Newham London

WE ARE PENSIONS.

PENSION FUND ANNUAL REPORT

LAPF INVESTMENTS AWARDS 2020

SHORTLISTED FOR
Best Approach to Sustainable Investing

LAPF INVESTMENTS AWARDS 2020

WINNER
Good Governance Award

BUILDING A FAIRER NEWHAM

Contents

Chair's comments

I have been the Chair of the Pensions Committee ('PC') since May this year and on behalf of my fellow committee members, I am pleased to introduce the 2021-22 annual report and accounts.

As today's stewards of the Local Government Pension Scheme ("LGPS") and the Newham Fund, ("the Fund") my colleagues on the PC, the members of our Local Pension Board and Fund Officers take very seriously their responsibilities to all stakeholders – including 29,802 scheme members, and 54 active employers – ensuring that the scheme is locally administered effectively and efficiently on their behalf.

The value of the Fund's assets amid a volatile year on the markets closed 2021-22, up £121m or 7.6% from last year, closing at £1.71bn. Investment performance should always be viewed over the longer term and I am pleased to report that the Fund has successfully navigated the market turbulence created by the pandemic and shown strong investment performance both on an absolute and relative basis compared to other LGPS Funds in 2021/22. The Pensions & Investment Research Consultants (PIRC) Local Authority Fund Statistics annual league table on LGPS performance 2021/22 shows this Fund delivered the 5th highest investment performance out of 31 participating London LGPS Funds.

During 2021-22 the Fund continued its legacy of attracting sector recognition by being shortlisted as a finalist for three awards: the CCLA/ Room 151 Impacts Awards 2021 in the category for Place Shaping; shortlisted for Pensions for Purpose Awards 2021 in the category for Social Impact and the only finalist from the LGPS sector and finally shortlisted for the Local Authority Pensions Fund (LAPF) Investment Awards 2021 under the category of Best Climate Change Strategy in recognition of the Fund's ESG policy and action taken to reduce financial risk from fossil fuel holdings.

The new PC benefit from the retention of a core group of experienced members from the outgoing PC at the May 2022 elections, a support infrastructure made up of officers, advisers and the Pension Board combined with a strong training and development offer that will ensure a seamless transition and build on the good work undertaken hitherto.

I would like to give a special thanks to the previous chair, Cllr Nareser Osei, for what the previous PC has achieved and commend its members, officers and advisers for their hard work and dedication they have made.

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Cllr Rohit Dasgupta
Chair of the Pensions Committee

Highlights of 2021/22

LAPF Investment Awards 2021

The Fund was chosen as a finalist for the LAPF Investment Awards 2021 in the following LGPS category:

- Best Climate Change Strategy

Pensions For Purpose Awards 2021

The Fund was nominated as finalist for the Pensions for Purpose Awards 2021 in the following category:

- Social Impact Award.

CCLA and Room 151 Impacts Awards 2021

In addition, the Fund was also a finalist for the CCLA / Room 151 Impacts Awards 2021 in the following LGPS category:

- Place Shaping

2020 UK Stewardship Code Signatory

The 2020 UK Stewardship Code was published by the Financial Reporting Council (FRC) and sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. The Fund has submitted its application to become a signatory to the new UK Stewardship Code Signatory which will supersede the current code that the Fund is already signed up to.

Review of Environmental, Social and Corporate Governance (ESG) policy

In May 2021 the Fund reviewed its ESG policy on managing climate change risks in line with impending regulation on Task Force on Climate-Related Financial Disclosures (TCFD).

Reduction in Fossil Fuels

In August 2021 the Fund made a key decision to moved its passive holdings into a fund index aligned to low carbon emissions and financial products that contribute to fighting climate change which has resulting in a major reduction in investments within fossil fuel holdings.

The Fund’s outlook for 2022/23

Pooling of Assets & Collaborative Working

The Fund is actively engaged with the LCIV – the Chair participates at LCIV General Meetings and votes on motions. The PC continues to review new investment opportunities available within the LCIV, which will deliver the Fund’s investment strategy and ensure that fees are kept at a minimum.

