reading, there are a number of Policy documents available on the LCIV website https://londonciv.org.uk/responsible-investment

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 decisions. Whilst the TCFD framework 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 but 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.

The latest TCFD report, published as a separate document TCFD report 2022-23 was agreed at the Pensions Committee meeting on the 12 September 2023. The Funds 3rd TCFD report.

A key work stream during 2022/23 was the continued focus on mitigating climate risks to the Fund and agreed a Climate Risk Policy and Action Plan. The Fund actuary also considered climate risk in their valuation. During 2023/24 the Committee will monitor progress against objectives and a net zero target will be adopted.

The Committee took further steps to develop the Fund's Climate Plan, building on the actions already taken to address climate risk. The Committee agreed key actions to embed climate risk management into the Fund's investment strategy over 2023, such as; completing a climate metrics baseline assessment of the Fund's existing investments, drafting and developing a climate risk management policy and agreeing a net zero target date. Climate metrics have been set will be monitored and progress will be reported in the TCFD report for 2023/24.

COST TRANSPARENCY

The LGPS Code of Transparency was introduced to assist LGPS clients gather cost information in a consistent format. LGPS fund managers are encouraged to sign up to this Code to demonstrate commitment to transparent reporting of costs. A full list of signatories signed up to the code can be found on the SAB website.

The CTI framework is 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 Main Account Template, which is the main cost disclosure template to be completed by the investment manager(s) and covers most asset 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.
- The Fund has cost transparency data from the fund managers.

The Fund has cost transparency data from the fund managers. The 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:

Table: Fund manager's transparency compliance table

Fund Manager	Signatory on SAB website	Reporting Date	Template uploaded to Byhiras portal	CTI Template used
CBRE	✓	31/03/2023	✓	Main
Churchill	✓	31/03/2023	✓	Main
JP Morgan	✓		✗	
LGIM	✓	31/03/2023	✓	Main
London CIV • Diversified Growth • Global Alpha • Absolute • Infrastructure • Passive Equity	✗	 31/03/2023 31/03/2023 31/03/2023 31/03/2023 31/03/2023	 ✓ ✓ ✓ ✓ ✓	 Main Main Main Main Main
Permira	✓	31/03/2023	✓	Private markets
Royal London	✓	31/03/2023	✓	Main
Russell Investments	✓	31/03/2023	✓	Main
Stafford	✓	31/03/2023	✓	Private markets
UBS	✓	31/12/2022	✓	Main

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 period, although the data provided does include costs for a full year.

Scheme Administration Report

Overview

During 2022/23 LPPA migrated the Havering pension data to a new pensions system, Civica's Universal Pensions Management (UPM). Service level agreements were relaxed between 1 November 2022 and 31 January 2023 to allow for the new processes to embed. Havering administration work continues to be carried out across the business by casework dedicated teams.

Responsibility for call handling and responding to online member queries sits with the central Pensions Helpdesk in Preston. During 2022/23 the Pensions Helpdesk answered an average of 92.5% (94% 2021/22) of calls going into the call centre across all clients with the average wait time for a call to be answered being 7 minutes 32 seconds (6 minutes 53 seconds 2021/22).

The Pensions Helpdesk uses customer surveys to record satisfaction levels of call handling and retirement processing. In March 2023 overall satisfaction levels for call handling were 79.1% (91.5% in 2021/22) for all LPPA's client scheme members. Satisfaction levels for the processing of retirement cases averaged at 68.5% (86% 2021/22).

LPPA continue to review their service and look for efficiencies and performance improvements. A 3-year programme has been implemented effective from April 2023 to identify process enhancements and system automation to drive an improved customer experience.

Value for Money Statement

A comparison of the 2022 SF3 data supplied to MHCLG shows that the Havering Fund was ranked seventh out of the 32 London Boroughs for cost per member in respect of the pension administration costs (also ranked seventh in 20/21).

We have seen a decline in the number of cases meeting the service level agreements which is shown in the key performance data. This is attributed to the implementation of a new pensions administration system during 2022/23 and the relaxation of agreed service level agreements during the migration period.

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 98.5% (98% 2021/22). Data quality is fundamental to ensuring an accurate valuation of the Fund's liabilities. The Fund introduced a data improvement plan which identifies areas and processes that can assist in maintaining, and improving on, the good quality, accurate data 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

Key Uses of Technology

LPPA continue to look for ways to use technology to improve efficiencies and actively promote the use of the member self-service portal, Pension Point, and the use of email communications.

Pension Point 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.

The LPPA's scheme member's website is regularly reviewed and provides detail on all aspects of the scheme. During 2021/22 a Havering pensions page was introduced to the havering.gov.uk website to provide fund specific information to members of the Havering LGPS.

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.

During 2022/23, we received 1 IDRP case (0 in 2021/22) and 33 general customer complaints (11 in 2021/22). This equates to 0.65% of cases.

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 Whistleblowing Policy.

There have been four minor data breaches and one process breach recorded during 2022/23. These were not considered material and were therefore not reported to the Section 151 Officer. Consequently, no reports have been made to the Regulator. From 2023/24 all breaches will be reported to the Local Pensions Board for their consideration and recommendation.

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 but taking into account the revised service level agreement timeframes that became effective from 1 April 2022.

INDICATOR	What is it an indicator of?	Actual 2022/23 %	Target 2022/23 %	Actual 2021/22 %	Actual 2020/21 %
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	82.8	95	96.1	100
The percentage of early retirement estimates processed within 10 working days	To produce estimates for early retirements i.e. ill health, redundancies and voluntary retirements within 10 working days of request, normal retirement date or receipt of all relevant information. This indicator is particularly important to service clusters	86.5	95	99.5	99.9
The percentage of notification of deferred benefits within 15 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 15 working days of receipt of all relevant information.	90.6	95	98.2	100
The percentage of ‘Transfers In’ actuals processed within 10 working days.	The percentage of transfers in with the member’s record updated with the transferred in information	95.1	95	97.2	100
The percentage of ‘Transfers Out’ actuals processed within 10 working days	The percentage of transfers out paid to the new pension provider	95.1	95	96.8	99.7
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	64.3	95	97.9	99.1
The percentage of joiners processed within 10 working days of information received	The percentage of joiners’ records set up on the Pensions Administration System	100	95	99.3	100

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 targets have been standardised across all LPPA clients since the introduction of the new administration system.

The data used to report the performance indicators is supplied by LPPA.

The system builds in the standardised SLA's and work is managed and allocated based on a day count basis from date all data required to complete a case is 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. UPM provides 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.

The Havering administration team receives a quarterly performance report and monitors the cases completed against the reported 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 2022. The administering authority and LPPA continue to promote the use of Member Self Service to reduce printing and postage costs.

Table: Administration team 5 years' key activity trend

Service Item	2022/23 Cases	2021/22 Cases	2020/21 Cases	2019/20 Cases	2018/19 Cases
Retirements processed	767	446	529	533	512
Early retirement estimates processed	380	468	452	580	543
Notification of Deferred Benefits	603	798	726	727	947
Transfers In Actuals/Quotes processed	175	391	324	363	223
Transfers Out Actuals/Quotes processed	317	407	325	298	204
Death notification written out	366	428	530	273	183
New LGPS joiners processed	879	1,115	977	1,942	1,792
Refunds	316	431	443	691	678
Total Cases per year	**3,803**	**4,484**	**4,305**	**5,407**	**5,082**

Staff Resource

Pensions Administration is provided by LPPA, the effective delivery of the contract is monitored by a Pensions Projects and Contracts Manager.

LPPA currently has 6.07 FTE working on Havering administration, including case workers, help desk and data team staff, with a ratio of 1 member of staff to 3,280 (3,721 2020/21) fund members. The team completed a total of 6,342 (6,834 2020/21) cases including other contractual cases outside of the top 10 for the period 1st April 2021 to 31st March 2022 which is an average of 1,044 (1,306 2020/21) 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 services delivered by LPPA 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 two new academy conversions during 2022/23.Ardleigh Green Infant School and Ardleigh Green Junior School joined the Empower Learning Academy Trust. Academies need continual support and monitoring.

The level of planned and actual outsourcing by Academies is still on-going and likely to continue to grow. If the outsourced function is granted Admitted Body Status, it 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 the Havering website Outsourcing Guide.

Confidentiality of Personal Data

LPPA has developed a robust control framework to help ensure that all the requirements of the GDPR are met promptly and which will also serve as a defence in case 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 added 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.

Table: 2022/23 TPR Q4 scores

	Target %	Jan-Mar 23 %	Jan – Mar 22 %	Trend %
Common data score	**95.0**	98.5	98.8	**-0.3**
Conditional data score	**90.0**	93.3	94.4	**-1.1**

LPPA continue to develop an ongoing program of work to maintain/improve data scores to above the targets outlined below.

Table: Fund Membership over the last 5 years

	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019
Contributors	6,692	6,675	6,426	6,492	6,717
Deferred pensioners	6,750	6,689	6,020	6,174	6,544
Pensioners and Dependants	6,775	6,548	6,412	6,410	6,473
Total	**20,217**	**19,912**	**18,858**	**19,076**	**19,734**

A contributing factor to the decrease in membership numbers for the year to 31 March 21 relates to the transfer out of Havering Sixth Form College and the Havering College of Further & Higher Education.

Table: Pensioners in receipt of enhanced benefits over the last 5 years

	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020	As at 31 March 2019
Ill Health	5	5	5	3	7
Early Retirements	-	-	-	-	-

A summary follows of the number of employers in the fund analysed by scheduled bodies and admitted bodies with active members.

Table: 2022/23 Employer types

	Active
Administrating Authority	1
Scheduled Bodies	43
Admitted Bodies	12
Resolution Body	1
Total	**57**

Table: 2022/23 Contributions by employer

Contributing employers	Contributions from Members £	Contributions from Employers £
London Borough Havering	7,011,643	37,440,882
SCHEDULED BODY:		
1. Abbs Cross Academy and Arts College	35,657	148,969
2. Ardleigh Green Infant Academy (ELAT)**	8,217	32,107
3. Ardleigh Green Junior Academy (ELAT)**	7,482	30,030
4. Benhurst Primary	23,947	96,294
5. Bower Park Academy	55,146	219,191
6. Concordia Academy	31,806	92,171
7. Coopers' Company & Coborn School	84,258	304,356
8. Dame Tipping School	7,668	37,259
9. Drapers Academy	66,518	231,844
10. Drapers Brookside Infant Academy	26,181	93,993
11. Drapers Brookside Junior Academy	20,558	75,058
12. Drapers MAT (Management)	27,583	70,840
13. Drapers Maylands Primary Academy	24,584	89,788
14. Drapers Pyrgo Primary	30,462	115,862
15. Emerson Park Academy	41,395	155,969
16. Gaynes Academy	12,985	55,553
17. Hacton Academy	44,115	187,689
18. Hall Mead School	124,428	437,234
19. Harris Academy Rainham	50,951	192,966
20. Harrow Lodge Academy	30,922	118,034
21. Hornchurch High School	42,830	145,021
22. Langtons Junior Academy	19,372	75,652
23. Lime Academy Forest Approach	62,295	228,470
24. Lime Academy Ravensbourne	54,386	216,235
25. Marshalls Park Academy	51,966	224,046
26. Oasis Academy (Pinewood)	26,369	94,511

Contributing employers	Contributions from Members £	Contributions from Employers £
27. Olive Academy MAT	24,746	84,296
28. Olive Academy Trust (Birnum Wood)	8,981	37,972
29. Redden Court School	105,068	346,986
30. Rise Park Infant School	17,860	71,637
31. Rise Park Junior Academy	22,772	91,008
32. Royal Liberty Academy	43,799	165,520
33. Sacred Heart of Mary Girls' School	49,789	201,985
34. Sanders Academy	42,569	158,255
35. Scargill Infant Academy (Hornchurch Academy Trust)	27,035	103,057
36. Scargill Junior Academy	17,643	72,490
37. St Edward's Church of England School & Sixth Form	45,200	177,199
38. The Brittons Academy Trust	56,209	237,727
39. The Campion School	86,437	303,684
40. The Frances Bardsley Academy for Girls	114,385	389,994
41. Upminster Infant Academy	15,360	63,945
42. Upminster Junior Academy	20,696	85,722
43. Whybridge Junior Academy	18,546	75,603
Scheduled Body Total	**1,713,477**	**6,374,083**
ADMITTED BODIES:		
1. Accent Catering	4,144	22,652
2. Atalian Servest Food Co*	-	-
3. Caterlink (Frances Bardsley)	6,339	48,797
4. Harrison Catering (Abbs Cross)	2,566	11,784
5. Harrison Catering (Gaynes)*	-	-
6. Kindred*	-	-
7. Lewis & Graves	2,178	11,535
8. May Harris (Royal Liberty)	2,566	11,784
9. Mears Group	15,360	99,681
10. Olive Dining	6,116	43,774
11. Sports & Leisure Management – Charitable Trust	36,428	136,166
12. Sports & Leisure Management – Fitness and Health	3,404	13,569
Admitted Bodies Total	**83,404**	**409,099**
RESOLUTION BODY:		
Mercury Land Holdings	5,252	11,183
TOTAL	**8,824,222**	**44,286,200**

* New employer – membership data not updated at time of production of membership listing

Table: age profile of members as at 31 March 2023

AGE BANDS	ACTIVES	DEFERREDS	PENSIONERS (OWN RIGHT)	DEPENDANT PENSIONS	TOTAL BY AGE BAND
0-5	0	0	0	1	**1**
6-10	0	0	0	9	**9**
11-15	0	0	0	9	**9**
16-20	27	3	0	9	**39**
21-25	257	105	0	5	**367**
26-30	348	265	0	1	**614**
31-35	500	508	0	1	**1,009**
36-40	699	642	0	5	**1,346**
41-45	934	756	1	1	**1,692**
51-55	1,121	1,354	31	23	**2,529**
56-60	1,060	1,352	309	35	**2,756**
61-65	634	593	919	53	**2,199**
66-70	124	138	1,383	77	**1,722**
71-75	33	27	1,252	115	**1,427**
76-80	0	2	930	146	**1,078**
81-85	0	1	532	152	**685**
86-90	0	0	336	134	**470**
91-95	0	0	153	79	**232**
96-100	0	0	35	16	**51**
101-105	0	0	4	1	**5**
TOTAL	**6,692**	**6,750**	**5,892**	**883**	**20,217**

Table: Costs per member

Costs per member	**2022/23**	**2021/22**	**2020/21**	**2019/20**	**2018/19**
Total membership (no's)	20,217	19,912	18,858	19,076	19,734
Investment Management Expenses					
Total Cost (£'000)	3,790	4,241	3,412	*3,192	4,303
Cost per member (£)	187.47	212.99	180.93	167.33	218.05
Administration					
Total Cost (£'000)	775	709	601	**315	***653
Cost per member (£)	38.33	35.61	31.86	16.51	33.09
Oversight and Governance Costs					
Total Cost (£'000)	575	524	415	468	419
Cost per member (£)	28.44	26.32	22.00	24.53	21.23
Total cost per member	**254.24**	**274.91**	**234.80**	**208.37**	**272.37**

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

Contacts

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 Manager
Havering Town Hall
Romford
RM1 4GR
Telephone: 01708 432569
Email: PensionsFinance@havering.gov.uk

Other useful contacts:

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

The Pension Service website: www.thepensionservice.gov.uk

State Pension website www.gov.uk/browse/working/state-pension

Pensions Ombudsman https://www.pensions-ombudsman.org.uk/

Money and Pensions Services https://moneyandpensionsservice.org.uk/

Asset Pool

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

LCIV is a Collective Investment Vehicle for London Local Authorities (LLA) Local Government Pension Scheme (LGPS) funds. Its purpose is to be the LGPS pool for London to enable the LLAs to achieve their pooling requirements and work in partnership with the LLAs in order to do so. LCIV is owned by its London clients so they are shareholders in the Company.

The aim of asset pools is 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.

It should be stressed that responsibility for determining asset allocations and the investment strategy remains with the Fund.

It is the Fund's intention to invest its assets through the LCIV pool. As at 31 March 2023 the Fund has 42% (42% 2021/22) of its assets fully pooled with LCIV and a further 18% (18% 2021/22) of its assets passively managed under advisory/execution mandates by the LCIV.

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 LCIV:

London CIV

Fourth Floor, 22 Lavington Street

London, SE1 0NZ

Email: pensionsCIV@londonciv.org.uk

Telephone: 0208 036 9000

LCIV Legal and Regulatory Framework

LCIV operates using Authorised Contractual Scheme, exempt Unauthorised Unit Trust structures and General/Limited Partnerships (such as a Scottish Limited Partnership). It is authorised and regulated by the Financial Conduct authority (FCA).

The Company is governed by its Articles of Association and Shareholder Agreements.

The key legislation governing operations include the Financial Services and Markets Act 2000 and the Companies Act 2006 and are also subject to the Freedom of Information Act 2000.

London CIV Corporate Governance Framework

Governance Framework comprises of:

- Articles of Association and Shareholder Agreements
- Shareholder decisions at two General meetings
- The Board of Directors
- Shareholder Committee
- Other Board Committees

The formal framework is complemented by informal engagements with Seed Investor Groups (SIGs) which provide involvement with client funds in respect of fund launches, Responsible Investment Group and a Cost Transparency Working Group which both provide opportunities for informal governance and consultation arrangements. Monthly 'Business Update' meetings provide ongoing communication between LCIV and client funds and regular 'Meet the Manager' meetings enhance engagement in manager oversight.

The London CIV Committee structure consists of the following:

The Board of Directors - meet at least 4 times annually. The Board has ultimate responsibility for the management of the Company, its general policy and ensuring the agreement and implementation of the Company strategic direction. Comprises of 3 Executive Directors, 2 Non-Executive Directors (NEDs) nominated by shareholders, one chair and 5 other independent NEDs. The Board has three other committees:

- **Investment Oversight Committee** – Oversees the investment activity, in line with strategy and business plan, including responsible investments.
- **Compliance/Audit/Risk Committee -** Oversees compliance obligations, Risk management framework and integrity of financial statements and reporting
- **Remuneration and Nomination Committee** – Oversees Remuneration policy, remuneration of key staff and nominations and succession planning for key staff and the Board

Shareholders Committee

Meets quarterly and acts collectively and are to be consulted by the Board on strategy, direction and financial performance and Company polices. It will also identify emerging issues likely to impact shareholders and the Company.

Shareholder General meeting

Meets twice a year with all 32 shareholders plus a Chair. The meeting is to inform all shareholders on the performance of the LCIV and allow shareholders to exercise their rights under the Shareholder powers and hold the Board to account.

Executive Committee (ExCo)

Meets monthly. The Board has delegated to the Chief Executive Officer (with support of other executive directors) responsibility for the day-to-day operations of the company.

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.

Table: Set up cost, management costs and fee savings:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Cumulative Total
Set Up Costs:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Share Purchase Subscription	150								150
Annual Service Charge	25	25	25	25	25	25	25	25	200
Implementation Fund	50	-	-	-	-	-	-		50
Development Fund	-	-	75	65	65	85	85	85	460
Total Set Up costs Total	**225**	**25**	**100**	**90**	**90**	**110**	**110**	**110**	**810**
LCIV Indirect management Fees	-	59	76	78	92	92	97	83	577
LCIV Direct management Fees	-	-	-	2	-	8	9	8	26
Total cost	**225**	**84**	**176**	**170**	**182**	**210**	**216**	**201**	**811**
Gross Fee savings	(6)	(35)	(98)	(259)	(534)	(543)	(667)	(670)	(2,812)
Net Costs/(Savings)	**219**	**49**	**78**	**(89)**	**(352)**	**(333)**	**(450)**	**(469)**	**(1,399)**

The LCIV Annual Review for 2022/23 is available on their website and includes the Business review, Corporate Governance and Financial Statements. https://londonciv.org.uk/

Table: Investment management costs

	Asset Pool			Non asset pools			
	Direct	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**	**Fund Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Management Fees							
…ad valorem*	11	1,633	**1,954**	383	2,082	**2,465**	**4,419**
…performance	-	-	**-**	-	121	**121**	**121**
Total Management Fees	**11**	**1,943**	**1,954**	**383**	**2,203**	**2,203**	**2,203**
Transaction costs	-	310	**310**	-	-	**-**	**-**
Custody Costs	-	-	**-**	69	-	**69**	**69**
Other Costs							
Total	**11**	**1,943**	**1,954**	**471**	**2,203**	**2,674**	**4,628**
Asset Shared Cost (LCIV Management Fees)	82	-	**82**	-	-	**-**	**82**

*Fees are calculated based on the value of assets held.