Equity review

The Fund will be reviewing its strategic asset allocation and holdings with in the equities class and implement of any changes that are agreed.

Triennial Valuation 2022

The next valuation is currently underway which will set updated employer rates that will commence in 2023/24. This work is being carried out collaboratively between the Fund actuary, Fund investment adviser, Scheme Administrator and Newham Council.

The Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD established in December 2015, with the goal of developing a framework for the disclosure of climate related risks. Whilst it is not yet a regulatory requirement for the LGPS to report against this framework this Fund will start making preparations. The DLUHC will be publishing guidance in autumn 2022 on the implementation of mandatory TCFD aligned reporting in the LGPS by 2023.

Good Governance

The Scheme Advisory Board have agreed the proposals on Good Governance which has been submitted to DLUHC for adoption. It is expected that the proposals will come into effect later this year, although the Fund will have a year from that date to evidence compliance once DLUHC has issued its guidance.

Member training program

The Fund will be develop and deliver a bespoke member training program, with particular focus on the training needs of new PC members in accordance with the new CIPFA knowledge and skills framework.

McCloud

The Committee will be considering the impact of McCloud on the Fund’s LGPS scheme once the final regulations are published.

Levelling Up

Consultation paper from DLUHC on investment requirements for LGPS funds which will provide UK impact and fulfil the government’s levelling-up agenda. This consultation expected to be release sometime in the autumn 2022.

Asset Pooling

New guidance is also expected from DLUHC in the autumn 2022 relating to additional reporting requirements on LGPS asset pooling.

Fund Governance

The Fund is part of the LGPS. The benefits paid out and the scheme regulations are set nationally, but the Fund is managed and administered locally. As administering authority, the London Borough of Newham (LBN) has legal responsibility for the effective management of the Fund. The Council delegates this responsibility to the Committee, which is the formal decision making body for the Fund.

Pensions Committee

The Committee consists of fourteen Councillor members of which six are substitutes, co-opted trade union representatives and an independent committee advisor.

The Councillor members as at 31 March 2022 were

Chair – Councillor Nareser Osei (5/5)

Vice-chair – Councillor Joshua Garfield (3/5)

Councillor Harvinder Singh Virdee (2/5)

Councillor Winston Vaughan (2/5)

Councillor James Asser (3/5)

Councillor John Gray (4/5)

Councillor Nilufa Jahan (3/5)

Councillor Tonii Wilson (3/5)

The Councillor substitute members were Councillor Zulfiqar Ali and Councillor Anamul Islam.

Co-opted trade union representatives during 2021/22 were Tony Fernandes (Unite), Gloria Hanson (Unison) and Stella Ikanik (GMB).

The Committee meets quarterly to discuss investment strategy, legislation changes and developments that may affect the Fund, and to review the performance of the fund managers. The Committee may also arrange meetings on an ad hoc basis as required, and attend training sessions throughout the year. During 2021/22 the Committee met 5 times (training sessions) – the number of meetings attended by each member is shown above.

Management and Advisors

The work of the Committee is supported by a number of officers, advisors and external managers as set out below.

Responsible Officers

Pensions and Treasury team is based in the oneSource Finance service and 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.

Conrad Hall	Corporate Director of Resources	020 3373 4219
Stephen Wild	Head of Pensions and Treasury	020 3373 3881
Rakesh Rajan	Pension Fund Manager	020 3373 6595

The oneSource Exchequer and Transactional Service monitor and manage the pension administration contractors.

Sarah Bryant	Director of Exchequer & Transactional services	01708 432 233
James Cocks	Head of People Transactional Services	01708 432 266
Jacqueline Andress	Pensions Projects and Contracts Manager	020 3373 9658

Scheme Administrator

LBN contracts out its benefits administration to Local Pension Partnership (LPP) in accordance with the council's best value arrangements. LPPA maintain pension scheme membership records and provide advice, benefits calculations and estimates. LPP was formed in 2016 through a collaboration between Lancashire County Council and the London Pensions Fund Authority (LPFA) and the group was split into LPPI (Investments) and LPPA (Administration) in June 2020. The LPPA are the main contact point for all member and employer scheme queries, employees who wish to join the scheme and for advice on procedures or complaints

LPPA
2nd Floor, 169 Union Street, London SE1 0LL
020 7369 6105

Custodian Bank

The Fund uses Northern Trust as its custodian to hold and safeguard the Fund's assets. The custodian acts as the Fund's bank, settles transactions and is responsible for investment income collection.

Northern Trust
50 Bank Street, Canary Wharf, London, E14 5NT

In addition to acting as the Fund's custodian, Northern Trust provides performance analysis, comparing the performance of the Fund and individual managers to agreed benchmarks and market indices on a monthly, quarterly and annual basis. Pensions and Investment Research consultants Ltd (PIRC) is used to monitor the Fund against the LGPS universe.

Investment Managers used by the Fund

Day to day investment management of the Fund's assets is delegated to specialist managers in accordance with the LGPS (Management and Investment of Funds) Regulations 2009 (as amended). During the year the Fund used the following external managers:

Fund Manager	Mandate	Contact Details
Arcmont Asset Management	Private debt	77 Grosvenor Street, London, W1K 3JR
Baring English Growth	Private equity	3rd Floor, 11 Strand, London, WC2N 5HR
Brightwood	Private debt	15 Stanhope Gate, London, W1K 1LN
Brockton	Property unit trust	89 Wardour St, Soho, London W1F 0UA
CBRE	Property unit trust	3rd Floor, One New Change London, EC4M 9AF
Cheyne	Social Housing	Stornoway House, 13 Cleveland Row, London, SW1A 1DH
Fiera	Real assets	7th Floor, 16 Berkeley Street, London, W1J 8DZ
HarbourVest	Private equity	Berkeley Square House - 8th Floor, Berkeley Square, London, W1J 6DB
KGAL	Real assets	27 Bush Lane, London, EC4R 0AA
Legal & General	Passive equities and passive bonds	One Coleman Street London, EC2R 5AA
Longview	Unconstrained global equity active	Thames Court, 1 Queenhithe, London, EC4V 3RL
Internally managed	Diversified alternatives	Newham
Payden and Rygel	Fixed income	1 Bartholomew Lane, London, EC2N 2AX
Permira	Private debt	80 Pall Mall, London, SW1Y 5ES
Schroders (previously River and Mercantile)	Structured equity	1 London Wall Place, London EC2Y 5AU
London CIV	**Asset Pool Operator** Global bond fund (from June 2021)	4th Floor, 22 Lavington Street, London, SE1 0NZ

Actuary
Barnett Waddingham
163 West George Street
Glasgow, G2 2JJ

Investment Advisor
Barnett Waddingham
2 London Wall Place, 123 London Wall
London, EC2Y 5AU

Economic Advisor
Fathom Financial Consulting
47 Bevenden Street, London, N1 6BH

External Auditor
Ernst & Young LLP
400 Capability Green, Luton, LU1 3LU

Bankers
Lloyds TSB
City Office, PO Box 72, Bailey Drive
Gillingham Business Park, Kent, ME8 0LS

AVC Providers

Utmost Life & Pensions
(formally Equitable Life)
Walton Street, Aylesbury
Buckinghamshire, HP21 7QW

Clerical Medical
PO box 28121
15 Dalkeith Road
Edinburgh
EH16 9AS

Legal Advisors

The Fund receives legal advice from LBN's in-house legal team who in turn have taken specialist advice from:

Sackers and Partners
20 Gresham St
London, EC2V 7JE

Bevan Brittan
Fleet Place House, 2 Fleet Place
London, EC4M 7RF

Subscription bodies

The Fund is a member of the Pensions and Lifetime Savings Association (PLSA), the Local Authority Pension Fund Forum (LAPFF), the Institutional Investors Group on Climate Change (IIGCC), Pensions & Investment Research Consultants (PIRC) and the London Pension Fund Forum (LPFF).