Table: Asset Allocation and performance as at 31 March 2023

Asset Category	12 months to 31/03/2023 Performance gross %	Performance Net %	Passive index	Local Target	3 years to 31/03/2023 Performance gross %	Performance Net %	Passive index	Local Target	5 years to 31/03/2023 Performance gross %	Performance Net %	Passive index	Local Target
Asset pool managed investments												
Pooled Multi Asset/DGF	-1.61	- 2.38	n/a	6.18	7.81	7.05	n/a	4.71	4.36	3.60	n/a	4.62
Pooled Equities	- 4.99	- 5.35	0.99	n/a	6.50	6.37	5.19	n/a	5.18	5.03	3.92	n/a
Passive Listed Equity	- 0.80	- 0.88	- 1.12	n/a	6.24	6.23	6.27	n/a	3.04	3.03	3.05	n/a
Pooled Infrastructure	39.14	39.06	n/a	15.06	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Asset pool managed	**- 1.49**	**- 1.88**	**n/a**	**2.26**	**6.71**	**6.45**	**n/a**	**5.39**	**4.13**	**3.87**	**n/a**	**3.75**
Non Asset pool managed investments												
Pooled Property	- 5.75	- 6.50	n/a	- 2.95	5.09	4.34	n/a	5.79	2.69	2.23	n/a	1.53
Pooled Infrastructure	14.53	13.86	n/a	15.06	6.01	5.45	n/a	9.24	n/a	n/a	n/a	n/a
Pooled Private Debt	8.92	8.32	n/a	5.77	3.33	2.87	n/a	3.50	n/a	n/a	n/a	n/a
Active bonds	- 14.57	- 14.77	n/a	- 12.19	- 3.32	-3.52	n/a	- 3.16	1.37	1.30	n/a	1.32
Non Asset pool managed investments Total	**- 0.65**	**- 1.20**	**n/a**	**0.23**	**1.73**	**1.28**	**n/a**	**2.58**	**1.25**	**1.11**	**n/a**	**0.97**
Fund Total	**- 3.13**	**- 3.59**	**n/a**	**0.73**	**8.40**	**7.99**	**n/a**	**8.41**	**5.48**	**5.09**	**n/a**	**5.97**

Notes for the above table

- Performance figures are based on information provided by Northern Trust in their quarterly performance reporting to 31 March 2023, which we understand are net of fees;
- The performance of certain mandates (including CBRE, Churchill and JP Morgan) 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 managed by 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 the Appendix to our regular monitoring reports.
- We have included 12 months, 3 year and 5 year figures, as suggested by the guidance and as provided last year;
- We have assumed 'passive index' relates to investments which can be replicated via index-tracking funds and 'local target' for other investments;
- Performance for the Royal London mandate has been split (as per monitoring reports) into individual Portfolios for Corporate Bonds, Index-Linked Gilts and MAC;
- 12 month, 3 year and 5 year performance for LCIV Baillie Gifford Global Alpha and LGIM Fundamental Equity, 3 year and 5 year performance for LGIM World Equity and Emerging Market Equity and performance for the Royal London Index-Linked Gilts and MAC Portfolios have been calculated by chain-linking the quarterly return figures provided by the investment manager for quarterly monitoring purposes; 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.

Actuarial Statement for 2022/23

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 April 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable employer contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- use reasonable measures to reduce the risk of 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 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £920 million, were sufficient to meet 80% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £229 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 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 2022 valuation report and FSS.

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.

Table: Key financial assumptions adopted for the 2022 valuation

Financial assumptions	31 March 2022
Discount rate	3.5%
Salary increase assumption	3.4%
Benefit increase assumption (CPI)	2.7%

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a.

Table: Average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners*	22.6 years	25.8 years

*Aged 45 at the 2022 valuation

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund or can be accessed via the link below pension_valuation_reports

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund’s liabilities. Therefore, Fund’s funding level increased significantly in the year to 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time

Steven Law FFA
12 May 2023
For and on behalf of Hymans Robertson LLP

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.

Table: Funding levels

Ongoing funding basis	**31 Mar 2019**	**30 Sep 2020**	**31 Mar 2022**
	£m	**£m**	**£m**
Assets	733	795	896
Liabilities	1,054	1,168	1,053
Surplus/(deficit)	**(321)**	**(373)**	**(157)**
Funding level	70%	68%	85%

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.

Pensions Administration Strategy

Under Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, an administering authority may prepare a written statement in relation to the authority's policies regarding pensions administration.

The Havering Pension Fund's Pensions Administration Strategy (PAS) was formally approved by the Pensions Committee and became effective from 1st October 2021. The strategy sets out the roles and responsibilities for both the administering authority and scheme employers and the expected performance standards. This available to view on the Councils website havering - pensions administration strategy.

The PAS will be used to help drive a more efficient pensions administration service delivery to our members. During the 6 months from implementation to 31st March 2022, we have been working with scheme employers to ensure they are aware of the PAS and understand their responsibilities and the expectations of the administering authority and pensions administrators.

Monitoring against the PAS has been delayed due to the implementation of the new pensions administration system. In 2023/2024 we will be monitoring employers against the published service level agreements within the PAS and a full years' worth of statistics will be provided in the Annual Report for that year.

Pension Fund Statement of Accounts

2021/22 £000		Notes	2022/23 £000
	Dealings with members, employers and others directly involved in the fund		
49,112	Contributions receivable	7	53,111
4,204	Transfers in from other pension funds		3,029
53,316			**56,140**
(37,551)	Benefits	8	(42,530)
(4,618)	Payments to and on account of leavers	9	(3,908)
(42,169)			**(46,438)**
11,147	Net additions (withdrawals) from dealings with members		9,702
(5,474)	Management expenses	10	(5,940)
5,673	**Net additions including fund management expenses**		**3,762**
	Returns on investments		
14,977	Investment income	11	16,484
25,198	Profit and losses on disposal of investments and changes in the market value of investments	12a	(44,577)
40,175	**Net returns on investments**		**(28,093)**
45,848	**Net increase/(decrease) in the net assets available for benefits during the year**		**(24,331)**
874,235	Opening net assets of the Fund at start of year		920,083
920,083	**Closing net assets of the Fund at end of year**		**895,752**

Net Asset Statement for the year ended 31 March 2023

2021/22 £000		Notes	2022/23 £000
150	Long Term Investments	12	150
907,290	Investment Assets	12	879,324
(2,220)	Investment Liabilities	12	(272)
905,220	**Total net investments**		**879,202**
15,612	Current Assets	19	16,962
(749)	Current Liabilities	20	(412)
920,083	**Net assets of the Fund available to fund benefits at end of the reporting period**		**895,752**

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 18 of these accounts.

Notes to the Pension Fund Accounts

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 Fund, reference should be made to the Fund's Annual Report 2022/23 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.

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.

There are 56 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below.

31 Mar 2022		31 Mar 2023
56	**Number of employers with active members**	**56**
	Number of employees in scheme	
4,783	London Borough of Havering	4,801
1,810	Scheduled bodies	1,818
82	Admitted bodies	73
6,675	**Total active members**	**6,692**
	Number of pensioners and dependants	
6,110	London Borough of Havering	6,285
406	Scheduled bodies	454
32	Admitted bodies	36
6,548	**Total pensioners and dependant members**	**6,775**
	Deferred pensioners	
5,680	London Borough of Havering	5,621
966	Scheduled bodies	1,093
43	Admitted bodies	36
6,689	**Total deferred members**	**6,750**
19,912	**Total number of members in pension scheme**	**20,217**

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 2022. Employer contributions are set based on triennial actuarial funding valuations. Current employer contribution rates range from 16.5% to 41.0% 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.

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 of £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 2022/23 financial year and its position at year end as at 31 March 2023. The accounts have been prepared in accordance with the CIPFA 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 Accountants 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 18.

The Administering Authority is satisfied that Havering Pension Fund is a going concern and the financial statements for 2022/23 have been prepared on a going concern basis as follows:

The one-year investment returns for 2022/23 was -3.59% and the three-year period was 7.99%. Asset values have decreased by £24,3m over the year to 31 Mach 2023, however from time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. There is sufficient flexibility in the investment strategy to be able to respond to short term market fluctuations. The Fund is comparatively low risk with smaller proportion of its assets held in volatile equities.

The Fund was assessed as 80% funded as at 31 March 2022 valuation, a significant improvement on the funding level of 70% at 31 March 2019 and includes a recovery period necessary to make good any potential increases in the funding deficit. It is important to remember that that the Fund does not need to be 100% funded to be a going concern, it simply needs to be able to meet benefit obligations each month as they fall due. The Fund held cash of £28m at the Balance Sheet date, equivalent to 3% of the Fund Assets. In addition, the Fund held £628m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. 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.

In the three financial years to 31 March 2023, the number of employing bodies increased from 51 to 56 and current active members increased from 6,410 to 6775 and the number of pensioners increasing from 6,410 to 6,775.

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

i 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.

ii 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.

iii 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 and the officers time spent on finance and accounting functions is included in investment management charges.

g. 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 13a.

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 15). 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 19).

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 21)

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 18.

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
Actuarial present value of promised retirement benefits (Note 18)	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 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	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 follows: • 0.1% p.a. decrease in the Real Discount rate could result in an increase of 2% • 0.1% p.a. increase in the Pension Increase Rate could result in an increase of 2% • 0.1% p.a. increase in Salary Increase Rate (CPI) could result in an increase of 0% • 1 Year increase in member life expectancy could result in a 4% increase	+/- £18m +/- £17m +/- £2m +/- £42m
Level 3 Investments (Note 14a)	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.	Level 3 investments total £251m, which represents 28% of the total Fund value of £895m.	Sensitivity Analysis shows that the £251m valuation could decrease or increase within the range of £233m and £270m

6. Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 18) 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 2023 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 in due course.

The Fund has valued its assets based on the 31 March 2023 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.

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund's liabilities. Therefore, the funding level increased significantly in the year to 31 March 2023.

7. Contributions Receivable

By category

2021/22 £000		2022/23 £000
	Employees' contributions	
	Normal:	
6,541	London Borough of Havering	7,012
1,489	Scheduled Bodies	1,714
75	Admitted Bodies	99
	Additional contributions:	
6	London Borough of Havering	6
8,111	**Total Employees' Contribution**	**8,831**
	Employers' contributions	
	Normal:	
16,341	London Borough of Havering	17,590
5,606	Scheduled bodies	5,625
329	Admitted bodies	468
	Deficit funding:	
18,302	London Borough of Havering	18,569
-	Scheduled bodies	750
-	Admitted bodies	3
	Augmentation	
344	London Borough of Havering	1,275
50	Scheduled bodies	-
29	Admitted Bodies	-
41,001	**Total Employers' Contributions**	**44,280**
49,112	**Total Contributions Receivable**	**53,111**

By authority

2021/22 £000		2022/23 £000
41,534	London Borough of Havering	44,452
7,145	Scheduled bodies	8,089
433	Admitted Bodies	570
49,112	**Total Contributions Receivable**	**53,111**

8. Transfers in

2021/22 £000		2022/23 £000
4,204	Individual transfers	3,209
4,204	**Transfers in**	**3,209**

9. Benefits Payable

By category

2021/22 £000		2022/23 £000
	Pensions	
30,620	London Borough of Havering	32,674
1,324	Scheduled Bodies	1,547
936	Admitted Bodies	202
32,880	**Pension Total**	**34,423**
	Commutation and Lump Sum Retirements	
3,609	London Borough of Havering	6,205
336	Scheduled Bodies	560
-22	Admitted Bodies	181
3,923	**Commutation and Lump Sum Retirements Total**	**6,946**
	Lump Sum Death Benefits	
575	London Borough of Havering	985
173	Scheduled Bodies	176
-	Admitted bodies	-
748	**Lump Sum Death Benefits Total**	**1,161**
37,551	**Total Benefits Payable**	**42,530**

By authority

2021/22 £000		2022/23 £000
34,804	Havering	39,864
1,833	Scheduled bodies	2,283
914	Admitted Bodies	383
37,551	**Total Benefits Payable**	**42,530**

10. Payments To and On Account of Leavers

2021/22 £000		2022/23 £000
81	Refunds to members leaving service	79
4,537	Individual transfers	3,829
4,618	**Payments to and on Account of Leavers**	**3,908**

11. Management Expenses

2021/22 £000		2022/23 £000
709	Administrative Costs	727
4,241	Investment Management Expenses	4,628
521	Oversight and Governance Costs	581
3	Local Pension Board	4
5,474	**Management Expenses**	**5,940**

11a. External Audit Fees

2021/22 £000		2022/23 £000
78	Oversight and Governance - External Audit costs	(14)
78	**External Audit Fees**	**(14)**

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

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 12a).

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

11b. Investment Management Expenses

2022/23	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2022/23 Total £000
Bonds	179	-	-	179
Fixed Interest Unit Trust	18	-	-	18
Diversified Growth Funds	286	-	210	496
Infrastructure	770	-	-	770
Global Equity	1,501	-	100	1,601
Other Investments				
Pooled Property	667	121	-	788
Private Debt	657	-	-	657
Derivatives – Forward Currency Contracts	31	-	-	31
	4,109	**121**	**310**	***4,540**
Custody Fees				42
Performance Measurement Fees				36
Other Investment Fees				10
Investment Management Expenses				**4,628**

*Includes £1.954m charged for assets in the London CIV asset pool (£2.086m 2020/21)

2021/22	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2021/22 Total £000
Bonds	147	-	-	147
Fixed Interest Unit Trust	128	-	-	128
Diversified Growth Funds	598	-	15	613
Infrastructure	598	-	-	598
Global Equity	1,637	-	82	1,719
Other Investments				
Pooled Property	513	117	-	630
Private Debt	314	-	-	314
Derivatives – Forward Currency Contracts	19	-	-	19
	3,954	**117**	**97**	***4,168**
Custody Fees				42
Performance Measurement Fees				31
Other Investment Fees				-
Investment Management Expenses				**4,241**

*Includes £2.238m charged for assets in the London CIV pool (£2.086m 2020/21)

12. Investment Income

2021/22 £000		2022/23 £000
9,542	Pooled Investments – unit trusts and other managed funds	13,682
1,339	Income from Bonds*	600
2,580	Pooled Property Investments	1,928
2,294	Income from derivatives (Foreign Exchange Gains/(losses))	12
43	Interest on Cash Deposits	262
(821)	Other Income**	-
14,977	**Investment Income**	**16,484**

* Income includes Index linked Interest of £0.210m (2021/22 £0.208m).
** Management expenses to offset against gross income from dividends

13. Analysis of Investments

2021/22 £000		2022/23 £000
	Investment Assets	
150	LCIV Shareholding	150
150		**150**
	Bonds	
22,977	Fixed Interest Securities	351
39,097	Index-Linked Securities	26,737
62,074		**27,088**
	Pooled Investment	
63,252	Fixed Interest Unit Trust	60,434
85,428	Diversified Growth Fund	66,469
56,760	Infrastructure	84,509
473,469	Global Equity	459,768
678,909		**671,180**
	Other Investments	
93,775	Pooled Property	85,821
55,134	Private Debt	81,161
148,909		**166,982**
50	Derivatives – Forward Currency Contracts	1,575
16,985	Cash deposits Managers	12,211
363	Other assets	433
17,348		**14,074**
907,440	**Total Investment Assets**	**879,324**
	Investment Liabilities	
	Derivative Contracts	
(2,218)	Forward Currency Contracts	(24)
(2)	Other liabilities	(248)
(2,220)	**Total Investment Liabilities**	**(272)**
905,220	**Total Net Investments**	**879,052**

13a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2023
	£000	£000	£000	£000	£000
Fixed Interest Securities	22,977	16,151	(33,428)	(5,349)	351
Index-linked Securities	39,097	30,843	(29,914)	(13,289)	26,737
Pooled Investment Vehicles	679,059	30,076	(22,622)	(15,183)	671,330
Other Investments	148,909	27,978	(4,859)	(5,046)	166,982
	890,042	**105,048**	**(90,823)**	**(38,867)**	**865,401**
Derivatives – forward currency contracts	(2,168)	21,804	(12,431)	(5,654)	1,551
	887,874	**126,852**	**(103,254)**	**(44,521)**	**866,951**
Other Investment Balances:					
Cash Deposits (fund managers)	16,985			(56)	12,066
Investment income due	361				185
	905,220			**(44,577)**	**879,202**

	Market Value at 31 March 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2022
	£000	£000	£000	£000	£000
Fixed Interest Securities	39,001	18,071	(31,277)	(2,818)	22,977
Index-linked Securities	36,897	39,955	(39,380)	1,625	39,097
Pooled Investment Vehicles	671,902	88,999	(94,293)	12,451	679,059
Other Investments	105,811	29,213	(2,280)	16,165	148,909
	853,611	**176,238**	**(167,230)**	**27,423**	**890,042**
Derivatives – forward currency contracts	886	127,525	(127,525)	(3,054)	(2,168)
	854,497	**303,763**	**(294,755)**	**24,369**	**887,874**
Other Investment Balances:					
Cash Deposits (fund managers)	3,321				16,985
Investment income due	479				361
	858,297				**905,220**

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 12a 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 £0.310m (2021/22 £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.

13b. Investments analysed by Fund Manager

Value 31 March 2022		**Manager**	**Mandate**	**Value 31 March 2023**	
£000	**%**			**£000**	**%**
Investments managed by London CIV asset pool:					
150	0.02	London CIV	Equities unquoted	150	0.02
119,358	13.19	Ruffer	Pooled Absolute Return Fund	115,888	13.18
155,312	17.16	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	135,620	15.43
85,428	9.44	Baillie Gifford	Pooled Diversified Growth Fund	66,469	7.56
44,694	4.94	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	43,994	5.00
6,916	0.76	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewable	11,185	1.27
411,858	**45.50**			**373,306**	**42.46**
PLUS Life Fund Investments aligned with London CIV asset pool:					
166,105	18.35	Legal & General Investment Management	Passive Global Equities/ Emerging Markets/Future World	164,266	18.68
577,963	**63.85**	**London CIV Total**		**537,572**	**61.14**
Investments managed outside of the London CIV asset pool:					
40,456	4.47	Royal London Index linked Bonds Fund	Investment Grade Bonds	27,257	3.10
22,257	2.46	Royal London Corp Bond Fund	Investment Grade Bonds	-	-
63,251	6.99	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	60,434	6.87
61,467	6.79	UBS Property	Pooled Property	51,148	5.82
32,308	3.57	CBRE	Global Pooled Property	34,673	3.94
20,304	2.24	Stafford Capital SISF II	Overseas Pooled Infrastructure	19,937	2.27
7,487	0.83	Stafford Capital SISF IV	Overseas Pooled Infrastructure	16,387	1.86
23,302	2.57	JP Morgan	Overseas Pooled Infrastructure	37,000	4.21
20,855	2.30	Churchill II	Overseas Pooled Private Debt	21,761	2.48
7,756	0.86	Churchill IV	Overseas Pooled Private Debt	15,288	1.74
26,524	2.93	Permira PCS4	Overseas/UK Pooled Private	30,961	3.52

			Debt		
-	-	Permira PCS5	Overseas/UK Pooled Private Debt	13,151	1.50
(1,538)	(0.17)	Russell Investments	Currency Management	5,905	0.67
2,828	0.31	Other	Other	7,728	0.88
327,256	**36.15**	**Managed outside asset pool Total**		**341,630**	**38.86**
905,220	**100.00**	**Total Fund**		**879,202**	**100.0**

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

Market Value 31 Mar 2021 £000	%	Security	Market Value 31 Mar 2022 £000	%
-	-	London CIV Global Alpha Fund		
155,312	17.16	London CIV Global Alpha Paris Aligned Fund	135,620	15.43
119,358	13.19	London CIV Absolute Return Fund	115,888	13.18
93,296	10.31	LGIM Future World Fund	93,404	10.62
85,428	9.44	London CIV Diversified Growth Fund	66,469	7.56
63,251	6.99	Royal London Multi Asset Credit Pooled Fund	60,434	6.87
61,467	6.79	UBS Property	51,148	5.82
578,112	**63.86**	**Total Fund**	**522,963**	**59.48**

13c. 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 2023, the value of quoted equities on loan was £37.937m (31 March 2022 £2.195) These equities continue to be recognised in the fund's financial statements.

14. 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 and Russell. A breakdown of forward contracts held by the Fund as at 31 March 2023 is given below:

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value (Unrealised Gain) £000	Liability Value (Unrealised Loss) £000
Up to One month	GBP	30,068	USD	(37,132)	52	(0)
	USD	1,796	GBP	(1,455)	0	(3)
	GBP	27,298	EUR	(30,807)	206	(0)
	GBP	2,089	AUD	(3,711)	78	(0)
	EUR	2,147	GBP	(1,895)	0	(7)
	AUD	22	GBP	(13)	0	(1)
Up to Six months	GBP	4,562	AUD	(8,184)	123	0
	GBP	45,517	EUR	(51,580)	74	(3)
	EUR	3,332	GBP	(2,939)	0	(3)
	GBP	62,992	USD	(76,705)	1,042	(0)
	USD	1,291	GBP	(1,049)	0	(7)
Open forward currency contracts at 31 March 2023					**1,575**	**(24)**
Net forward currency contracts at 31 March 2023						**1,551**
Gross open forward currency contracts at 31 March 2022						(2,218)
Net forward currency contracts at 31 March 2022						**(2,168)**

15. 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
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled Quoted	Level 2	Published bid	Not required	Not required
Pooled Unquoted investments	Level 2	Developed using Market Data	No material difference between the value of assets & liabilities and their fair value	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

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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 Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	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 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	Level 3	Fair Value is determined by the AIFM based on	Unobservable inputs are determined by	Use of estimates and changes in assumptions may have significant on the

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private Debt Funds (Permira)		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.	the Investment Manager.	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.
Overseas/UK Pooled instruments Renewable Infrastructure (LCIV)	Level 3	Fair Values are calculated in whole or in part using techniques based in assumptions using IA SORP	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 2022.

	Assessed valuation range (+/-) %	Value at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Pooled Property Funds	7.00	85,821	91,828	79,813
Pooled unit Trusts	7.30	165,670	177,764	153,576

15a. 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.

Values at 31 March 2023	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	192,162	435,821	251,491	879,474
Financial Liabilities				
Financial liabilities at amortised cost	-	(272)	-	(272)
Net Financial Assets	**192,162**	**435,549**	**251,491**	**879,202**

Values at 31 March 2022	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	196,572	566,664	144,202	907,438
Financial Liabilities				
Financial liabilities at amortised cost	-	(2,218)	-	(2,218)
Net Financial Assets	**196,572**	**564,446**	**144,202**	**905,220**

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

15b. Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2022 £000	Purchases £000	Sales £000	Unrealised gains/losses £000	Realised gains/losses £000	Market Value 31 March 2023 £000
Property Funds	93,775	24,834	(5,543)	7,044	1,413	84,509
Infrastructure	56,760	-	(401)	(7,954)	401	85,821
Private Debt	55,134	27,978	(4,032)	1,134	947	81,161
Total	**205,669**	**52,812**	**(9,975)**	**225**	**2,761**	**251,491**

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

16. Financial Instruments

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 2022				31 Mar 2023		
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	-	-
22,977	-	-	Bonds -Fixed Interest Securities	351	-	-
39,097	-	-	Bonds - Index linked securities	26,737	-	-
50	-	-	Derivative contracts	1,575	-	-
678,909	-	-	Pooled investment Vehicles	671,180	-	-
55,134	-	-	Private Debt	81,161	-	-
93,775	-	-	Property	85,821	-	-
-	16,985	-	Cash	-	12,211	-
-	363	-	Other Investment Balances	-	433	-
-	15,612	-	Debtors	-	16,156	-
890,092	**32,960**	**-**	**Financial Assets Total**	**866,975**	**28,800**	**-**
			Financial Liabilities			
(2)	-	-	Other Investment Balances	-	-	(248)
(2,218)	-	-	Derivative contracts	(24)	-	-
-	-	(749)	Creditors	-	-	(411)
(2,220)	**-**	**(749)**	**Financial Liabilities Total**	**(24)**	**-**	**(411)**
887,872	**32,960**	**(749)**	**Grand total**	**866,951**	**28,552**	**(658)**
920,083				**895,093**		

Net Gains and Losses on Financial Instruments

2021/22 £000		2022/23 £000
	Financial assets	
25,198	Fair value through profit and loss	(44,577)
25,198	**Total**	**(44,577)**

17. 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.

b) 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.

c) 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 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2023 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	520,353	14.40	595,284	445,422
Total Bonds	27,087	6.20	28,767	25,408
Pooled Overseas Unit Trusts	165,670	7.30	177,764	153,576
Global Pooled including UK	66,469	6.10	70,523	62,414
Pooled Property	85,821	7.00	91,828	79,813
Cash	13,802	0.50	13,871	13,733
Total	**879,202**		**978,037**	**780,366**

Interest Rate Risk

Asset Type	Value as at 31 March 2022 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	536,871	15.30	619,012	454,730
Total Bonds	62,074	7.00	66,419	57,729
Pooled Overseas Unit Trusts	111,894	7.60	120,398	103,390
Global Pooled inc.UK	85,428	4.70	90,810	80,046
Pooled Property	93,775	6.30	98,182	89,368
Cash	15,178	0.50	15,254	15,102
Total	**905,220**		**1,019,075**	**800,365**

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 2023 £000	Potential movement £000	Value on increase £000	Value on Decrease £000
Bond Securities	27,087	271	27,358	26,816
Cash and Cash Equivalents	13,802	138	13,940	13,664
Cash Balances	16,201	162	16,363	16,039
Total Change in Asset Value	**57,090**	**571**	**57,661**	**56,519**

Assets exposed to interest rate risk	Value as at 31 March 2022 £000	Potential movement £000	Value on increase £000	Value on Decrease £000
Bond Securities	62,074	621	62,695	61,453
Cash and Cash Equivalents	15,178	152	15,330	15,026
Cash Balances	14,260	143	14,403	14,117
Total Change in Asset Value	**91,512**	**915**	**92,427**	**90,597**

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 6.30% over a rolling 36-month period.

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

A 7.34% 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 2023 £000	Potential movement at 6.30% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	145,046	9,138	154,184	135,908
Overseas Cash	5,366	338	5,704	5,028
Total change in assets available to pay benefits	**150,412**	**9,476**	**159,888**	**140,936**

Assets exposed to currency risk	Value as at 31 March 2022 £000	Potential Market movement at 7.34% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	110,762	8,130	118,892	102,632
Overseas Cash	1,169	86	1,255	1,083
Total change in assets available to pay benefits	**111,931**	**8,216**	**120,147**	**103,715**

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.

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 its treasury management arrangements as at 31 March 2023 was £16.056m (31 March 2022 £14.260m). The Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow forecasts 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 investment 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 2023 the value of liquid assets was £644m, which represented 72% of the total Fund (31 March 2022 £714m, which represented 78% of the total fund assets).

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.

18. Funding Arrangements

Actuarial Statement for 2022/23

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 April 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- use reasonable measures to reduce the risk of 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 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £920 million, were sufficient to meet 80% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £229 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 2023 to 31 March 2026 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 2022 valuation report and FSS.

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 2022 valuation were as follows:

Assumptions	31 March 2022 %
Discount Rate for Period	3.5
Salary increases assumption	3.4
Benefit increase assumption (CPI)	2.7

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners*	22.6 years	25.8 years

** Aged 45 at the 2022 Valuation*

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administrating Authority to the Fund.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund's liabilities. Therefore, Fund's funding level increased significantly in the year to 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2025. The FSS will also be reviewed at that time.

19. 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 what IAS26 refers to as 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 2022 £m	Year Ended	31 March 2023 £m
1,435	Present Value of Promised Retirement Benefits	1,053
920	Fair Value of Scheme assets (bid value)	896
515	**Net Liability**	**157**

The promised retirement's benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. 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.

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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. The liabilities above are calculated on an IAS19 basis and will differ from the results of the 2022 triennial funding valuation because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

It should be noted that the above figures are appropriate for the Administrating Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. It is estimated that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £513m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £10m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2022 % p.a	Year Ended	31 March 2023 % p.a.
3.20	Pension Increase Rate	3.00
3.90	Salary Increase Rate	3.70
2.70	Discount Rate	4.75

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.4 years	24.0 years
Future Pensioners	22.3 years	25.5 years

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:

Change in assumptions at 31 March 2023	Approximate % increase to promised retirement benefits %	Approximate monetary amount £m
0.1% p.a. decrease in the Real Discount Rate	2	18
1 year increase in member life expectancy	4	42
0.1% p.a. increase in the Salary Increase Rate	0	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	17

Professional notes

These notes accompany the covering report titled 'Actuarial Valuation as at 31 March 2023, which 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.

20. Current Assets

2021/22 £000		2022/23 £000
676	Contributions due from employers	57
195	Contributions due from employees	218
117	Pension Fund Bank Account Balances	145
326	Sundry Debtors	386
14,167	Cash deposit with LB Havering	16,056
131	Holding Accounts	100
15,612	**Current Assets**	**16,962**

21. Current Liabilities

2021/22 £000		2022/23 £000
(301)	Benefits Payable	(33)
(293)	Sundry Creditors	(224)
(155)	Holding Accounts	(155)
(749)	**Current Liabilities**	**(412)**

22. Additional Voluntary Contributions

Market Value 2021/22 £000	AVC Provider	Market Value 2022/23 £000
810	Prudential	749
148	Standard Life	88

Some employees made additional voluntary contributions (AVC's) of £30,080 (2021/22 £31,422) 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 2022/23 were £29,680 (2021/22 £29,022) to the Prudential and £400 (2021/22 £2,400) to Standard Life.

23. Agency Services

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

2021/22 £000		2022/23 £000
1,270	Payments on behalf of Havering Council	1,260

24. 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 administered by the London Borough of Havering. During the reporting period, the council incurred costs of £0.946m (2021/22 £0.682m) 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 2022/23 contributed £37.434m (2021/22 £34.643m) 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 London Borough of Havering, through a service level agreement. As at 31 March 2023 cash holdings totalled £16,056m (2021/22 £14.167m), earning interest over the year of £0.226m (2021/22 £0.043m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2023 (2021/22 £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 12b. During 2022/23 a total of £1.954m was charged to the Fund by the London CIV in respect of investment management services (2021/22 £2.238m).

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 10.

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 member's 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.

25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2023 were £75.50m. (31 March 2022 £117.36m). 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. There are potential liabilities of £0.003m (2021/22 £0.396m) 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.

Four 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 £1.4m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Seven admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.75m.

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.

External Audit Opinion

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

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance (Section 151) Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of twelve months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance (Section 151) Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the 'Statement of Accounts 2022/23', other than the financial statements and our auditor's report thereon. The Chief Finance (Section 151) Officer is responsible for the other information contained within the Statement of Accounts 2022/23.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

Responsibility of the Chief Finance (Section 151) Officer

As explained more fully in the 'Statement Responsibilities for the Statement of Accounts' set out on page 20, the Chief Finance (Section 151) Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFNLASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Chief Finance (Section 151) Officer is also responsible for such internal control as the Chief Finance (Section 151) Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance (Section 151) Officer is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Chief Finance (Section 151) Officer.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquries of the management. We corroborated this through our reading of the Pension Board minutes and through the inspection other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting

the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Based on our risk assessment procedures we identified the manipulation of journal entries of the investment asset valuations and investment income to be our fraud risk.

- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements and confirmed investment income through to third party evidence.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation ot the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Havering and its members as a body, for our audit work, for this report, or for the opinions we have formed.

MARK HODGSON
ERNST & YOUNG LLP

Mark Hodgson (Key Audit Partner) Date 10th December 2024

Ernst & Young LLP (Local Auditor)

Cambridge

Appendices

PENSION FUND

2023/26 Business Plan

INTRODUCTION

This is the Business Plan for the London Borough of Havering Pension Fund (the 'Fund'). Havering Council is an Administering Authority under Local Government Pension Scheme (LGPS) Regulations and as such has delegated authority for this to the Pensions Committee.

The Business Plan sets out the work undertaken by the Committee during 2022/23 and the plan of work for the forthcoming three years. The Business Plan is reviewed and updated annually.

This is the first report of the newly elected Pensions Committee, following the local elections in May 2022. It also includes the work undertaken for the period 1st January 2022 to 31 March 2022 by the previous committee, which was omitted from last year's report due to its earlier production to meet Council reporting deadlines before the May elections.

The Business Plan, in line with CIPFA guidance "Principles for Investment Decision Making & Disclosure in the LGPS" outlines:

- Key Targets and Methods of Measurement
- Review level of internal & external resources
- Financial Estimates
- Major milestones and issues considered and to be considered
- Appropriate provision for Training
- Any recommendations actions to put right any deficiencies.

The Fund provides benefits to Council employees (except teachers). The performance of the Fund impacts on the cost of Council services through the cost of employer contributions. It is therefore beneficial to issue a Business Plan/Annual report to all Council Members covering the work of the Pensions Committee.

KEY TARGETS & METHODS OF MEASUREMENT

The Fund invests employee and employer contributions into a Fund in order to pay pension benefits to scheme members. The Fund is financed by contributions from employees, employers and from profit, interest and dividends from investments.

The Pension Fund consists of 56 employers with active members, of which the London Borough of Havering is the largest. The other employers in the Fund are made of up of 41 Scheduled bodies (Academies and Further Education bodies) and 14 Admitted bodies (13 outsourced contracts and one resolution body).

Pension Fund – Funding

The Fund's Actuary (Hymans Robertson) carried out a triennial valuation during 2022/23 based on data as at 31 March 2022. 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 with the results of the 2022 valuation effecting employer contribution rates from 1 April 2023.

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. The Fund also monitors the funding position at the midway point between triennial valuations. which will be at 30 September 2023. The purpose of the funding update is to assess whether the funding plan is on track and take actions if necessary. A comparison of funding levels can be seen below:

Table 1 - Comparison of funding levels:

Ongoing funding basis	**31 March 2019**	**31 March 2022**
	£m	**£m**
Assets	733	920
Liabilities	1,054	1,149
Surplus/(deficit)	**(321)**	**(229)**
Funding level	**70.0%**	**80.0%**

Improvement to the funding position is mainly attributable to better than expected investment returns.

Investment Strategy Development & Performance Monitoring:

The Investment Strategy Statement (ISS) was updated on the 29 July 2020 to reflect the decisions and progression of the implementation of the investment strategy made by the Committee since its launch.

Following the 29 July 2020 meeting, the Committee considered and agreed further developments/implementation in the investment strategy at its meetings on the 1 October 2020, 16 March 2021, 20 July 2021 and 14 September 2021. Implementation of this ISS has largely been met with no significant movement during 2022/23.

Following the Fund's Actuarial Valuation as at March 2022 a review of the current ISS was carried out to ensure that it remained appropriate to meet its long term objectives, this being to ensure that the assets are invested to secure funding for member's benefits. Conclusion of the review identified the need to shift towards "increased income" investments as part of any investment strategy changes. An outline of these considerations was presented to the Committee at its meeting on the 21 March 2023.

Following on from those discussions, the ISS will be presented to the Committee for ongoing updates during 2023 and beyond.

The Fund has continued to fund capital calls for the Private Debt and Infrastructure mandates during the year to 31 March 2023. Amounts paid and waiting to be called are as follows:

Table 2 – Capital Calls paid and outstanding

Investment Manager	Mandate	Amount Paid £000	Commitments outstanding* £000
Stafford II	Infrastructure	nil	2,803
Stafford IV	Infrastructure	8,092	10,671
LCIV Renewables	Infrastructure	2,591	16,482
Churchill II	Private Debt	1,250	1,483
Churchill IV	Private Debt	8,062	6,987
Permira PCS4	Private Debt	3,528	4,860
Permira PCS5	Private Debt	12,521	32,250
JP Morgan	Infrastructure	12,000	nil
Total		**48,044**	**75,536**

*Includes recallable income

Asset Allocations

The asset allocations as at 31 March 2023 are shown against the long-term target below together with individual fund manager benchmarks:

Table 3 – Asset Allocations

Asset Class		Target Allocation %	Actual Allocation 31 March 2023 %	Benchmark and Target
Equities		**40.0**	**38.6**	
Legal & General Investment Management (LGIM) Passive Global Equity	LCIV aligned	5.0	3.9	FTSE All World Equity Index
LGIM Passive Emerging Markets	LCIV aligned	5.0	4.1	FTSE World Emerging Markets
LGIM Future World Fund	LCIV aligned	10.0	10.5	FTSE AW ex CW Climate Balanced Factor Index
Baillie Gifford Global Alpha Paris Aligned Fund	LCIV	15.0	15.2	MSCI ACWI by 2- 3 % p.a. over a rolling 5 five year period Plus have a weighted average greenhouse gas intensity that is lower than MSCI ACWI EU Paris Aligned Requirement index
State Street Passive Equity Progressive Paris Aligned Fund (PEPPA)	LCIV	5.0	4.9	Developed EX-Korea Large Midcap Net Zero 2050 Paris aligned ESG Index
Multi-Asset		**20.0**	**20.4**	
Baillie Gifford (Diversified Growth Fund)	LCIV	7.5	7.4	Bank Base Rate +3.5%
Ruffer Absolute Return	LCIV	12.5	13.0	Preserve and grow capital (LIBOR +4% p.a.)
Real Asset		**20.0**	**19.1**	
UBS UK Property	Non LCIV	6.0	5.7	Match MSCI All Balanced Funds Weighted Average Index
CBRE Global Property	Non LCIV	4.0	3.9	CPI +5%% p.a. (net of fees)
Stafford II & IV Global Infrastructure	Non LCIV	3.5	4.1	CPI +5%% p.a. (net of fees)
JP Morgan Infrastructure	Nov LCIV	4.0	4.1	CPI +5%% p.a. (net of fees)
Renewable Energy Infrastructure	LCIV	2.5	1.3	CPI +5%% p.a. (net of fees)
Bonds and Cash		**20.0**	**21.9**	
Royal London Index Linked Bonds	Non LCIV	5.0	3.0	40% FTSE Index Linked over 5 Year index.
Royal London Multi Asset Credit	Non LCIV	7.5	6.8	• 50% ICE BAML, BB-B Index • 50% Credit Suisse US Leveraged Loan Index GBP Hedged
Churchill II & IV Private Debt	Non LCIV	3.0	4.1	Outperform cash + 4% p.a
Permira PCS4 & PCS5 - Private Debt	Non LCIV	4.5	4.9	Outperform cash + 4% p.a
Currency Hedging	Russell	0.0	0.1	Hedge100% of EUR,USD and AUD currency (non-equity)
Cash	n/a	0.0	3.0	n/a
TOTAL		**100.0**	**100.0**	

Capital commitment calls will continue to be met during 2023/24 and beyond.

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

In line with the ISS, when the Fund allocation deviates by 5 percentage points or more from the strategic allocation, the assets will be rebalanced back to within 2.5 percentage points of the strategic asset allocation.

As at 31 March 2023 the total value of assets with the London CIV is £373m which represents 42% of assets under direct management (2021/22 46%). The London CIV has a business arrangement with LGIM to deliver the passive global mandate; this can be classified as being held within the London CIV for pooling purposes so the allocation increases to £538m. Overall allocation to LCIV is 61% (2021/22 64%). Reduction relates to fall in market values and some asset allocation rebalancing.

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 Department of Levelling Up, Housing and Communities (DLUHC) timelines.

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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 Department of Levelling Up, Housing and Communities (DLUHC) timelines.

Fund Performance

The performance of the Fund is measured against a tactical and a strategic benchmark.

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

The Fund uses the performance measurement services from Northern Trust, to provide comparative statistics on the performance of the Fund for its quarterly monitoring.

The overall net performance of the Fund as at 31 March 2023 against both benchmarks is shown below:

Table 4 – Fund Performance

	1 year to 31/03/23 %	3 Years to 31/03/23 %	5 years to 31/03/23 %
Fund Return	(3.59)	7.99	5.09
Tactical Benchmark	**0.73**	**8.41**	**5.97**
Performance	(4.32)	(0.42)	(0.89)
Fund Return	(3.59)	7.99	5.09
Strategic Benchmark	**(24.53)**	**(5.67)**	**(1.31)**
Performance	20.94	13.67	6.40

Source: Northern Trust
Totals may not sum due to geometric basis of calculation and rounding

Investment Strategy - Climate Considerations:

The Committee recognises the long-term financial risks and opportunities presented by climate change and during 2021/22 had already taken steps to address climate risk in a number of ways, mainly moving some of its equity investments to low carbon aligned portfolios and commenced investing in renewable energy infrastructure. The Committee will continue to include climate considerations as part of investment decision making.