Risk Management

The Fund's main risk is that its assets fall short of its liabilities to the extent that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to increase the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

Responsibility for the Fund's risk management strategy rests with the Committee.

In order to manage risks a Pension Fund Risk Register is maintained and reviewed regularly by the pensions board. Risks identified have been reduced through planned actions. The Risk Register is managed by the Director of Exchequer & Transactional Services and the Head of Pensions and Treasury with risks assigned to "Risk Owners".

The Fund's approach to risk management is covered in the following policies:

- Investment Strategy Statement (ISS)
- Funding Strategy Statement (FSS)
- Enviromental, Social & Governance (ESG) Investment Policy
- Governance Policy

Key risks

Risk	Risk Rating	Responsible Officer	Mitigations
Administration Risks			
3rd parties undertaking outsourced administration work are unable to facilitate timely and accurate updating of service records. Inaccuracies in service records may impact on actuarial valuations, calculations of pension benefits and on notifications to starters and leavers.	Medium	Director of Exchequer & Transactional Services	Actuary undertakes data cleansing on service records as part of the triennial revaluation which should identify the extent of any inaccuracies.
Loss of funds through fraud or misappropriation by 3rd parties could lead to negative impact on reputation of the Fund as well as financial loss	High	Head of Pensions and Treasury & Director of Exchequer and Transactional Services	Third parties regulated by the FCA. Separation of duties and independent reconciliation procedures in place. Review of third party internal control reports undertaken by Pensions Finance Team. Periodic internal audits of Pensions Finance and Exchequer & Transactional teams.
Funding Risks			
Scheme members live longer leading to higher liabilities	Medium	Head of Pensions and Treasury & Director of Exchequer and Transactional Services	Review at each triennial valuation

Risk	Risk Rating	Responsible Officer	Mitigations
Assumed levels of inflation and interest rates may be inaccurate leading to higher than expected liabilities.	Medium	Head of Pensions and Treasury	Review at each triennial valuation
Scheme employer fails to pay contributions timely each month	Low	Head of Pensions and Treasury	Monthly monitoring and prompt communication
Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by other employers.	Medium	Director of Exchequer and Transactional Services	Transferring admission bodies required to have a bond or guarantor in place. Regular monitoring of employers.
Investment Risks			
Fund managers fail to achieve agreed returns	Medium	Head of Pensions and Treasury	Independent monitoring of fund manager performance. Fund manager performance is reviewed quarterly.
Regulation Risks			
Introduction of European Directive MiFID II results are a restriction of Fund's investment options.	Low	Head of Pensions and Treasury	The Fund has successfully opted up with all managers and third parties as required by the deadline.

Controls Assurance Reports

Fund Manager	**Report**	**Assurance Obtained**	**Reporting Accountant**
Arcmont	Company too premature – external auditor satisfied	Reasonable	Price Waterhouse Coppers LLP
Brightwood	SOC 1	Reasonable	Ernst & Young LLP
CBRE	AAF 01/20 ISAE 3402	Reasonable	KPMG LLP
Cheyne	Operational Due Diligence	Reasonable	Cheyne
Fiera	ISAE 3402	Reasonable	Northern Trust Global Services
Harbourvest	SOC 1	Reasonable	Ernst & Young LLP
KGAL	Summary of risk management and Compliance policies	Reasonable	KGAL
LGIM	AAF 01/20 - ISAE 3402	Reasonable	KPMG LLP
Longview	AAF 01/20	Reasonable	Ernst & Young LLP
MAN FRM	SOC 1	Reasonable	Ernst & Young LLP
Payden and Rygel	ISAE 3402	Reasonable	BDO USA LLP
Permira	ISAE 3402	Reasonable	Ernst & Young LLP
PIMCO	SOC 1 / ISAE 3402	Reasonable	Price Waterhouse Coppers LLP
River and Mercantile	ISAE 3402	Reasonable	RSM Risk assurance LLP
Custodian	**Report**	**Assurance Obtained**	**Reporting Accountant**
Northern Trust	SOC 1	Reasonable	KPMG LLP

Newham Pensions Board Annual Report 2021/22

Purpose of Report

1. The report is compiled to provide feedback on the work undertaken during April 2021 to March 2022 (2021-22) by the Newham Pensions Board and to meet the legislative requirement for producing an Annual Report.