The Committee's Business Plan for 2022/23, agreed at its Pensions Committee meeting on the 15 March 2022, included the development of a broader climate risk management action plan. The progress made in developing this plan is outlined as follows:

a. 26 July 2022 Pensions Committee meeting - the Committee received a presentation setting out the possible next steps in developing the Fund's plans for addressing climate risk within its portfolio. This plan will be used to establish a baseline position enabling the Fund to frame objectives and targets for change.

b. 20 September 2022 Pension Committee meeting - the Committee was presented with a baseline assessment of several carbon metrics, which identified gaps in data and set out those asset types where data is harder to collect and measure. Assessing the Fund's current position against a series of standard metrics will address ongoing reporting requirements.

c. 13 December 2022 Pensions Committee considered the indicative plans/actions and timescales in developing the Fund's plans for embedding climate risk management into the Fund.

d. 6 March 2023 - An education session on climate metrics was delivered to the Committee, in preparation for the discussions on setting objectives and goals for inclusion in the climate risk policy.

1.1

e. 21 March 2023 Pensions Committee discussed and agreed the draft outline of the Climate Risk Policy content and agreed to fully develop the policy, which is being presented at this committee meeting. The Policy will set out the Committee's approach to addressing climate related risks, its goals and any associated actions for delivery. The Committee will then monitor exposure to climate related risks within its portfolios on an annual basis

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 3.5% p.a. (as stated in the latest actuarial valuation date as at 31 March 2022). This target investment return is a slight increase from the 3.3% p.a. stated in the previous actuarial valuation (as at 31 March 2019).

Over the 12-month period to 31 March 2023, the Fund delivered negative returns in absolute terms and underperformed the tactical benchmark. However, over this period returns were comfortably ahead of the strategic benchmark. Over longer time periods of 3 years and 5 years to 31 March 2023 the Fund experienced strong asset growth, with investment performance returns of 8.0% p.a. and 5.1% p.a. respectively – marginally underperforming the tactical benchmark but comfortably ahead of the target investment return and strategic benchmark. Therefore, over longer time periods the Fund remains ahead of the longer term returns sufficient to support affordable and stable levels of contributions.

The negative investment performance (in absolute terms) over the 12-month period was primarily driven by the Fund's active equity, multi-asset credit and index-linked gilt allocations. High inflation and significant and rapid interest rate rises negatively impacted these allocations, causing valuations to fall.

The primary contributor to the Fund's underperformance relative to the tactical benchmark over the 12-month period was its multi-asset allocation. The multi-asset mandates have material exposure to global equity and credit markets, both of which underperformed the 'Cash Plus' style benchmark these mandates are measured against.

The Committee took further steps to develop the Fund's Climate Plan, building on the actions already taken to address climate risk. The Committee agreed key actions to embed climate risk management into the Fund's investment strategy over 2023, such as; completing a climate metrics baseline assessment of the Fund's existing investments, drafting and developing a climate risk management policy and agreeing a net zero target date (and the climate metrics to monitor progress towards this over time).

Implementation of the previously agreed changes in the investment strategy have continued over the year and have seen the allocation to the corporate bonds mandate wound down and a further allocation to private debt added in order to maintain the Fund's strategic benchmark allocation.

Additionally, towards the end of the Fund year (following the Fund's 2022 actuarial valuation) the Committee agreed some changes to the Fund's investment strategy in order to further improve the efficiency of the strategy and aim to capture investment opportunities. The Committee agreed to fully disinvest from the LCIV Diversified Growth Fund and, as an interim step, invest the proceeds with a further 2.5% to infrastructure and 5.0% to a new investment grade credit allocation. When deemed appropriate, the Committee have agreed that the 5.0% credit allocation be transferred to a longer-term target increase in multi-asset *credit and private debt – with a 2.5% increase to each allocation. Implementation of these changes will begin during the 23/24 Fund year.*

Due to a change in guidance, the Committee reviewed the reporting arrangements back in June 2017 and agreed that only one fund manager will attend each Committee meeting, unless performance concerns override this. Managers in the London CIV sub funds are now monitored by them and the London CIV produce quarterly monitoring reports, which are distributed to the Committee.

Cyclical coverage of manager monitoring is set out in **Annex B.**

INTERNAL & EXTERNAL RESOURCES

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.

Following the outcome of the Local Elections in May 2022, new committee members were appointed to the Pensions Committee, which reflects the political balance of the Council. The structure of the Committee (those responsible for decision making during the year to 31 March 2023, are as follows:

Labour Group
Cllr Mandy Anderson (Chair)
*Cllr Matthew Stanton (until December 2022)

Conservative Group:
Cllr Robert Benham
Cllr Dilip Patel
Cllr Viddy Persaud

Havering Residents' Group
Cllr Julie Wilkes
Cllr Philip Ruck (Vice-Chair)
*Cllr James Glass (from December 2022)

Other
Union Members (Non-voting) x 2 - Derek Scott (Unison) and Vacant (GMB)
Admitted/Scheduled Body Representative (voting) (currently vacant)

*Due to a Councillor changing political parties an adjustment was made to the political allocation of representatives who sit on the Pensions Committee from December 2022. This resulted in the Labour Group losing one seat (Cllr Matthew Stanton) and the Havering Residents Group gaining one seat (Cllr James Glass).

Day to day management of the Fund is delegated to the authority's statutory section 151 officer/Chief Operating Officer and delivered via oneSource (shared service arrangement between London Borough of Havering and Newham.

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

The Pensions Committee is supported by the Administrating Authority's Finance and Administration Services (oneSource) and the associated costs are reimbursed to the Administrating Authority by the Fund.

Estimated costs for the forthcoming three years for Administration, Investment Management expenses and Governance & Oversight follow in this report.

Pensions Administration - The 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.

At a Pensions Committee meeting held on the 21 March 2023, members reviewed and agreed the 2023/24 budget for the Pensions Administration contract.

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

The financial information can be seen in Financial Estimates section.

Accountancy and Investment support - The Pensions and Treasury team within the oneSource Finance Service supports the Pension Fund and consists of an establishment of 2.4 full time equivalent posts (3 officers). They ensure 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.

As part of the succession planning two graduates, on a six monthly rotation, were introduced into the section during 2022/23.

FINANCIAL ESTIMATES

The financial accounts of the Havering Pension Fund for 2022/23 is included in the formal Annual Report of the Fund itself and not included here. The Annual Report is prepared later in the year when the pension fund accounts have been finalised.

In line with the Chartered Institute of Public Finance & Accountancy (CIPFA) LGPS Management Costs guidance, Management costs are shown split between three cost categories as follows:

1. Administrative Expenses

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

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Administration & Processing*	674	745	728	735	735	735
Other Fees (Levies)	8	10	8	10	10	10
Other Costs (Interest)	27	20	70	30	30	30
Income	0	0	(79)	0	0	0
TOTAL	**709**	**775**	**727**	**775**	**775**	**775**

Please note the following regarding the above figures:

- Administration & processing costs include the Pension Administration Contract LPPA, Project & Contract manager, payroll & legal charges and ad hoc project costs.
- 2022/23 increase in interest payments reflects the late processing of pension payments whilst our administrator LPPA undertook transition of data to their new system and an increase in interest rates
- 2022/23 Income relates to a one-off exercise to clear down income held in the balance sheet in relation to pension recoveries. Future income will offset payments to pension benefits.
- No allowances for inflation after 2023/24

2. 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.

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Fund Manager Fees	3,954	3,500	4,109	4,000	4,000	4,000
Performance Related Fees	117	120	121	120	120	120
Transaction costs	97	80	310	300	300	300
Custodian Fees	42	40	42	40	40	40
Performance Measurement services	31	35	36	35	35	35
Other Investment Fees	0	15	10	15	15	15
TOTAL	**4,241**	**3,790**	**4,628**	**4,510**	**4,510**	**4,510**

Please note the following regarding the above figures:

- Fund Manager Fees are charged according to the fund value; therefore, an average figure from the last two years has been applied for estimates 2023/24 onwards
- Transaction costs include costs newly identified as transaction costs

3. Governance and Oversight

This category captures all costs that fall outside the above 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.

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
Financial Services	178	165	210	220	220	220
Actuarial Fees	19	100	130	25	25	25
Audit Fees	78	60	(14)	60	60	60
Member Training (inc. LPB)	1	10	3	10	10	10
Advisor Fees	72	75	86	75	75	75
London CIV	119	120	118	120	120	120
Local Pension Board	3	5	4	5	5	5
Pensions Committee	35	35	33	35	35	35
Other Fees	19	5	1	5	5	5
TOTAL	**524**	**575**	**585**	**555**	**555**	**555**

Please note the following regarding the above figures:

- Work on the 2022 valuation was undertaken in 2022/23 – higher actuarial costs during a valuation year is expected.
- 2022/23 credit on audit fees relates to a prior year accrual not offset by invoice due in following year. Incompletion of prior year audits causing delays for accurately predicating audit fees. Audit fees subject to approval by Public Sector Audit Appointments (PSAA).

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000
OVERALL MANAGEMENT TOTAL	**5,474**	**5,140**	**5,940**	**5,840**	**5,840**	**5,840**

MAJOR MILESTONES & ISSUES CONSIDERED/TO BE CONSIDERED

Pension Committee meetings 2022/23

The Committee met a number of times during 2022/23 and **Annex A** sets out the coverage of matters considered and members in attendance.

Timetables are indicative and some reports may be rescheduled to an alternative date to avoid overloading content at meetings.

Annex A has been compared against the indicative work plan set for 2021/22 to demonstrate what was achieved and is set out below:

Planned Work	Achieved	Additional work to business plan	Comments
15 March 22*			
Overall Monitoring Report on Pension Fund to end of Dec 21 (Royal London)	Yes		
Business Plan/Report on the work of the Pensions Committee 2021/22	Yes		
GAD Section 13 results	Yes		
		Agreed Pensions Administration Budget 2022/23 and noted changes to Service Level Agreement	Not scheduled but as this has been submitted annually will be future Business Plan
26 July 22			
Overall Monitoring Report on Pension Fund to end of Mar 22 Russell (Currency	Yes		
Pension Fund Accounts 2021/22	Yes		
Climate Plan and ISS Update	Yes		
TCFD reporting	Yes		

Planned Work	Achieved	Additional work to business plan	Comments
20 September 22			
Overall Monitoring Report on Pension Fund to end of Jun 22: UBS (Property)	Yes		
Pension Fund Annual Report for 2021/22	Yes		Presented at Nov meeting
Review Emerging Markets Equity Investing	No		Report not needed - deferred to 2023/24
		Agreed further steps required for progressing with development of a Climate Risk Plan	
8 November 22			
Annual review of Custodian	Yes		21 Mar meeting
Annual review of Adviser	Yes		13 Dec meeting
Annual review of Actuary	Yes		
Review of Governance Policy	Yes		
Whistleblowing Annual Assessment	Yes		
Risk Register Review	Yes		3 Dec meeting
Data Improvement Plan Review	No		Not due for review
Overpayment policy following Death	Yes		21 Mar meeting
Funding Strategy Statement Update	Yes		

Planned Work	Achieved	Additional work to business plan	Comments
13 December 22			
Overall Monitoring Report on Pension Fund to end of Sep 22: Stafford (Infrastructure)	Yes		
Good Governance review - outcomes and implementation planning	No		Report was dependent on receiving guidance from DLUHC - will roll forward to 2023/24
TPR New Code of Practice	No		Report was dependent on new code being issues – will roll forward to 2023/24
Annual review of Fund Managers Voting & Engagement	Yes		21 March meeting
		Local Pension Board Annual Report	This is annual so will be added to future work plans

Planned Work	Achieved	Additional work to business plan	Comments
21 March 23			
Overall Monitoring Report on Pension Fund to end of Dec 22: Churchill (Private Debt)	Yes		Met with JP Morgan – officer changed FM in error
2022 Valuation results	Yes		
Investment Strategy Statement Review	Yes		Not the ISS but investment strategy proposals
		Discussed and agreed the outline structure and content of Draft Climate Risk Policy	
		Agreed the Pensions Administration Budget 2023/24	Not scheduled will add to work plan
		Agreed Admission to the fund: Mears Group – Housing Repairs May Harris – cleaning Whybridge School Kindred FM – Cleaning Broadford School	Not possible to predict when new employers will join so won't be scheduled as part of the business plan

*please note that previous business plan excluded this meeting due to earlier production of the report, in order to meet reporting requirements prior to the local election in May 22

PENSION COMMITTEE MEETINGS 2022/23

Date	Good Governance Framework category		Topic	Attended By	Duration of meeting
15 Mar 22*	Governance	Service Delivery- Budgets	Agreed Pensions Administration Budget 2022/23 and noted changes to Service Level Agreement	Cllr John Crowder (Chair) Cllr Osman Dervish Cllr Stephanie Nunn	2 hours 10 minutes
	Governance	Service Delivery - Business Planning	Agreed the rolling 2022/23 – 2024/25 Business Plan/Annual Report on the work of the Pensions Committee and agreed additional resources for Pensions Administration		
	Investment	Monitoring of Investments	Noted the Pension Fund Performance Monitoring report for the quarter ending 31 December 22, received presentations from the Fund’s Bond Manager Royal London		
	Funding	Actuarial Valuations	Noted the results of Public Service Pension Act 2013 – Section 13 report for 2019 Fund Valuations		
26 Jul 22	Investment	Monitoring of Investments	Noted the Pension Fund Performance Monitoring Report for quarter ending March 22: received presentations from the Fund’s Currency Hedging Manager Russell	Cllr Mandy Anderson (Chair) Cllr Viddy Persaud Cllr Dilip Patel Cllr Julie Wilkes Cllr Matthew Stanton Derek Scott (Trade Union Rep)	2 hours 25 minutes
	Accounting	Annual Report & Accounts	Noted Pension Fund Accounts 2021/22		
	Investment	Responsible Investment	Agreed the next steps required for progressing with development of a Climate Risk Plan		
	Investment	Responsible Investment	Agreed **T**askforce for **C**limate, related **F**inancial **D**isclosures (TCFD) report for 31 March 22		
20 Sep 22	Investment	Monitoring of Investments	Noted the Pension Fund Performance Monitoring Report for quarter ending 30 June 22: received presentations from the Fund’s Property Manager UBS	Cllr Mandy Anderson (Chair) Cllr Robert Benham	1 hour 25 minutes

PENSION COMMITTEE MEETINGS 2022/23					
Date	**Good Governance Framework category**		**Topic**	**Attended By**	**Duration of meeting**
	Investment	Responsible Investment	Agreed further steps required for progressing with development of a Climate Risk Plan	Cllr Viddy Persaud Cllr Julie Wilkes Cllr Matthew Stanton	
8 Nov 22	Governance	Review of Effectiveness	Noted Annual review of Actuary & agreed contract extension to July 2025	Cllr Mandy Anderson (Chair) Cllr Robert Benham Cllr Viddy Persaud Cllr Dilip Patel Cllr Julie Wilkes Cllr Matthew Stanton Derek Scott (Trade Union Rep)	1 hour
	Governance	Policy Review	Agreed Governance Policy & Compliance Statement following review		
	Accounting	Annual Report & Accounts	Agreed the Pension Fund Annual Report 31 March 22		
	Governance	Breaches	Noted the results of Whistleblowing Annual Assessment and noted no possible breaches reported		
	Funding	Policy	Agreed the Draft Funding Strategy Statement 2022 for consultation		
13 Dec 22	Investment	Monitoring of Investments	Noted the Pension Fund Performance Monitoring Report for quarter ending 30 September 22: received presentations from the Fund's Infrastructure Manager Stafford	Cllr Mandy Anderson (Chair) Cllr Philip Ruck (Vice chair) Cllr Viddy Persaud Cllr Dilip Patel Cllr Julie Wilkes	1 hour 50 minutes
	Governance	Review of Effectiveness	Noted Annual review of Investment Consultant		
	Investment	Responsible Investment	Agreed further steps required for progressing with development of a Climate Risk Plan		
	Investment	Risk Management	Agreed updated Risk Register		
	Accounting	Annual Report & Accounts	Noted Local Pension Board Annual Report 31 March 2022		

PENSION COMMITTEE MEETINGS 2022/23					
Date	**Good Governance Framework category**		**Topic**	**Attended By**	**Duration of meeting**
21 Mar 23	Investment	Monitoring of Investments	Noted the Pension Fund Performance Monitoring Report for quarter ending 31 December 2022: received presentations from the Fund's Infrastructure Manager JP Morgan	Cllr Mandy Anderson (Chair) Cllr Philip Ruck (Vice- Chair) Cllr Dilip Patel Cllr Viddy Persaud Cllr Julie Wilkes Cllr James Glass Derek Scott (Trade Union Rep)	2 hours 35 minutes
	Funding	Actuarial Valuations	Noted the 2022 Valuation results		
	Investment	Strategy Review	Agreed proposed changes to Investment Strategy		
	Investment	Responsible Investment	Discussed and agreed the outline structure and content of Draft Climate Risk Policy		
	Pension Administration	Processes	Agreed the continuation of the Policy for the overpayment of pensions following death		
	Governance	Service Delivery - Budgets	Agreed the Pensions Administration Budget 2023/24		
	Investment	Responsible Investment	Noted the Review of Voting & Engagement Activity for the year to June 22		
	Governance	Review of Effectiveness	Noted Service review of the Pension Fund Custodian for the year to September 2022		
	Funding	New Employer	Agreed Admission to the fund: Mears Group – Housing Repairs May Harris – cleaning Whybridge School Kindred FM – Cleaning Broadford School		

- *please note that previous business plan excluded this meeting due to earlier production of the report, in order to meet reporting requirements prior to the local election in May 22
- Three members constitute a quorum.
- Target dates for issuing agendas were met.

Pension Committee meetings 2023/24 and onwards

To assist members to make effective decisions, the Business Plan sets out an indicative timetable for reports to be submitted to the committee which will cover cyclical reports, as shown in **Annex B.**

In addition to the annual cyclical work programme there are a number of key issues that are likely to be considered by the Pensions Committee in the coming year and beyond and will be added to the meeting cycle as appropriate and are set out below:

- Continued development of Climate Risk Policy – setting objectives, approach, implementation and monitoring/ reporting
- Task Force on Climate Related Financial Disclosures (TCFD) reporting compliance
- Implementation of the interim and long-term Investment
- Consider Local investment (ongoing considerations at present)
- Potential consideration of Private Equity investment (consider alongside local investment)
- London CIV Pooling progression/Continued consideration of transfer of assets to the London CIV (particularly Multi Asset Credit, Index linked assets)
- Equity portfolio review – including review of emerging market allocation and reflecting net-zero related commitments
- Climate related engagement
- Annual Governance review of London CIV
- Consideration of reallocating into Private Debt/Infrastructure close ended funds
- Planning for Hymans/SAB Good Governance guidance compliance - once guidance is issued
- Planning for TPR New Code of practice compliance once issued
- New training policy to reflect Good Governance and TPR compliance
- Administration issues i.e. ongoing work associated with the McCloud ruling – readiness for Pensions Dashboard
- New Employer admissions
- Covenant Risk Review
- SAB developments
- Consideration of LGPS Regulation changes and consequential policy, as applicable
- Topical issues discussed as appropriate
- Continued training and development and Launch of LOLA v2.0

ANNEX B

KEY REPORTING DATES / INDICATIVE WORK PLAN 2023/24

	25 JULY 2023	12 SEPTEMBER 2023	7 NOVEMBER 2023	12 DECEMBER 2023	19 MARCH 2024
Formal Committees with Members	▪ Overall Monitoring Report on Pension Fund to end of Mar 23: LCIV (pooling manager) ▪ Pension Fund Accounts 2022/23 ▪ Climate Risk Policy ▪ ISS Update ▪ Business Plan/Report on the work of the Pensions Committee 2022/23	▪ Overall Monitoring Report on Pension Fund to end of Jun 23: Churchill (Private Debt) ▪ Pension Fund Annual Report for 2022/23 ▪ Climate risk policy – implementation plan	▪ Annual review of Custodian ▪ Annual review of Adviser ▪ Annual review of Actuary ▪ Review of Governance Policy ▪ Whistleblowing Annual Assessment ▪ Risk Register Review ▪ Overpayment policy following Death ▪ FSS review ▪ Cash Policy Review	▪ Overall Monitoring Report on Pension Fund to end of Sep 23: CBRE (Property) ▪ Annual review of Fund Managers Voting & Engagement ▪ TCFD report 2022/23 ▪ Triennial mid-point valuation ▪ Local Pension Board Annual Report 31 March 23	▪ Overall Monitoring Report on Pension Fund to end of Dec 23: Permira (Private Debt) ▪ Pensions Administration Budget 24/25
Training	Associated Training	Associated Training	Associated Training	Associated Training	Associated Training

KEY REPORTING DATES / WORK PLAN 2024/25

	JULY 2024	SEPTEMBER 2024	NOVEMBER 2024	DECEMBER 2024	MARCH 2025
Formal Committees with Members	▪ Overall Monitoring Report on Pension Fund to end of March 24: LGIM Passive Equities) ▪ Business Plan/Report on the work of the Pensions Committee 2023/24 ▪ Pension Fund Accounts 2023/24	▪ Overall Monitoring Report on Pension Fund to end of June 24 – Royal London (Bonds) ▪ Pension Fund Annual Report for 2023/24	▪ Annual review of Custodian ▪ Annual review of Adviser ▪ Annual review of Actuary ▪ Review of Governance Policy ▪ Whistleblowing Annual Assessment ▪ Risk Register Review ▪ Overpayment policy following Death ▪ Communications Strategy 2024 – 2027 ▪ Pension Fund charging Policy Review	▪ Overall Monitoring Report on Pension Fund to end of September 24 Russell (Currency) ▪ Annual review of Fund Managers Voting & Engagement ▪ TCFD report 2023/24 ▪ Local Pension Board Annual Report 31 March 24	▪ Overall Monitoring Report on Pension Fund to end of December 24: UBS (Property). • Pensions Administration Budget 24/25
Training	Associated Training	Associated Training	Associated Training	Associated Training	Associated Training

PROVISION OF TRAINING

The Pensions Regulator (TPR) Code of Practice, which came into force on 1 April 2015, includes a requirement for members of the Pension Committee (PC) /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.