Background

2. The London Borough of Newham Pension Fund Local Pensions Board ("Pensions Board") was established in accordance with changes to the Public Service Pension Act 2013 (PSPA13) statutory pension scheme that is connected with it.

3. The Pensions Board is supported by officers of the London Borough of Newham Administering Authority ("Administrator"), by the appointment of an Independent Chair, and by assurance statements and information provided by external service providers to London Borough of Newham Pension Fund ("Fund").

4. There are three employer representatives and three scheme member representatives.

5. The Pensions Board has met four times in the Municipal Year 2021-22.

6. The costs of the Pensions Board's operations are charged to the Pension Fund and are included in the Fund budget.

Implications and Risks

Financial implications and risks:
None

Legal implications and risks:
None

Human Resources implications and risks:
None

Equalities implications and risks:
None

Membership

7. The membership of the Board is:

Membership Type	Name
Independent Chair	Tejonidhi Kashyap
Employee Representative	Catherine Hanlon (GMB)
Employee Representative	Donford Vardon (UNITE)
Employee Representative	Veronica Holley (UNISON)
Employer Representative	John Hollands
Employer Representative	John Saunders

Attendance at Meetings

Meeting Date	Tejonidhi Kashyap (TK)	Catherine Hanlon (CH)	Veronica Holley (VH)	Donford Vardon (DV)	John Hollands (JH)	John Saunders (JS)
22/07/21	X	X	X	X	X	X
14/09/21	X	X	X	X	X	X
26/01/22	X	X	X	X	X	X
25/04/22	X	X		X	X	X

Attendance at Training

8. See appendix A, for a summary of Training and attendance for the Pension Board.

Areas Covered at Pension Board

	Meeting Date			
Items Covered	**22/07/2021**	**14/09/2021**	**26/01/2022**	**25/04/2022**
Review Pension Board Plan for forthcoming year	x			
Draft Pension Board Annual Report	x			
Pension Fund Risk Register		x		
Automatic Enrolment Update		x	x	
Introduction to The Pension Regulator Code of Practice/Good Governance		x		
Improving Communication with External Employers			x	
Project PACE				x
Service Level Agreement Changes			x	x
LPPA Data and Performance		x	x	x
Committee Update**		x	x	x
Risk and Compliance Review (Complaints)		x	x	x
Improving Membership to Pension Fund Discussion				x

*** A committee update, is an Administration update which was presented to committee at the last Pension Committee*

Chair’s Comments

1. I would like to thank the members of the Pensions Board and the officers for their commitment to ensure effective and efficient service to our scheme members and employers, as we emerge from the Covid-19 pandemic.

2. The Pension Board regularly reviews the performance of the Pensions Administration service provider. During 2021-22, the Board reviewed data breaches, complaints and IDRP cases. The Pensions Board also reviewed the performance of the service provider in relation to adherence to various SLAs.

3. During 2021-22, the Pensions Board reviewed progress of efforts made to increase engagement with employees to join the scheme. This is a key area of focus over 2022-23 due to a high number of existing employees opting out of the scheme in Q1 2022.

4. In addition, the Pensions Board raised questions to understand the preparedness of the Newham Pensions Fund on key events over 2021-22 such as transition away from LIBOR, and threats relating to cybersecurity

5. Another key area of focus over 2022-23 will be the implementation related to the migration of the new Administration System (“Project PACE”). The Administrator has started to go live with the migration for various schemes with the migration for the Newham Pensions Fund scheduled for Q3-Q4 2022. The Pensions Board will monitor the implementation keeping in view the operational impact on the scheme and its members.