A joint training strategy for the PC/LPB was agreed by the Pensions Committee on the 24 November 2015 and presented to the Local Pension Board at its meeting on the 6 January 2016. The Training Strategy will be reviewed once guidance has been issued for the anticipated Good Governance Review and TPR New Code of Practice.

The PC of the London Borough of Havering Pension Fund fully supports the intentions behind CIPFA's Knowledge and Skills Code of Practice and has agreed to formally adopt its principles. The updated June 2021 Knowledge and Skills framework for committee members was adopted as part of the training programme following the Local Borough elections in May 2022.

As set out in the Council's constitution, committee procedure rules, a member appointed to the PC shall have received, or shall within six months of appointment receive, training appropriate to its membership. If a member does not undertake the required training within six months of appointment, then that member shall not partake in the decision making of the Committee until their training has been completed. Long membership of the committee is encouraged in order to ensure that expertise is developed and maintained within. The Council recommend that the membership of the Pension Committee remain static for the life of the term in Council, unless exceptional circumstances require a change.

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.

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.

The majority of training and development is cyclical in nature, spanning the four-year membership of the PC. Associated training and development will be given when required which will be linked to the Pension Fund meeting cyclical coverage as shown in **Annex B.**

In addition to the cyclical training and development that the PC 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 PC meetings will be arranged from time to time to discuss matters as appropriate

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

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

The Head of Pensions and Treasury, Projects and Contracts Manager, Pension Fund Manager (Finance) and /or Accountant also attends quarterly forum meetings with peers from other London Boroughs; this gives access to extensive opportunities of knowledge sharing and benchmarking data.

Officers within oneSource Pensions teams also benefit from sharing of best practice

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

Training and development took place during 2022/23 to ensure that Members of the Committee were fully briefed in the decisions they were taking.

Training logs are maintained and attendance and coverage can be found in **Annex C**. Training will be recorded following the May 2022 elections to demonstrate continuous development and training during their full term of elected office on the PC.

The Pensions Regulator has launched an e-learning programme and this has been made available for members of the PC and LPB to use.

The Fund has also subscribed to the LGPS Online Learning Academy (LOLA) Launched by our Actuaries (Hymans). This is an online platform designed to support the training needs of PC, LPB and Officers. The training is split into a number of modules covering the CIPFA Knowledge & Skills Framework and TPR's Code of Practice 14. Each module contains short 'video on demand' presentations of 20 minutes or less with supplemental learning materials and quizzes.

The Fund receives regular progress reports, allowing it to easily evidence member's development and progress as at 31 March 2023 can be seen in the table below:

Name	Module 1 Introduction to the LGPS	Module 2 LGPS Governance & Oversight Bodies	Module 3 Administration & Fund Management	Module 4 Funding & Actuarial Matters	Module 5 Investments	Module 6 Current Issues
Pensions Committee						
Cllr Mandy Anderson	Complete	Complete	Complete	Complete	Complete	Complete
Cllr Robert Benham	In progress					
Cllr Dilip Patel	Complete	Complete				
Cllr Viddy Persaud	Complete	Complete	Complete	Complete	Complete	In progress
Cllr Philip Ruck	Complete	Complete	Complete	Complete	Complete	Complete
Cllr Matthew Stanton	Complete	Complete	Complete	Complete	Complete	Complete
Cllr Julie Wilkes	Complete	Complete	Complete	Complete	Complete	Complete
Cllr James Glass	Complete	Complete	Complete	Complete	Complete	Complete
Derek Scott	Complete	Complete	Complete	Complete	Complete	Complete
Local Pensions Board						
Andrew Frater	Complete	Complete	Complete	Complete	Complete	Complete
Denise Broom	In progress					
Dionne Weeks	Complete	In progress				
Joanne Sladden	Complete	Complete	In progress			
Mark Holder	Complete	Complete	Complete	Complete	Complete	
Yasmin Ramjohn	Complete	Complete	Complete	Complete		

Annex C

PENSION COMMITTEE TRAINING (May 2022 Election – 31 March 2023)					
Date	**Good Governance/CIPFA Framework category**		**Topic**	**Attended By**	**Duration**
23 Jun 2022	Guidance	Training	Introduction to Pensions	Cllr Mandy Anderson (Chair)	1 hour
11 Jul 2022	Guidance	Training	LCIV Induction for new Pension Committee Chairs	Cllr Mandy Anderson (Chair)	1 hour
19 Jul 2022	Guidance	Training	New Pension Committee induction	Cllr Mandy Anderson (Chair) Cllr Dilip Patel Cllr Viddy Persaud Cllr Julie Wilkes Cllr Philip Ruck Cllr Matthew Stanton	1 hour 30 mins
5/6 Sept 2022	Investment	Strategy Implementation – Asset pooling	LCIV Annual Strategy Conference	Cllr Mandy Anderson (Chair) Derek Scott (Union Rep)	12 hours
20 Oct 2022	Guidance	Training	LGA Fundamentals Day 1	Cllr Mandy Anderson (Chair)	7 hours
10 Nov 2022	Guidance	Training	LGA Fundamentals Day 2	Cllr Mandy Anderson (Chair)	7 Hours
5 Dec 2022	Funding	Actuarial Valuations	2022 Valuation results	Cllr Julie Wilkes Cllr Viddy Persaud Derek Scott (Union Rep)	2 hours
15 Dec 2022	Guidance	Training	New member induction	Cllr James Glass	1 hour
19/20 Jan 2023	Guidance	Training	Local Government Conference 2023	Cllr Mandy Anderson (Chair) Derek Scott (Union Rep)	12 hours
6 Mar 2023	Investment	Responsible Investment	Education session on Climate Metrics	Cllr Mandy Anderson (Chair) Cllr Philip Ruck Cllr Viddy Persaud Cllr Stephanie Nunn Derek Scott (Union Rep)	1 hour
Plus Committee meeting attendance (Annex A):					
15 Mar 22*				Cllr John Crowder (Chair) Cllr Osman Dervish	2 hours 10 minutes

PENSION COMMITTEE TRAINING (May 2022 Election – 31 March 2023)				
Date	**Good Governance/CIPFA Framework category**	**Topic**	**Attended By**	**Duration**
			Cllr Stephanie Nunn	
26 Jul 22			Cllr Mandy Anderson (Chair) Cllr Viddy Persaud Cllr Dilip Patel Cllr Julie Wilkes Cllr Matthew Stanton Derek Scott	2 hours 25 minutes
20 Sep 22			Cllr Mandy Anderson (Chair) Cllr Robert Benham Cllr Viddy Persaud Cllr Julie Wilkes Cllr Matthew Stanton	1 hour 25 minutes
8 Nov 22			Cllr Mandy Anderson (Chair) Cllr Robert Benham Cllr Viddy Persaud Cllr Dilip Patel Cllr Julie Wilkes Cllr Matthew Stanton Derek Scott	1 hour
13 Dec 22			Cllr Mandy Anderson (Chair) Cllr Philip Ruck (Vice chair) Cllr Viddy Persaud Cllr Dilip Patel Cllr Julie Wilkes	1 hour 50 minutes
21 Mar 23			Cllr Mandy Anderson (Chair) Cllr Philip Ruck (Vice- Chair) Cllr Dilip Patel Cllr Viddy Persaud Cllr Julie Wilkes Cllr James Glass Derek Scott	2 hours 35 minutes

PENSION FUND

Funding Strategy Statement

April 2023

1 Welcome to London Borough of Havering Pension Fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for London Borough of Havering Pension Fund.

The London Borough of Havering Pension Fund is administered by the London Borough of Havering Council, known as the administering authority. The London Borough of Havering Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023.

There's a regulatory requirement for Havering Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact Debbie Ford at debbie.ford@havering.gov.uk.

1.1 What is the London Borough of Havering Pension Fund?

The London Borough of Havering Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

- The funding strategy objectives are to:
- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they cannot accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund cannot refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements are not met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms are not defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at the pension fund's website.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund will not be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the London Borough of Havering Pension Fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of two elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the fund's expenses.

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- the funding target – how much money the fund aims to hold for each employer
- the time horizon – the time over which the employer aims to achieve the funding target
- the likelihood of success – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The fund permits the prepayment of employer contributions at the discretion of the administering authority and the fund's actuary.

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies		CABs and designating employers		TABs*
Sub-type	**Local authorities**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding target**	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
Minimum likelihood of success	60%	70%	75%	75%	50%-75%
Maximum time horizon	20 years	20 years	15 years or average future working lifetime, if less		Same as the letting employer
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon				
Secondary rate	Monetary amount or percentage of pay at the discretion of the administering authority				
Stabilised contribution rate?	Yes	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Contributions kept at lower of primary rate and current rate. However, reductions may be permitted at the ultimate discretion of the administering authority			Reduce contributions by spreading the surplus over the remaining contract term

	Scheduled bodies		CABs and designating employers		TABs*
	Local authorities	Academies	Open to new entrants	Closed to new entrants	(all)
Phasing of contribution changes	Covered by stabilisation arrangement	Maximum of 3 years subject to the administering authority being satisfied as to the strength of the employer's covenant.			None

** Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

*** See Appendix D for further information on funding targets.*

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. If this is not appropriate, contribution increases or decreases may be phased. The fund may also adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for the local authority employer. On the basis of extensive modelling, the annualised employer contribution rates for the fund's local authority employer will be 16.5% of pensionable pay plus £10.65m in 2023/24 and 2024/25, then £9.65m p.a. thereafter.

2.4 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy is available in Appendix E. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 What is pooling?

The administering authority will consider contribution rate pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates are not disclosed to pooled employers, unless agreed by the administering authority.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average.

2.6 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, unless otherwise agreed by administering authority.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

All employers in the fund have an allowance for ill-health strain costs. The fund monitors ill-health for each employer. If the cumulative cost of ill-health retirement in any financial year exceeds the allowance made at the previous valuation, the employer will be charged additional contributions on the same basis as non ill-health cases. Details are included in each admission agreement.

Employers may choose to use external insurance to manage ill-health early retirement costs. 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 contributions to the fund each year may be reduced by the amount of that year's insurance premium.

When an active member retires on ill-health early retirement, the claim 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.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not (usually) transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e. members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. The fund may allow contribution pooling for academies who are part of the same multi-academy trust.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members attributable to the academy will transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The fund's admissions policy can be found at the pension fund's website.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund will not pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund will not grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation payment won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required

- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund cannot recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The cessation policy is available in Appendix F.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support

- any other relevant factors.

Details of the fund’s approach to exit credits is set out in the fund’s cessation policy in Appendix F.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

Details of the fund’s approach to deferred spreading and deferred debt agreements are set out in the fund’s cessation policy in Appendix F.

7.5 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees’ benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis based on each employer’s proportion of the fund’s pensionable pay.

b) the last ex-employee or dependant dies before the employer’s asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers based on each employer’s proportion of the fund’s liabilities.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary’s Department to report on LGPS funds in England and Wales after every three-year valuation, in what’s usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund’s solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers’ ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The consultation process included issuing a draft version to participating employers.

A3 How is the FSS published?

The FSS is made available to interested parties by:

- publishing on the administering authority's and fund's website
- sending copies to each employer
- sending copies to members of the local pension board
- sending copies to the fund's investment consultants
- making copies freely available on request.

The FSS is published on the pension fund's website.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any material amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at the pension fund's website.

Appendix B – Roles and responsibilities

B1 The administering authority:

2 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations

3 manages any conflicts of interest from its dual role as administering authority and a fund employer

4 collects employer and employee contributions, investment income and other amounts due

5 ensures cash is available to meet benefit payments when due

6 pays all benefits and entitlements

7 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

8 communicates with employers so they understand their obligations

9 safeguards the fund against employer default

10 works with the fund actuary to manage the valuation process

11 provides information to the Government Actuary's Department so they can carry out their statutory obligations

12 consults on, prepares and maintains the funding and investment strategy statements

13 tells the actuary about changes which could affect funding

14 monitors the fund's performance and funding, amending the strategy statements as necessary

15 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the fund.

B3 The fund actuary:

7 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

8 provides information to the Government Actuary Department so they can carry out their statutory obligations

9 advises on fund employers, including giving advice about and monitoring bonds or other security

10 prepares advice and calculations around bulk transfers and individual benefits

11 assists the administering authority to consider changes to employer contributions between formal valuations

12 advises on terminating employers' participation in the fund

13 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

14 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

15 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

16 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

17 governance advisers may be asked to advise the administering authority on processes and working methods

18 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

19 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

Details of the key fund-specific risks and controls are logged in the fund's risk register which can be found on the pension fund's website. Risks are regularly monitored and reported on to the Pension Committee and Board.

C2 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy and was an early adopter of TCFD reporting in the LGPS and are developing a broad climate action plan. The fund's latest TCFD report can be found on the pension fund's website.

In addition, the fund included climate scenario stress testing in the contribution modelling exercise for the local authority as at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

Further details on the fund's approach to climate risk (and other risks) can be found at the pension fund's website.

Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns											
		Index Linked Gilts (long)	Private Equity	Property	Emerging Markets Equity	Unlisted Infrastructure Equity	Diversified Growth Fund (high equity beta)	Diversified Growth Fund (low equity beta)	Multi Asset Credit (sub inv grade)	All World ex UK Equity in GBP Unhedged	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	-3.1%	-1.2%	-0.6%	-2.5%	0.7%	1.1%	1.4%	1.7%	-0.4%	1.6%	-1.7%	1.1%
	50th %'ile	-0.7%	9.4%	4.4%	5.8%	5.9%	5.4%	3.2%	3.5%	5.8%	3.3%	-0.5%	2.5%
	84th %'ile	2.0%	20.1%	9.5%	14.4%	11.2%	9.5%	5.1%	5.2%	11.9%	4.9%	0.7%	4.3%
20 years	16th %'ile	-2.6%	2.4%	1.4%	0.1%	2.6%	2.8%	2.1%	2.8%	1.8%	1.2%	-0.7%	1.3%
	50th %'ile	-0.9%	10.0%	5.0%	6.3%	6.5%	6.0%	3.8%	4.4%	6.3%	2.7%	1.1%	3.2%
	84th %'ile	0.8%	17.6%	8.9%	12.8%	10.6%	9.4%	5.7%	6.0%	11.1%	4.3%	2.7%	5.7%
40 years	16th %'ile	-1.1%	4.7%	2.6%	2.1%	3.9%	4.0%	2.5%	3.6%	3.4%	0.9%	-0.6%	1.1%
	50th %'ile	0.3%	10.3%	5.5%	6.8%	7.0%	6.6%	4.4%	5.3%	6.8%	2.2%	1.3%	3.3%
	84th %'ile	1.9%	16.1%	8.8%	11.7%	10.3%	9.4%	6.5%	7.1%	10.4%	3.7%	3.2%	6.1%
	Volatility (Disp) (5 yr)	9%	30%	15%	26%	15%	13%	5%	6%	18%	3%		

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except closed community admission bodies	1.8%
Low-risk exit basis	Community admission bodies closed to new entrants	0.0%

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 3.5% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 80% likelihood that the fund's assets will return 3.5% pa over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.7% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions	
Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	60% of maximum tax-free cash
50:50 option	1% of members will choose the 50:50 option.

D4 Rates for demographic assumptions

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	-	-	-	-
25	117	0.17	267.06	537.03	-	-	-	-
30	131	0.20	189.49	380.97	-	-	-	-
35	144	0.24	148.49	297.63	0.10	0.07	0.02	0.01
40	150	0.41	119.20	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.90	0.68	0.23	0.17
55	162	1.70	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.10	-	-	11.83	8.87	-	-

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.10	352.42	467.37	-	-	-	-
25	117	0.10	237.14	314.44	0.10	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.10	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.10	0.08
50	162	0.90	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.40
65	162	1.95	-	-	10.26	7.69	-	-

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Details of what basis applies in what circumstances can be found in the fund's cessation policy in Appendix F.

Low-risk exit basis

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

- The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. The discount rate cannot be higher than the fund's ongoing discount rate.
- The RPI assumption is derived as the geometric difference between the yields on long dated index linked bonds and gilts. The CPI assumption is derived by subtracting 1.0% from RPI up to 2030 and 0.1% afterwards.
- Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Ongoing basis

The financial and demographic assumptions underlying the ongoing basis are set out in Sections D3 and D4 above.

Appendix E - Policy on contribution reviews

Effective date of policy	1 April 2023
Date approved	21 March 2023
Next review	31 March 2025

Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

1.2 Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

1.3 Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

Policy

3.1 Circumstances for review

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 fund within the next two years and/or before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations 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 (e.g. a material change in employer covenant, or provision of additional security);
- 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.

3.2 Employer requests

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).

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

3.3 Other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole fund.

The administering authority will consult with other fund employers as necessary.

3.4 Effect of market volatility

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.

3.5 Documentation

Where revisions to contribution rates are necessary, the fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

4 Related Policies

The fund’s approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically “Section 2 – How does the fund calculate employer contributions?”.

ix F - Policy on cessations

Effective date of policy	1 April 2023
Date approved	21 March 2023
Next review	31 March 2025

Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the fund's discretionary policies (as described in Section 3 - Policies).

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the fund.
- To provide information about how the fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

1.2 Background

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the fund. On cessation from the fund, the administering authority will instruct the fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer
- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.

- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
    a) Notify its intention to make a determination to-
        (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer
        (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
    b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
    a) The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
    b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
    c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
    d) Any other relevant factors

- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.
- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.
- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.
- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the fund from the exiting employer.
- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.
- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the fund the ability to levy a cessation debt on employers who have ceased participation in the fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time.

This policy document describes how the fund expects to deal with any such cases.

This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the fund.

2 Statement of Principles

This Statement of Principles covers the fund's approach to exiting employers. Each case will be treated on its own merits but in general:

a) it is the fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the fund.
b) the fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the fund by the exiting employer.
c) the fund's key objective is to protect the interests of the fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.
d) employers are responsible for all costs incurred as a result of ceasing participation including actuarial and administration expenses.

3 Policies

On cessation, the administering authority will instruct the fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see 3.2 Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see 3.3 Exit credits below).

3.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities	Low risk exit basis[1]	Shared between other fund employers
Academies	Low risk exit basis	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis	Letting authority (where applicable), otherwise shared between other fund employers
Admission bodies (CABs)	Low risk exit basis	Shared between other fund employers (if no guarantor exists)

[1]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 (e.g. machinery of Government changes), these cessation principles would apply.

Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MAT ceases to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

3.2 Repayment flexibility on exit payments

Deferred spreading arrangement (DSA)

The fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the fund's policy is:

- The agreed spread period is no more than three years, but the fund could use its discretion to extend this period in limited circumstances.
- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.

- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the fund with detailed financial information to support its request.
- The fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.

Deferred debt agreement (DDA)

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the fund may exercise its discretion to set up a deferred debt agreement as described in Regulation 64 (7A).

The employer 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 DDA.

The Administering Authority may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrols new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the Administering Authority is reasonably satisfied that the employer’s ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The fund actuary assesses that the employer 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. employer is now largely fully funded on their cessation exit basis).
- The fund actuary assesses that the employer’s value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer 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 employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

3.3 Exit credits

The administering authority’s entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors.

a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified.
b) the proportion of the excess of assets which has arisen because of the value of the employer’s contributions.
c) any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
d) any other relevant factors

Admitted bodies

i. No exit credit will normally be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or ‘rolled over’ beyond the initial expiry date and on the same terms that applied on joining the fund.

ii. No exit credit will normally be payable to any admission body who participates in the fund via a pass through approach.

iii. The fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the fund.

iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.

v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

vi. If the admission agreement ends early, the fund will consider the reason for the early termination, and whether that should have any relevance on the fund's determination of the value of any exit credit payment. In these cases, the fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

viii. The decision of the fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

ii. Where no formal guarantor or risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

iii. The decision of the fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.

iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

v. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

i. The fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.
ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the fund and the respective investment returns earned on both.
iii. The fund will also factor in if any contributions due or monies owed to the fund remain unpaid by the employer at the cessation date. If this is the case, the fund's default position will be to deduct these from any exit credit payment.
iv. The final decision will be made by the pension manager, in conjunction with advice from the fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.
v. The fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the fund will discuss its approach to determining an exit credit with all affected parties. The decision of the fund in these instances is final.
vi. None of the above should be considered as fettering the fund's discretionary decision, instead it is an indication of how decisions are likely to be made. However it is important to bear in mind that each and every potential exit credit case will be considered by the administering authority on its own merits, and the administering authority will make its discretionary decision on that basis.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

4 Practicalities and process

4.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the fund is likely to come to an end must:

- advise the fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the Administering Authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

4.2 Responsibilities of Administering Authority

The administering authority will:

- gather information as required, including, but not limited to, the following:
  - details of the cessation - the reason the employer is leaving the fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
  - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
  - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.
- At the time this policy was produced, the fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

4.3 Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.

- where appropriate, advise on the implications of the employer leaving on the remaining fund employers, including any residual effects to be considered as part of triennial valuations.

5 Related Policies

The fund's approach to exiting employers is set out in the FSS, specifically "Section 7 – What happens when an employer leaves the fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix D of the FSS.

Havering
LONDON BOROUGH

Governance Compliance Statement

Updated November 2022

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), now known as the Strategic Director of Resources.

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.

In support of its core functions the Board may make a request for information to the Pensions Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

The full version of the Board's Terms of reference can be found on the Council's website: Local Pension Board terms of reference

2 MEMBERSHIP AND REPRESENTATION

2.1 Pensions Committee

Following the Local Elections in May 2022, the membership of the Pensions Committee reflects the political balance of the Council and consists of seven councillors as listed below:

Conservative Group (3)	Havering Residents' Group (2)	Labour Group (2)
Dilip Patel Viddy Persaud Joshua Chapman**	Jacqueline Williams*** Philip Ruck (vice- chair) James Glass*	Mandy Anderson (Chair)

*From Dec 2022: Cllr James Glass – Havering Residents Group, replaced Cllr Stanton – Labour (May 22- Dec 22) - to reflect a change to the political balance of the Council
**From May 2023: Cllr Joshua Chapman replaced Cllr Robert Benham- Conservative Group (May 22 - May 23)
Cllr Julie Wilkes – Havering Residents' Group (May 22- May 23)
*** From August 2023: Cllr Jacqueline Williams – Havering Residents' Group

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 (2)
Vacant	Derek Scott (UNISON)
	Andrew Hampshire (GMB)

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 comprises of:

Three 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. Employer representatives should be able to demonstrate their capacity to attend and compete the necessary preparation for meetings and participate in training as required.

Three Scheme Member Representatives - shall either be scheme members or have capacity to represent scheme members of the Fund. No officer or elected member of the Administering Authority who is responsible for the discharge of any function may serve as a member of the Board. 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 – An additional non-voting independent member was appointed to chair the Board in September 2023. However, the Pension board is entitled to meet and conduct its business even if the role of the independent member is vacant or absent from the meeting.

Each board member appointed shall serve for a fixed four-year period which can be extended for further period (s) subject to re-nomination.

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

Representatives shown below:

Independent Chair	Employer Representative (3)	Employee Representative (3))
Jonathan Bunt	Andrew Frater Denise Broom Joanne Sladden	Mark Holder Yasmin Ramjohn Dionne Weekes

3 GUIDANCE AND MONITORING

3.1 Pensions Committee

The Pensions Committee is supported by the Strategic Director of Resources / S151 and oneSource Shared Support Service. The Director of Exchequer and Transactional Services (oneSource) has the responsibility to administer the day to day administration operations of the Council's Pension Fund. The Strategic Director of Resources / S151 officer 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. From December 2023, services undertaken by Finance as part of oneSource will revert to Havering Council. There will be no change to the services that support the Pensions Committee.

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 manager's 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' amounts for other committees. No payment will be made for non-attendance. The Independent Chair will receive an annual allowance of £7,000.

Reasonable travelling expenses for training will be reimbursed.

5 TRAINING

5.1 Pensions Committee

Associated training aligned with the Pensions Committee's forward 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.

The Fund has commissioned an online learning course developed by Hymans Robertson, to make it easier for members of the Pensions Committee to obtain the core knowledge required to meet the CIPFA Knowledge & Skills Framework and TPR's Code of Practice 14 requirements. This training is mandatory.

5.2 Local Pension Board

A joint training strategy has been developed and adopted by the Pensions Committee and the Board. Board members will comply with Scheme Managers training policy.

Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. The Fund uses the CIPFA's Knowledge and Skills self-assessment training questionnaire for this purpose.

Training will be provided in the areas where it has been specifically requested or has been identified as required.

The Fund has commissioned an online learning course developed by Hymans Robertson, to make it easier for members of the Board to obtain the core knowledge required to meet the CIPFA Knowledge & Skills Framework and TPR's Code of Practice 14 requirements. This training is mandatory.

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

Five Board meetings are held per year, includes one General Annual meeting (board members only in attendance). Board members should endeavour to attend all Board meetings during the year and are required to attend at least 3 meetings each year, one of which must be the Annual meeting. Two members constitute quorum providing that there is present at least one member from both the Employer and Scheme Member Groups. In the absence of the chair, at any meeting, the members attending can appoint a deputy for that meeting. Advisors and officers do not count towards the quorum. No substitutes are permitted.

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
- Climate Risk - risk of failure to manage climate risk impact on Investment Strategy and comply with reporting requirements

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.
- Climate Risk Policy and Action Plan was adopted in September 2023, objectives developed and targets agreed. The Policy will be revised on an ongoing basis and the Committee to hold in-depth discussions about progress of actions against objectives

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

Pension Board papers, agendas and minutes will be published on the Council's website. These may at the discretion of the Scheme manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified under regulations.

The meetings of the Board are held at the Town Hall during office hours or held virtually via MS Teams or Zoom.

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.	**Structure** 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.	**Full compliance - GREEN** 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 - GREEN** 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 three employer representative and three 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);	i**) Full compliance** - **GREEN** 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),	ii) **Full compliance – GREEN** via trade union representation
	iii) where appropriate, independent professional observers, and	iii**) Non-compliance** - **AMBER** 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)	iv) **Full compliance – GREEN** 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 - GREEN**. 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 - GREEN.** 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 GREEN.** 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 GREEN.** 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 other committees. No payment will be made for non-attendance. The Independent

	PRINCIPLE	HAVERING POSITION
		Chair will receive an annual allowance of £7,000 payable monthly. 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 GREEN** 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 - GREEN** 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 - GREEN** 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 - GREEN**. 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 stakeholder's 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 GREEN** 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 - GREEN** 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 GREEN** Governance arrangements are published on the Council's website and comments are invited from stakeholders. Section 8 of the Governance Compliance Statement refers.

HAVERING PENSION FUND

Communication Policy

2021-2024

11 Introduction

An effective communications policy is vital for any organisation which strives to provide a high quality and consistent service to their stakeholders.

Havering Council, as the administering authority for the Havering Pension Fund (the Fund), must maintain a communications policy as required by the Local Government Pension Scheme Regulation 2013.

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.

This policy identifies our key stakeholders and details the different forms and methods of communications required to maintain the successful governance and administration of the Fund.

Every effort is made to ensure all our communications are accessible to all. Documents can be re-produced in different fonts, formats and languages where required by the recipient.

Strategy Review, Ownership and Authorisation

The Havering Pension Fund Communications Policy is effective from November 2021.

The administering authority will review this policy as required to reflect changes in regulations, governance or working practices with a full review every three years

The policy lead is the Pension Projects and Contracts Manager. The document has been developed with approval from the Pensions Committee.

If you have any questions or comments regarding the Communications Policy, please contact Caroline Guyon, Pensions Projects and Contracts Manager.
Telephone: 01708 432185 or via email caroline.guyon@havering.gov.uk

Pensions Administration

From 1 November 2017, the London Borough of Havering delegated the pension administration service to Lancashire County Council who have engaged the Local Pensions Partnership Administration (LPPA) to undertake their pension portfolio. The Local Pensions Partnership was formed in 2016 through a collaboration between Lancashire County Council and the London Pensions Fund Authority and provides pension services to the Local Government Pension Scheme, Police and Firefighter Schemes.

LPPA can be contacted via telephone on 0300 323 0260 or via the contact form on the website.

12 Legislative Framework

The Fund is required by regulation 61 of the Local Government Pension Scheme Regulations 2013 to maintain and publish a communications policy statement. Regulation 61 is reproduced below:

61.(1) An administering authority must 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
c) The promotion of the Scheme to prospective members and their employers

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

In accordance with the Public Sector Pensions Act 2015, the LGPS is regulated by the Pensions Regulator who has provided guidance in Code of Practice 14 on providing good quality communications to Scheme members and other stakeholders.

13 Key Objectives

The key objectives of the communications policy are:

- To improve the understanding of members, their representatives and perspective members of the benefits of the Local Government Pension Scheme
- Assist Scheme employers in understanding their roles and responsibilities within the LGPS and to provide guidance and support
- To improve the service that Pension Fund Members receive
- Use plain English for all communications
- Identify and use the most appropriate communication method to take account of stakeholders' different needs
- To communicate in the most effective and cost efficient way

14 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 help desk
- 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 pension websites and Member Self Service
- Working with LPPA to ensure communications are relevant and timely

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Action	Audience	Media	End of Year Review 2023
Review and update the pension websites and intranet site	All	Web	The LPPA have maintained and updated the member website including the new Pension Point Self Service Portal. Havering pensions team has maintained a pensions web page within the Havering.gov website. This is used to publish all Havering specific pension related news and documents.
Promote the pension websites and intranet	All	Web	The LPPA website is promoted on member correspondence. Both the LPPA and the Havering websites are promoted during face to face or virtual meetings. We have also utilised corporate and employer communications to increase awareness.
Promote Pension Point Self Service	Active, Deferred and Pensioner	Web	Pension Point 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 2023 14.3% of the total membership had registered for Pension Point. This was a decrease of 5.3% from the previous year due to members having to re-register following the implementation of the new system in November 2022.
Ensure relevant, accurate and timely communications are sent to all members	All	Paper or electronic	Standard communications are monitored as part of the KPI and contract monitoring process.

The Administering Authority will ensure the following communications are provided as required, in addition to day to day individual communications with members.

Communication	Media	Frequency of Issue	Distribution	Audience
Pension Websites	Web	Continually available. Updated as required	Advertised on all communications	All
Havering staff intranet site	Web	Continually available. Updated as required	Advertised regularly via internal communications	Havering Corporate staff
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
Annual Benefit Statements	Web or paper if opted out of online statements	Continually available. Updated annually	For viewing as required. Members are informed of availability via personal email, email to employers or internal Global News	Active and Deferred
Retirement Workshops	Web	Periodically	LPPA run retirement workshops for members nearing retirement. These are advertised via employer communications	Active

Road shows/ Workshops	Face to face in person or virtually	When required	Advertised via email, Global News, Posters and employers	Active
Pensioner payslips	Paper	1st pension payment and every April, May and	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 Websites - The LPPA website (www.lppapensions.co.uk) provides LGPS information for all of their clients, including forms, guides, newsletters, links to related sites including My Pension Online Member Self Service and contact information. The Havering Pension website (havering - finance, pensions and data) provides information specific to Havering Fund members such as our retirement process factsheet and planning guide, IDRP policy, Annual report and accounts and information about the Local Pensions Board.

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 – Leaflets that provide information in relation to specific topics, for example automatic enrolment.

Newsletters – General newsletters are issued annually and additionally 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 – LGPS forms are available on the pension website such as opt out form, 50:50 or Main Scheme election form and nomination form.

Annual Benefit Statements – For active members these include the current value of benefits and projected benefits to normal retirement date. The associated death benefits are also shown. For deferred members these show the current value of the pension benefits and associated death benefits. These are released by 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.

Retirement workshops – LPPA run a programme of retirement workshops held virtually throughout the year. We advertise these via employer and internal communications

Road shows – These are available, when required, providing staff with the opportunity to have a face to face conversation about their pension rights. These can also be held virtually.

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 LPPA 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 Havering pension website.

15 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 help desk

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 2023
Ensure pension website is included with new employee contracts and information packs	New employees	Paper or electronic	All eligible new employees are contractually enrolled into the LGPS and the website information is included in the LPPA's starter packs. Both the LPPA and Havering websites are available for general viewing.
Review and update the pension websites	All	Web	The LPPA have maintained and updated the member website including the new Pension Point Self Service Portal. Havering pensions team has maintained a pensions web page within the Havering.gov website. This is used

			to publish all Havering specific pension related news and documents.
Work with employers to ensure automatic enrolment is correctly communicated	Existing employee	Paper or electronic	Havering Council automatically enrolled eligible staff during 2022/23. All affected staff received letters and factsheets to explain the process. The pensions team also worked with 2 academy trusts to ensure an efficient automatic enrolment process for their staff.

The pension scheme will work with LPPA and employers to provide the following communication as required.

Communication	Media	Frequency of Issue	Distribution	Audience
Pensions Joiner Option Form	Paper or electronic	On commencing employment	Via LPPA with new starter information	New employees
Pension Websites	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 or virtually	As required	Part of induction workshops	New Employees
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 LPPA website (www.lppapensions.co.uk) provides LGPS information for all of their clients, including forms, guides, newsletters, links to related sites including My Pension Online Member Self Service and contact information. The Havering Pension website havering - finance, pensions and data provides information specific to Havering Fund members such as our retirement process factsheet and planning guide, IDRP policy, Annual report and accounts and information about the Local Pensions Board.

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 presentation 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 Havering pensions website.

16 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 funding/cost requirements
- to work together to achieve accurate scheme actuary data submissions
- to ensure smooth staff transfers
- to improve the service our pension fund members receive

The Key actions will be:

- offer induction meetings for all new scheme employers
- support employers with training and technical guidance
- on-going promotion of the employer section of the LPPA pension website and use of the YourFund secure portal
- working with relevant parties to admit new employers to the fund

Action	Audience	Media	End of Year Review 2023
Meet with all new scheme employers to discuss responsibilities and requirements	Employers	Face to face or virtually	New employers receive a comprehensive email of all relevant information and the offer of either a face to face or virtual meeting. 6 new employers received an email but there were no requests for meetings
Review and update the employer sections of the pension websites	Employer	Web	The LPPA have maintained and updated the member website including the new Pension Point Self Service Portal. Havering pensions team has maintained a pensions web page within the Havering.gov website. This is used to publish all Havering specific pension related news and documents

Work with LPPA to promote employer training sessions	Employer	Web	LPPA ran a number of different training sessions throughout the year. 20 Havering scheme employer representatives were in attendance across all courses. 1 employer received a targeted virtual visit.
Work with LPPA to ensure accurate and timely data submissions	Employer	Email, phone, face to face or virtually	Havering launched the Pensions Administration Strategy detailing the expected timeframes for data submissions. Havering have worked with employers to ensure all 2022 year end data queries are resolved.
Provide regular updates to employers on key aspects of the scheme	Employer	Web or email	LPPA have launched a regular employer newsletter to provide updates on the scheme and other relevant information.

The pension scheme will provide the following communication to employers as required.

Communication	**Media**	**Frequency of Issue**	**Distribution**	**Audience**
Induction meeting	Face to Face or virtually	On becoming a scheme employer	By email	New scheme employers
New employer information pack	Electronic	On becoming a scheme employer	By email	New scheme employers
Pension Websites	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	Face to Face or 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
Employer Newsletters	Electronic and Web	Periodically	Via Email or for viewing as required	Scheme employers

Explanation of communications

Induction Meeting – A meeting offered to all new academies and admitted bodies to discuss roles and responsibilities.

New Employer Information Pack – Email sent to welcome an employer to the Havering LGPS, including all information relevant to being a scheme employer, e.g. paying contributions and the pensions administration strategy detailing their role and responsibilities.

Pension Website - The LPPA website (www.lppapensions.co.uk) provides LGPS information for all of their clients, including forms, guides, newsletters, links to related sites including My Pension Online Member Self Service and contact information. The Havering Pension website havering - finance, pensions and data provides information specific to Havering Fund members such as our retirement process factsheet and planning guide, IDRP policy, Annual report and accounts and information about the Local Pensions Board.

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/LB Havering 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 pensions 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.

17 Communications with Representatives of Members

A. 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
- to provide training with regards to investment and administration matters

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 with Fund officers, advisors and external experts when required

Action	Audience	Media	End of Year Review 2022
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, online or virtually	Relevant training was provided to 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.uk website	Pension Committee Members and Trade Union representatives
Pensions Committee Briefings	Face to face or Hybrid	Quarterly and as and when required		Pensions Committee Members and Trade Union representatives

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

B. 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 ensure the board are aware of their responsibilities in relation to the Scheme
- 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 2023
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, online or virtually	Induction training has been provided to new Board members 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.uk websites	Local Pension Board
Local Pension Board Briefings	Face to face or virtually	Quarterly and as and when required	Fund officers attend each meeting	Local Pension Board
Training sessions	Face to face and online	When a new member is appointed. Continual self- development is also required	Face to face, web based or virtually	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

C. 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 managers 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 2023
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 82.1% of requests. This is continually monitored to ensure the flow of information is secure

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	Paper or 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.

A. 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 Administration. Quarterly 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.

Investment Strategy Statement

September 2023

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 April 2023).

1.6. The ISS was approved by the Committee on 12 September 2023.

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	12.5	40.0
Property	10.0	15.0
Infrastructure	12.5	15.0
Bonds & Cash	25.0	25.0
Total	100.0	

3.4. At 30 June 2023, the expected return of this portfolio over a 20-year time horizon was 7.8%p.a. with an expected volatility of 13.3%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 2025 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 1.7% per annum, which is consistent with the discount rate used by the Actuary as part of the 2022 actuarial valuation 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	40.0	-
Multi Asset	12.5	-
Property	-	10.0
Infrastructure	3.5	9.0
Bonds & Cash	5.0	20.0
Total	**61.0**	**39.0**

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 22.5% of the Fund in property and infrastructure assets and 19.0% of these (which includes the infrastructure allocation noted above) 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
Growth			
Global equities	LGIM	5.0%	FTSE All World Index
Multi-Factor Equity	LGIM	10.0%	FTSE All World ex. Controversial Weapons Climate Balanced Factor Index
Emerging Market Equity	LGIM	5.0%	FTSE Emerging Markets Index
Passive Equity Progressive Paris Aligned	LCIV	5.0%	S&P Developed Ex-Korea Large Mid Cap Net Zero 2050 Paris-Aligned ESG Index
Global Alpha Growth Paris Aligned Equity	LCIV	15.0%	MSCI ACWI + 2% p.a.
Absolute Return	LCIV	12.5%	Preserve and grow capital (LIBOR +4% p.a.)
Income			
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	Stafford Capital	3.5%	UK CPI + 5% p.a. (net of fees)
Infrastructure	JP Morgan	5.5%	UK CPI + 5% p.a. (net of fees)
Renewable Infrastructure	LCIV	3.5%	UK CPI + 5% p.a. (net of fees)
Multi Asset Credit	Royal London AM	7.5%	LIBOR +4% p.a.
Investment Grade Credit	Royal London AM	5.0%	Barclays Aggregate – Credit Index Hedged (GBP) Index
Private Debt	Churchill	3.0%	LIBOR +4% p.a.
Private Debt	Permira	4.5%	LIBOR +4% p.a.
Protection			
Index Linked Gilts	Royal London AM	5.0%	Over 5 year index linked gilts index

Note that the table includes ongoing mandates only.

Myners Principles

Principle	Best Practice Guidance (CIPFA)	Havering Position/Compliance
1. Effective decision-making **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** **(b) those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest**		**SUMMARY: FULLY COMPLIANT**
	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).
	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 (superseded by the Investment Strategy Statement (ISS).	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 and democracy and council, select constitution, select view our constitution or select the link havering.gov.uk our 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 but these are included within the Funds Annual Report
	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.
	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 adoption 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 Pensions Committee meeting annually and training undertaken is reported in the Pension Fund Annual Report. Members are requested to complete the CIPFA's Knowledge and Skills self-assessment of training needs and the Fund has commissioned Hymans LGPS Online Learning Academy (LOLA), which is mandatory for members to complete. Following the establishment of a Local Pension Board (LPB) a joint training strategy was developed that incorporates training of Pension Committee members with LPB members, where appropriate.

Myners Principles

Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	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 aware 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 services. 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')
	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 receives 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

Myners Principles

Principle	Best Practice Guidance (CIPFA)	Havering Position/Compliance
		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, select finance, pensions and data, then select Havering Pension page or select the link to the pensions page below.
		Havering Pensions page
	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.	The Administration Strategy is available on the Council's website: www.havering.gov.uk, select finance, pensions and data, then select Havering Pension page or select the link to the pensions page below.
		Havering Pensions page
2. Clear objectives (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.		**SUMMARY: FULLY COMPLIANT**
	The committee should:	As part of the Valuation process consideration is given, with full consultation of the fund's actuary, to :
	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, select finance, pensions and data, then select Havering Pension page or select the link to the pensions page below.
		Havering Pensions 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 Fund had 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. Service review is undertaken and reported to the committee annually, last review presented to the Pensions Committee on the 13 December 2022.
	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 are considered as part of the investment strategy review process and the range of investments are included in the Fund's ISS
	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. All of the Funds' managers have signed up to Scheme Advisory Board Cost Transparency Imitative (CTI) and the Fund receives CTI reports either quarterly, annually or both.
	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 Northern Trust for monitoring of performance against benchmarks and use the services provided by

Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
		Pensions & Investment Research Consultants (PIRC) for peer group comparison purposes.
3. Risk and liabilities a) In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. 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.		**SUMMARY: FULLY COMPLIANT**
	The committee should:	
	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.	An investment strategy review was carried out following the actuarial valuation results in 2022. The Fund has formulated its own asset allocations based on identified liabilities particular to the fund. The Fund's investment strategy was adopted having considered the members attitude to risks and these risks are identified within the ISS and FSS.
	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.	
	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.	
	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.

Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	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.	
	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 as required by internal auditors and are reported to Audit Committee. Any identified issues would be reported to the Pensions Committee. Investment Manager Audited Internal Control reports are received and checked by officers for matters of concerns.
	10) The fund's Statement of Investment Principles (now ISS) 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. 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.
		SUMMARY: FULLY COMPLIANT
4. Performance assessment **a) Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors** **b) Administering authorities should also periodically make a formal assessment of their own effectiveness as a**	**Investments** The committee should:	
	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 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.	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.
	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)

Myners Principles

Principle	Best Practice Guidance (CIPFA)	Havering Position/Compliance
decision- making body and report on this to scheme members	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.	Benchmarks are set in agreement with the fund's investment manager (s)
	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 cover the latest quarter, rolling one year and three-year performance. In line with the reporting cycle, the Committee will see one fund manager at each meeting unless there are performance concerns for individual mangers. 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.	Included within the officer quarterly monitoring 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.
	7) Returns should be obtained from specialist performance agencies independent of the fund managers.	The Pension Fund uses the services of Northern Trust who 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, 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.

Myners Principles

Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	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.	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.
	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.	
	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 Business Plan 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 training. The business plan includes an indicative work plan and the committee achievements against the plan
	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.

Myners Principles

Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	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. The Fund has also adopted Hymans LGPS Online Learning Academy (LOLA), learning modules are aligned to the CIPFA KSF and the Fund has made it mandatory for members to complete and progress is measurable against the CIPFA KSF. 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.
	20) This assessment should be included in the fund's Annual Report.	The assessment of the committee expectations and training are included in the Business Plan and Annual Report
		SUMMARY: PARTIALLY COMPLIANT
5. Responsible ownership Administrating authorities should: **a) recognise, and ensure that their partners in the investment chain adopt, the FRC's UK Stewardship Code** **b) include a statement of their policy on responsible ownership in the statement of investment principles (now ISS)** **c) report periodically to scheme members on the discharge of such responsibilities.**	1) Policies regarding responsible ownership must be disclosed in the statement of investment principles (now ISS) 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.
	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.
	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	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
	compliance in 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.	Becoming a signatory of the UK Stewardship Code 2020 is voluntarily and directed to institutional investors (asset owners and asset managers with equity holdings in UK listed companies). 5 out of 9 non-pool and 6 out of 8 sub fund pool managers have met the requirements of the Stewardship Code 2020. The Fund's advisor, actuary and custodian are also signatory's .The Fund will continue to monitor and explore the rationale of any managers not yet signed up.
	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 of the fund's asset managers have adopted the code.
		SUMMARY: FULLY COMPLIANT
6. Transparency and reporting **Administrating authorities should:** **a) act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including**	The committee should:	
	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.
	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.

Myners Principles

Principle	Best Practice Guidance (CIPFA)	Havering Position/Compliance
performance against stated objectives **b) provide regular communication to scheme members in the form they consider most appropriate.**	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, council 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 pensions page on the council's website.
		Havering Pensions 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) (now ISS) 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,select finance pension & data, select pension page 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.
		Havering Pensions page
	With regard to the FSS and SIP (now ISS), 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 show 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:	

Myners Principles

Principle	**Best Practice Guidance (CIPFA)**	**Havering Position/Compliance**
	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 Department of Levelling Up, Housing & Communities (DLUHC) formerly (DCLG & 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.

Havering Pension Fund

Risk Register

September 2023

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 Risk Likelihood/Impact score shows in the column "Risk Likelihood / Impact Prior to controls" and the column "Risk Likelihood / Impact Post Controls." 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.

Likelihood					
	A	Green	Amber	Red	Red
	B	Green	Amber	Amber	Red
	C	Green	Green	Amber	Amber
	D	Green	Green	Green	Amber
	E	Green	Green	Green	Green
	F	Green	Green	Green	Green
		4	3	2	1
		Impact			

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

Abbreviations	Description
CMO	Contract Monitoring Officer - Caroline Guyon
CIPFA	Chartered Institute of Public Finance and Accountancy
DLUHC	Department for Levelling UP, Housing & Communities
DWP	Department for Work and Pensions
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
GAD	Government Actuary's Department
ICT	Information and Communications Technology
LCIV	London Collective Investment Vehicle
LGPS	Local Government Pension Scheme
LPB	Local Pension Board
LPPA	Local Pensions Partnership Administration
PFM	Pension Fund Manager, Finance – Debbie Ford
SAB	Scheme Advisory Board
SLA	Service Level Agreement
SLT	Society of London Treasurers
TCFD	Task Force on Climate-related Financial Disclosures
tPR	The Pensions Regulator

Risk No.	Risk Owner	Details of Risk	Consequences (Effect) of not addressing the risk	Risk Likelihood / Impact prior to Controls	Controls / Mitigations	Risk Likelihood / Impact post Controls	Actions / Recommendations	Review of Actions taken to date and further actions identified
	RISK TITLE **No 1. Risk of Inaccurate three yearly actuarial valuation**							
	Upper Level: S151 Officer/Director of Exchequer and Transactional Services							
1.1	Lower Levels: PFM	Inappropriate assumptions used by actuary in calculations for valuation.	Inappropriate investment risk may be adopted and deficit not reduced.	AMBER B/2	Assumptions for valuation are compliant with regulation.	GREEN E/3		Officer meeting Oct 22. Valuation training for pensions Committee members delivered by Hymans Dec 22. Valuation 2022 process completed by Mar 23 deadline. Risk and Controls Reviewed by LPB July 23. GAD S13 report for 2022 not expected until 2024 Officers to assess results and
					Actuarial assumptions are open to challenge by officers, members during training and as part of the Funding Strategy Statement consultation with stakeholders.			
					Valuation results are checked for consistency across LGPS funds via GAD S13 report.		GAD S13 report measures valuations using 4 criteria: • compliance • constituency • solvency • long-term cost efficiency. GAD S13 report on 2019 valuations resulted in the Fund receiving “white” flag under the solvency measure – meaning no overall concerns.	
					Local Government benchmarking/comparisons of assumptions. Asset/Liability review following Valuation and			

					consideration by members.			report to Committee on the outcomes.
			Potential for Council Tax increases to plug funding gap.		Valuation completed by a qualified professional actuary.			Risk and Controls Reviewed by LPB Jul 23. 22/23 Service Review due to be presented to Pensions Committee in Nov 2023.
					Robust, open procurement process in place for appointment of actuary.			
					Annual review of actuary performance undertaken by Pensions Committee.		21/22 Service Review submitted to Pensions Committee 08 Nov 22. Current contract extended to 2025, in line with framework agreement.	
1.2	PFM / CMO	Poor quality data provided /personal data not maintained (gaps/incorrect).	Poor quality or incomplete data could result in an increase to employer contributions/ inappropriate contribution percentages calculated.	AMBER B/2	Data cleansing/Controls in place to ensure accuracy and completeness of data. Data accuracy measured against the Pensions Regulator scoring criteria with a requirement to achieve 100% accuracy on common data. An annual data improvement plan in place with agreement from LPPA to ensure identified areas for improvement are recorded and dealt with.	GREEN E/3		Risk and Controls Reviewed by LPB Jul 23.
					Annual Data Improvement plan implemented with			

					agreement from LPPA and regular checking of the Pensions Regulator data scores to identify areas to be fed into the plan.			
					Pensions Administration Strategy implemented with effect from 01/10/21 to clarify employer responsibilities regarding data accuracy and timeliness.			
	RISK TITLE **No 2. Risk of Incorrect / Inappropriate Investment Strategy**							
	Upper Level:S151 Officer							
2.1	Lower Levels: PFM	Lack of or poor professional investment advice given or not taken.	Potential for financial loss.	AMBER C/2	Investment Advisor appointed to advise the Fund who is instrumental in setting Investment Strategy. Investment Advisor is FCA regulated so is required to evidence that they meet the required standards.	GREEN D/3		Risk and controls reviewed Sept 23. No changes required to current controls.
			Loss of investment opportunities and adverse performance.					
			Growth opportunities are not maximised.					
2.2	PFM	Poor governance of Investment Advisor.	Potential for financial loss.	AMBER C/2	Robust, open procurement process in place for appointment of Investment Advisor.	GREEN E/3	Contract ends 31 March 2024 with the option to extend to 31 March 2024. 21/22 Service review presented to Pensions Committee 13 December 2022.	Risk and controls reviewed Sept 23. No changes required. 22/23 Service review due to
					Investment Advisor performance is annually reviewed by the Pensions Committee and conforms to			

					Competitive Markets Order.			Pensions Committee Nov 2023. Officers to recommend extension of contract to 31 Mar 26.
					Option to appoint an Independent advisor to undertake a health check and add robustness to the investment strategy as required.			
2.3	PFM	Lack of understanding and awareness (Pension Committee).	More investment risk may be taken to bridge a gap that does not actually exist and could generate inefficiencies and unintended risks if not fully understood.	AMBER C/2	Investment strategy /risks continually assessed as part of the quarterly monitoring process by the Pensions Committee.	GREEN D/2		Risk and controls reviewed Sept 23. Hymans LOLA Version 2 to go live 1 Oct 23. Continue to monitor completion of modules
					Investment Advisor attends each quarterly Pension Committee meeting.			
					Knowledge and skills training of LPB and Committee Members / Inductions carried out for new LPB and Pension Fund Committee members.		Pensions Committee & LPB -Training / Awareness ongoing - working towards full compliance with CIPFA Knowledge and Skills framework. Signed up to Hymans online learning platform (LOLA) from August 2022.	
2.4	PFM	Concentration risk by asset, region and sector/Lack of clear risk appetite.	Potential for a more risk averse Investment Strategy when	AMBER C/2	Investment Strategy Statement (ISS) /risks continually assessed as part of the quarterly monitoring process by	GREEN E/3		Risk and controls reviewed Sept 23.

			more risk is required or more investment risk may be taken to bridge a gap that does not actually exist.		the Pensions Committee. Diverse portfolio to reduce concentration. Members are informed of risk vs return consequences on any proposal to change the ISS.			No changes required.
2.5	PFM	Based upon inaccurate actuarial valuation.	Pension deficit not reduced and potential for Council Tax increases.	AMBER C/2	Liabilities analysed during inter-valuation period in addition to every three years.	GREEN E/3		Risk and controls reviewed Sept 23. No changes required. Inter-valuation report as at 30 Sept 2023 due in Dec 2023. Officers to report outcomes to Pensions Committee.
					A close working relationship is encouraged between the actuary and the investment advisor in the development of the investment strategy. Thus made easier as both services undertaken by the same firm.			

	RISK TITLE **No 3. Risk of Failure of Investments to Perform In-Line with Growth Expectations**							
	Upper Level: S151 Officer							
3.1	Lower Levels: PFM	Poor Fund Manager selection.	Potential for losses to be incurred.	AMBER C/2	Fund Manager selection now undertaken by LCIV. LCIV is FCA regulated Product reviews and due diligence are undertaken by the Investment Advisor before the Fund invests. A robust Fund Manager selection process is in place (Non LCIV where required).	GREEN E/3		Risk and controls reviewed Sept 23. No changes required.
			Reputational risk from poor investments.					
3.2	PFM	Underperformance by Fund Manager.	Deficit reduction targets not met/Increased employer contributions.	AMBER C/2	Fund Managers and LCIV attend Pension Committee to present quarterly performance reports and are challenged by the Committee and Fund Investment Advisor.	GREEN D/3		Risk and controls reviewed Sept 23. No changes required.
3.3	PFM	Poor investment advice provided to the Fund or not taken.	Deficit reduction targets not met.	AMBER C/2	Investment Advisor performance is annually reviewed by the Pensions Committee and close working relationship are maintained with officers.	GREEN D/3	21/22 Service Review submitted to Pensions Committee 13 December 2022.	Risk and controls reviewed Sept 23. No changes required. . 22/23 Service review due to Pensions Committee Nov 2023.

3.4	PFM	A negative financial market impacts/external factors/increased market volatility (i.e. Recession, COVID 19 Pandemic, inflation).	Economy downturn could result in general fall in investment values.	RED B/1	Diverse portfolio to reduce effects from market volatility.	GREEN D/3		Risk and controls reviewed September 23. No changes required.
					Close monitoring of Markets by the Fund's investment Advisor.			
					Investment Advisor produces monthly market updates.			
3.5	PFM	Delays in the implementation of the strategy will reduce the effectiveness of the strategy and may impact growth.	The Fund's assets are not sufficient to meet its long-term liabilities.	AMBER C/2	Investment advisor/Pensions Committee and officers review fund performance and asset class targets quarterly.	GREEN D/3		Risk and controls reviewed Sept 23. No changes required.
3.6	PFM	Delays in compliance with capital calls/FX Hedges on new illiquid mandates could result in penalty payments.	Penalty payments are charged to the Fund.	GREEN D/3	Robust processes in place to ensure capital calls/FX cash settlements are funded in a timely manner.	GREEN D/4	No penalty charges or missed capital calls to date.	Risk and controls reviewed Sept 23. No changes required.
3.7	PFM	Underperformance of LCIV Fund manager. Failure to achieve Asset Under Management (AUM) Target.	The Fund's assets are not sufficient to meet its long-term liabilities.	AMBER C/1	Officers attend LCIV monthly business meetings to ensure the Fund is up to date with LCIV events. Summaries are reported back to the Pensions Committee quarterly.	GREEN D/3		Risk and controls reviewed Sept 23. No changes required to current controls.
					LCIV arrange regular "meet the manager" sessions that are open to Officers and Committee members.			
					LCIV attend Pension Committee, as part of the reporting cycle, to report on sub fund manager performance			

					and LCIV updates. Open to challenge by the Pensions Committee and Fund Advisor.			This Fund is in the process of being fully divested, proceeds to fund LCIV Global Bond Fund.
					LCIV sub fund manager performance is monitored by LCIV – monitoring status awarded “normal”, “enhanced” or “on-watch”. Deep dives undertaken annually or more frequently if on “enhanced” monitoring or “on watch		LCIV Diversified Growth Fund currently classified as “enhanced” monitoring Next review: December 2023.	
			Failure to meet AUM target may impact LCIV service delivery.		Development charges and ad valorum fees are reported at the LCIV General Shareholder meetings - attended and challenged by shareholder reps i.e. Councillors from each borough, SLT.			
			Annual charges may not decrease in line with MTFS expectations.					
3.8	PFM	Fund Managers – noncompliance to the Code of Transparency.	Failure to disclose full management fees in the Pension Fund Annual Report and accounts and being overcharged.	GREEN C/3	Fund Managers complete the Code of Transparency compliance template annually. Officers have access to the Byhiras client portal to check submission of templates.	GREEN D/3	All fund managers now submit data so further analysis can be undertaken.	Risk and controls reviewed Sept 23. No changes required.

3.9	PFM	Climate Risk /ESG Considerations.	Failure to consider the extent of climate change could impact negatively on financial outcomes e.g. stranded assets, carbon taxes etc. Could also result in the Fund missing out on investment opportunities associated with Climate change.	AMBER C/2	The Committee have developed a set of Investment beliefs that recognises that climate change and the expected transition to a low carbon economy represents a long –term financial risk to Fund outcomes.	GREEN D/2	Climate Risk Policy agreed by Pensions Committee on 25 July 2023.	Risk and controls reviewed Sept 23. No changes required. Workshops to be arranged to assess progress against action plan.
					Investment beliefs incorporated as part of the ongoing implementation of investment strategy and some funds have switched to less carbon intensity products.			
					The Pensions Regulator has set up a working party to consider guidance for pension schemes. The SAB is also expected to incorporate climate change considerations into its guidance for LGPS funds during 2020. climate scenario stress testing is now included in the contribution modelling exercise for the local authority as at the 2022 valuation.		Consultation “LGPS Governance & Reporting of Climate change Risk” closed in Nov 2022. Officers will monitor progress of regulations and guidance- yet to be issued.	

3.10	PFM	Risk that MATS Consolidate existing Pension Fund memberships funded within various Local Authorities into a Pension Fund outside Havering.	If a request to transfer out from the Fund is granted by DLUHC, this could set a precedent for the sector and the potential wider impact on other employers who may also seek to transfer out. There will be an impact on cash flow and the Investment Strategy, as it is estimated that 10% of the Fund's assets and liabilities would transfer out, if all existing MATS followed precedent	AMBER C/2	The Fund has responded to the consultation issued by DLUHC opposing the transfer on the grounds of the wider risks faced by the Fund. If the Transfer request is granted the Fund will ensure data is correct and work with the actuary to ensure that the settlement of the transfer is valued correctly for exit.	AMBER C/2	To monitor DLUHC actions re Transfer request from Oasis Community Learning. To ensure contact with the Actuary regarding transfers and exit valuations.	DLUHC continuing to consider the Oasis application, no update as at Sept 23 officers awaiting decision.

	RISK TITLE No 4. Risk of Failure to comply with Legislative requirements							
	Upper Level for All Risks S151 Officer/Director of Exchequer and Transactional Services							
4.1	Lower Levels: PFM / CMO	Lack of appropriate skills/knowledge of tPR, DLUHC and CIPFA Guidance, Financial Regulations and accounting standards. Unaware of legislative changes/poor/inaccurate interpretation of the regulations.	Potential for breach of legislation resulting in incurring financial penalties from the tPR/legal challenges/ reputational damage.	AMBER C/1	Local Pension Board is in place to oversee adherence to the Regulations and guidance.	GREEN E/3		Risk and controls reviewed Sept 23. No changes required.
					Statutory policy documents reviewed annually to ensure compliance with legislation.			
					Officers are members of the CIPFA Pensions Network and participate in the CIPFA Pensions Network/Peer forums to share knowledge & awareness.			
					Active participation in Legislative Consultations where appropriate. Legislative changes are reported to the Pensions Committee where required.			
					Induction carried out for new Pension Fund Committee and Local Pension Board members.			
					External and in house training provided where required. Continual personal development for all Committee/LPB members and Officers.		Personal development for all Committee/LPB members/officers is on-going.	
							CIPFA K&S questionnaires to be	LOLA v2 to go live from 1

							completed by Local Pension Board and Pensions Committee members. Signed up to Hymans online learning platform (LOLA) August 22.	October 2023. Completion of modules to continue to be monitored.
					Access to specialist pension media sources.			Risk and controls reviewed Sept 23. No changes required.
					Financial requirements are subject to external and internal audit with no qualifications.			
4.2	PFM / CMO	Key person dependency	Loss of corporate knowledge and expertise in both administration and finance management.	RED B/1	Experienced personnel in place at present.	GREEN D/2	One Source is undergoing a restructure. Havering Pension Fund finance will be returning to sovereign borough. Succession planning scheduled.	Risk and controls reviewed Sept 23. No changes required. OneSource restructure ongoing.
4.3	PFM / CMO	Failure/inability to administer the pension scheme in accordance with regulations.	Non-compliance could result in an adverse external audit report.	AMBER C/2	Local Pension Board in place to oversee adherence to the Regulations and guidance.	GREEN E/3		Risk and controls reviewed Sept 23. No changes required.
					tPR undertook a review of the Fund's day-to-day practices and operations in 2019 with no overall concerns and officers have since implemented recommendations arising from their review.			Continued monitoring against tPR recommendat ions.

					Experienced personnel in place at present.			Risk and controls reviewed Sept 23. No changes required. Officers currently complying with 21/22 audit requests.
					Attendance at seminars/training to ensure up to date regulatory requirements.			
					Financial statements are subject to external and internal audit with no qualifications.		Outstanding - audit sign off for the 20/21 accounts (audit completed). Outstanding - Pension Fund audit for 21/22 accounts (audit commenced September 2023). Outstanding - Pension Fund audit 22/23 - not commenced.	
4.4	PFM	Employers ability to meet contribution rates determined by the Actuary in the Valuation Rates and Adjustment certificate due to budget pressures	Potential loss of Income to the Pension Fund and target funding level not met. Potentially leading to higher employer contributions rates set in future.	AMBER C/2	The Administrating Authority has a policy included within its FSS, setting out its approach to reviewing contribution rates between triennial valuations. This has been adopted in line with regulations	GREEN D/2	Officers to keep under review the risk of employers ability to meet their obligations and liaise with the Fund's actuary as appropriate	

	RISK TITLE **No 5. Risk of inability to Manage/Govern the Pension Fund and Associated Services.**							
	Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.							
5.1	Lower levels: PFM /CMO	Staffing issues: 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. Potential for Time delays. Increased costs due to "buying in" external expertise.	AMBER B/1	The London Borough of Havering delegated the pension administration service to Lancashire County Council who have engaged the Local Pensions Partnership Administration (LPPA) to undertake their pension portfolio.	GREEN D/2		Risk and controls reviewed Sept 23. No changes required.
					LPPA have case type dedicated teams to ensure expertise is maintained.			
					Continuous pension training for LPB, Pensions Committee members and staff.		Signed up to Hymans online learning platform (LOLA) from August 2022.	LOLA v2 to go live from 1 Oct 23. Completion of modules to continue to be monitored.
					Participates in the CIPFA Pensions Network/ Peer forums to share knowledge & awareness.			Risk and controls reviewed Sept 23. No changes required.
					oneSource has introduced a knowledge sharing platform (the Finance Academy).		Pension Fund officers to maintain and ensure procedure notes in place for key activities.	
					Guidance from external agencies (some will be at a cost).			

					Members of Local Authority Pensions Web.			
5.2	PFM	LCIV resourcing – LCIV staff turnover.	Undermines investor confidence in the LCIV.	AMBER C/2	Continued monitoring of LCIV in place.	GREEN D/3		Risk and controls reviewed Sept 23. No changes required
5.3	PFM / CMO	ICT failure/Disaster Recovery.	Loss of infrastructure. Failure of all ICT services.	RED B/1	ICT/ Disaster Recovery in place. Regular security upgrades to computer systems at both Havering and LPPA.	GREEN D/3		Risk and controls reviewed Sept 23. No changes required.
					Implementation of COVID-19 working restrictions has maintained service continuity.			
					Use protected portals to send personal information.			
					Internal Firewalls recommended.			
					GDPR good practice is undertaken.			
5.4	PFM / CMO	Cyber Security Risk.	Ransomware risk.	RED B/1	Internal Audit for oneSource Cyber Security carried out in Oct 2018.	AMBER C/2		Risk and controls reviewed Sept 23. No changes required.
					LPPA hold a current Cyber Essentials Certificate, issued 13/07/2021. They also undertake regular penetration testing with a CREST accredited			

					company with any vulnerabilities remedied.			
5.5	PFM / CMO	Functionality of Oracle Cloud causes pension fund system issues.	Pension Fund Accounts system malfunction.	AMBER C/2	Oracle team aware of Pension fund system requirements.	GREEN D/2	Monitoring ongoing with regard to system reconciliations and balance sheet requirements.	Risk and controls reviewed Sept 23. No changes required.
					Systems tested at each stage of implementation. Pension Finance staff undertook testing of General Ledger Revenue codes.			
5.6	CMO	Poor Pension fund administration by the outsourced service LPPA.	Service Delivery failure leading to client/customer complaints and reputational damage.	RED B/1	Formal agreement in place with administrator, including SLA's.	GREEN E/3		Risk and controls reviewed Sept 23. No changes required.
					CMO in post to monitor the administration work of LPPA.			
					Service is subject to external auditor report of pension's admin processes. LPPA supply an annual internal assurance report where the control objectives link in to the Pensions Regulator Code of Practice 14.			
5.7	CMO	Poor administration by the employers/payroll providers in the fund.	Service delivery failure leading to client/customer complaints and reputational damage.	AMBER C/2	Local Pension Board is in place to assist the administering authority in effective and efficient governance of the Havering Pension Fund.	GREEN E/3		Risk and controls reviewed Sept 23. No changes required.
					Pensions Administration Strategy in place to clarify the responsibilities of scheme employers and provide timescales			

					for the submission of data.			
					LPPA have a programme of employer training and a dedicated employer engagement team to provide support.			
					CMO maintains regular contact with scheme employers to provide support.			
			Inaccurate data provided give rise to inaccurate data and financial reputational consequences such as actuary to set contribution rates with a high margin of error.		CMO in post to monitor the administration work of LPPA.			
					Actuary undertakes data checks/cleaning as part of triennial review process.			
					Data cleanse checks undertaken as part of the year end pensions administration process.			
					Annual data improvement plan implemented with agreement from LPPA and regular checking of the Pensions Regulator data scores to identify areas to be fed into the plan			
			Pension costs and payments delayed or incorrect.		Monthly reconciliations to monitor cash flow carried out.			
					CMO monitors benefit payments from the Fund.			
			Admission agreements not completed by		Employer on boarding process in place. Service handover completed		Strengthens the process for on boarding new	

			the transfer date.		when the process of admitting bodies to the fund transferred from LPPA to in-house Apr 21.		employers and Bond reviews. Staff member appointed Sept 22.	
					Bond or guarantee reviews in place and reviewed every three years as part of valuation process.			
5.8	PFM	Failure/inability to undertake the accounting of the pension scheme appropriately.	Qualified opinion on the accounts by external auditor.	AMBER C/2	Pension Fund accounts subject to external audit.	GREEN E/3	Outstanding audit sign off for the 20/21 accounts (audit completed). Outstanding Pension Fund audit for 21/22 accounts (audit commenced Sept 23). Outstanding Pension Fund audit 22/23 - not commenced.	Risk and controls reviewed Sept 23. No changes required. Officers currently complying with 21/22 audit requests.
					Experienced personnel in place.			
					Pension Fund uses the service of an external custodian to verify asset values and performance.			
					Fund Managers performance is monitored quarterly. Fund Managers present at Pension Fund Committee meetings.			
					Monitoring of internal control reports of fund managers to ensure			

					operations administered correctly.			
					Attendance at accounting seminars/training to ensure adherence to guidance and regulations.			
5.9	PFM / CMO	Poor communications with stakeholders.	Disaffection and actions against the Council.	GREEN C/3	The Council has in place a complaints system to address complaints via the website that goes all the way up to the pension's ombudsman.	GREEN E/3		Risk and controls reviewed Sept 23. No changes required.
					The Pension Fund has a communications strategy that is updated annually and reviewed every 3 years. The strategy is reviewed by the local pensions board and approved by the Pensions Committee.			
					LPPA has an LGPS dedicated website that contains all relevant information for scheme members and employers.			
					The Fund has a pensions dedicated page within the Havering Council website where fund specific information is published and where the Fund publishes an Annual Report.			

5.10	PFM / CMO	Excessive charges by suppliers.	Fund incurring unnecessary costs.	AMBER C/2	Third Party Fee Invoices checked prior to payment.	GREEN E/4		Risk and controls reviewed Sept 23. No changes required.
5.11	CMO	The Data migration from Altair to UPM (Universal Pensions Management) in November 2022 is not complete and accurate.	Member's records may not be accurate which would leave LPPA unable to calculate the correct level of pension benefits.	RED B/1	LPPA have a dedicated project team and robust project plan in place that includes rigorous testing of data migration and calculations.	GREEN D/2	Havering data migrated to UPM in November 2022.	Continued monitoring in place to ensure accurate transfer.
					The project risk register has been presented to the Local Pensions Board.			
	RISK TITLE **No 6. Risk of failure to on board or exit employers/members effectively.**							
	Upper Level for all Risks:S151 Officer/Director of Exchequer and Transactional Services							
6.1	Lower Levels: PFM / CMO	Delays in internal processing of documentation/ admission agreements.	Contribution delays from the employers & members until on boarding has been completed impacts cash flow.	AMBER C/2	Monthly contribution schedules maintained by the Havering Pensions Team.	GREEN E/3		Risk and controls reviewed Sept 23. No changes required.
					Monthly reconciliations between the General Ledger and contribution schedules.			
					Reconciliations between General Ledger and Altair undertaken quarterly with any queries referred to LPPA/CMO for investigation.			
					Pensions Administration Strategy in place to			

					clarify the responsibilities of scheme employers and provide timescales for the submission of contribution payments.			
			Late payments of pension benefits		CMO works closely with LPPA. Carries out spot checks to review LPPA work on a regular basis.			
					Pensions Administration Strategy in place to clarify the responsibilities of scheme employers and provide timescales for the submission of data.			
			Adverse External Audit Opinion on internal controls.		Service handover completed when process of admitting bodies to the fund transferred from LPPA to in-house Apr 21.			
					LPPA performance report presented to the Local Pension Board at every meeting.			
					Escalation to Heads of Service where required.			
6.2	PFM / CMO	Poor communications with stakeholders/ lack of understanding by employers with regard to their responsibilities.	Potential breach of regulations and member entitlement. Potential for litigation.	AMBER C/2	Script in place to deliver to new Academy employers, with feedback process in place.	GREEN E/3		Risk and controls reviewed Sept 23. No changes required.
					Admission policy and manual completed in Nov 17.			
					TUPE manual completed in Nov 17.			

					Pensions Administration Strategy in place to clarify the responsibilities of scheme employers.			
					CMO maintains contact with employers to provide dedicated point of contact.			
					Database maintained on all contact details for LGPS communications.			
			Employer's liabilities may fall back onto other employers and ultimately local taxpayers.		Actuarial assessment completed for all new admission requests to assess the level of financial risk.			
					Bonds and suitable guarantees put into place to protect the Fund in case of default.			
6.3	CMO	Member data incomplete or incorrect.	Incorrect member data causes processing delays.	AMBER B/2	LPPA raise queries with scheme employers.	GREEN E/3		Risk and controls reviewed Sept 23. No changes required
					Member self-service – online tool for members to check and update personal data.			
					Annual data cleansing undertaken as part of the year end administration process.			
					Data reviewed as part of the triennial valuation exercise.			
					Reconciliations between General Ledger and UPM undertaken quarterly identifies member mismatches.			

6.4	PFM / CMO	Government white paper on academies, which sets out that it wants all LEA's to convert to academy status within the next 8 years.	Currently 42 schools currently with LEA that may need to convert, which could impact existing resources to onboard and administer. Cost implications for the Administration contract due to increased levels of employers and employees to manage.	AMBER D/3	To monitor development of Government plans.	AMBER B/3	Havering to liaise with LPPA to have appropriate plans in place to review resources for implementation and ongoing monitoring.	Risk and controls reviewed Feb 23. Update – The Government has scrapped the schools bill and the aim to convert all LEA schools to Academies by 2030 will not go head. A regulatory review will continue.

	RISK TITLE **No 7. Risk of Pension Fund Payment Fraud**							
	Upper Level for all Risks: S151 Officer/Director of Exchequer and Transactional Services.							
7.1	Lower Levels: CMO	Pension overpayments arising because of non-notification in change of circumstances.	Financial loss. Reputational damage of Pension Administration and the Council.	GREEN C/3	Participate in the National Fraud Initiative (bi-annually).	GREEN E/4		Risk and controls reviewed Sept 23. No changes required
					Signed up for DWP database Tell us Once – DWP inform LBH of deaths of members of the Havering LGPS fund. Monitored daily			
					Sept 20 – Mortality Screening outsourced to external supplier. Monthly checks.			
					Address checked for deferred pensions prior to payment.			
					Process is in place to investigate return of payment by banks.			
					Internal audit checks carried out.			
7.2	PFM / CMO	Internal staff fraud/ Staff acting outside of their levels of authorisation.	Potential for financial loss.	AMBER C/2	Segregation of duties.	GREEN E/3		Risk and controls reviewed Sept 23. No changes required
					Pension Fund bank account reconciled monthly.			
					Internal audit checks carried out.			
					Internal disciplinary process in place.			
7.3	PFM / CMO	Conflict of interest.	Inappropriate decision-making.	AMBER C/2	Register of interest declarations on the agenda at all Local Pensions Board / Committee meetings.	GREEN E/3		Risk and controls reviewed Sept 23.

Glossary

Accounting period - The period of time covered by the Council's accounts. The Council's financial year is from the period 1st April to the following 31st March.

Accounting policies – The specific principles, bases, conventions, rules, and practices applied by the Council in preparing and presenting the financial statements.

Accounting standards - A set of rules explaining how accounts are to be kept (See 'International Financial Reporting Standards').

Accrual - The recognition of income and expenditure in the year that they occur and not when any cash is received or paid.

Active member - Current employee who is contributing to a pension scheme.

Actuary - An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

Additional Voluntary Contributions (AVC) - An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider

Administering Authority -The Administering Authority is responsible for maintaining and investing its own Fund for the LGPS. This means the Administering Authority is responsible for making all decisions relating to the operation of the Fund.

Admitted Body - An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

Admission Agreement - an agreement made between the administering authority, a Scheme employer and a contracted company to allow the contractor to become part of the LGPS.

Asset allocation - The apportionment of a fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

Asset Pool - is an entity that allows investors to pool their money and invest the pooled funds, rather than buying securities directly as individuals.

Balance Sheet - A statement of all the assets, liabilities and other balances of the Council at the end of an accounting period.

Basis Points (BPS) - A unit of measure for interest rates and percentages. One basis point is equal to 1/100th of 1%.

Benchmark - A measure against which the investment policy or performance of an investment manager can be compared.

Cash equivalents – Highly liquid, investments that can easily be converted into cash.

Chartered Institute of Public Finance and Accountancy (CIPFA) – A professional accountancy body, specialising in the Public Sector. It promotes best practice by issuing guidelines and Codes of Practice.

Contingent Liability - Where possible “one-off” future liabilities or losses are identified but the level of uncertainty is such that the establishment of a provision is not appropriate.

Consumer Price Index (CPI) – Measures the average change in retail prices of a basket of goods and services purchased by most UK households, to provide an indication of the rate of inflation. The CPI includes some financial services in the basket of goods not included in the RPI.

Creditors - Amount of money owed by the Council for goods and services received, also referred to as Payables.

Death Grant - an amount paid to a current or former member's estate or nominated beneficiaries in the event of death in service, death after retirement or death of a deferred beneficiary

Debtors - Amount of money owed to the Council by individuals, and organisations, also referred to as Receivables.

Deferred Benefits - benefits retained in the pension fund when a member leaves without an entitlement to the immediate payment of those benefits. If a transfer of benefits does not take place before hand, deferred benefits are usually paid from the member's normal retirement date.

Defined Benefit Scheme - A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Deferred members - Scheme members, who have left employment or ceased to be an active member of the scheme whilst remaining in employment, but retain an entitlement to a pension from the scheme.

Discretion - this is the power given by LGPS regulations to enable Scheme employers or administering authorities to choose how they will apply the Scheme rules in respect of certain provisions.

Employer rates - The percentage of the salary of employees that employers pay as a contribution towards the employees’ pension.

Equities - Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders’ meetings.

Exit Cap - The cap limits the exit payments made to employees of public sector bodies.

Fair Value - In relation to the value of financial instruments, it is the amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arm’s length transaction.

Financial Instrument - Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Fixed interest securities – Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

Good Governance Framework – SAB commissioned report reviewing the governance of the LGPS on effectiveness and reviewing existing models.

Index - A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

Interest Rate Risk - The uncertainty of interest paid/received on variable rate instruments and the effect of fluctuations in interest rates on the fair value of an instrument.

Internal Disputes Resolution Procedure (IDRP) – a complaints procedure governed by regulation providing any current or former scheme member with the opportunity to settle any dispute or complaint they may have in respect of any decision made regarding their entitlements under scheme rules.

International Financial Reporting Standards (IFRS) – The set of international accounting standards issued by the International Accounting Standards Board (IASB). Local Authorities are required to produce accounts based on IFRS.

Investment Properties – Those properties that are held solely to earn rentals and/ or for capital appreciation, rather than for the delivery of services.

Investment Strategy Statement (ISS) – LGPS regulations require administering authorities to prepare and maintain an ISS. The ISS outlines the Fund’s investment objectives and investment beliefs, identifies the risks the Fund faces and outlines how this risks are controlled/mitigated.

McCloud - The McCloud judgement refers to the Court of Appeal's ruling that Government's 2015 public sector pension reforms unlawfully treated existing public sectors differently based upon members' age

National Fraud Initiative - Exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Pension Administration Strategy – Strategy which outlines the processes and procedures allowing the administrator and employers to work together in a cost effective way to administer the LGPS.

Pooled Investment vehicles - Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Public Service Pension Act 2013 - An Act to make provision for public service pension schemes and for connected purposes.

Rates and Adjustment Certificate - a certificate issued by the Actuary following a valuation of the Fund which sets out the employer contribution rates payable by each of the associated scheme bodies.

Return - The total gain from holding an investment over a given period, including income and increase or decrease in market value.

Scheduled body - An organisation that has the right to become a member the LGPS under the scheme regulations. Such an organisation does not need to be admitted as its right to membership is automatic.

Triennial Valuation - Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

Unrealised gains/ losses - The increase or decrease in the market value of investments held by the fund since the date of their purchase.

Value For Money (VFM) – This term is used to describe the relationship between the economy, efficiency, and effectiveness (known as the 'three Es') of a service, function or activity. Value for money is high when there is an optimum balance between all three.

Acronyms
AAC Annual Allowance Charge
AVC Additional Voluntary Contribution
CARE Career Average Revalued Earnings
CIPFA The Chartered Institute of Public Finance and Accountancy
CIV Collective Investment Vehicle
CPI Consumer Prices Index
DLUHC Department for Levelling Up, Housing and Communities
ESG Environmental, Social and Corporate Governance
FSS Funding Strategy Statement
GAD Government Actuary's Department
GDPR General Data Protection Regulation
HMRC Her Majesty's Revenue & Customs
IAS International Accounting Standard
IDRP Internal Disputes Resolution Procedure
IFRS International Financial Reporting Standards
ISS Investment Strategy Statement
LGPS Local Government Pension Scheme
LCIV London Collective Investment Vehicle
LPPA Local Pensions Partnership Administration
NPV Net Present Value
PSLA Pensions and Lifetime Savings Association
SAB Scheme Advisory Board
VAT Value Added Tax