Tejonidhi Kashyap
Chair of the Board

Business Plan and Execution

1. The Pensions Board has created a Business Plan which can be viewed here

2. In the period from April 2021 to March 2022, the Pensions Board has considered a number of matters, some of which are listed below;

    a. Adherence to regulations
        i. Changes to regulations and guidance.
        ii. Good Governance Framework, LGPS exit cap and McCloud judgement to understand the impact on employees, the Fund and any Administrative implications.
        iii. Training needs analysis and monitoring

    b. Governance
        i. Review of the Authority's Fund Risk Register
        ii. Introduced the Pension Regulator Code of Practice template for reviewing governance
        iii. Review Administration and Fund Complaints statistics

    c. Administration
        i. Administration Performance Reports
            1. Including data quality
        ii. Administration Service Contract
        iii. Service provider Business Continuity Plans
        iv. Reviewing Administrators plan for migrating to a new system, Project PACE
            1. Proposed changes to SLA, through changes to how cases are managed
            2. Enhancements from existing system, move to member self-service, monthly reporting.
            3. Impact go live has hand on call centres and SLAs

    d. Membership and communication
        i. Reviewed Communication strategy on attracting additional members and promotion of the scheme.
        ii. Supported and Challenged Automatic Enrolment Communication Plan
        iii. Working on strategy for membership numbers

    e. Record keeping
        i. Data report covering performance of service provider in relation to processing times, time to answer phone calls and overall work against SLA's.

3. There have been no conflicts of interest involving any of the work undertaken by the Pensions Board or during any agenda items.

Review of Risks

1. The Pensions Board monitors the risk register on a regular basis. The Pensions Board seeks to ensure greater consideration on particular investment and non-investment risks identified to drive its work forward.

Forward Plan for 2022/23

1. The Pensions Board has made a business plan for the 2022-23 period taking into account key milestones and challenges the scheme is expected to face in this period. The plan is available here.

2. Further information regarding the Newham Local Pension Board including minutes of the meetings are available here.

Ref	Training Title	Description of Content	Training Provider	Date of Training	Board Members					
					TK	CH	DV	JH	JS	VH
6	A brief overview of upcoming Legislation Changes	A guide around upcoming changes to the LGPS and legislation that impacts the fund	Neil Lewins (LPPA)	8th Apr 21						
7	LGPS Local Pension Board Members Annual Event	LPB Roles/Responsibilities and guidance on upcoming changes to Pension Administration	Barnet Waddingham	23rd Jun 21						
8	LGPS Committee & Local Pension Board	Introductory Training - Governance, upcoming legislation and overall LGPS	Barnet Waddingham	15th Jul 21						
9	BW and CIPFA seminars Autumn 2021	Overall update on legislation, roles impacting LGPS that is aimed at support LBP	BW/CIPFA	28th Sep 21						
10	Understanding the Pension Fund Governance and Compliance Statement along with Admission Policy	Understanding the Pension Fund Governance and Compliance Statement along with Admission Policy	Barnet Waddingham	3rd Feb 22						
15	LBN Pension Fund - Triennial Valuation Briefing Session	Presentation on Valuation, processes, impacts.	Barnet Waddingham	3rd Mar 22						

Key
Attended Live
Watched Recorded

Newham Pensions Board Business Plan 2022/23

Introduction and background

This is the Business Plan for the London Borough of Newham Pension Fund Local Pensions Board ("Pensions Board").

The Pensions Board oversees the administration of the Newham Pension Fund on behalf of the Administrating Authority. Decisions made on the investment of the fund is carried out by the Newham Pension Committee.

The Pensions Board was established in accordance with changes to the Public Service Pension Act 2013 (PSPA13) statutory pension scheme that is connected with it.

The Pensions Board is supported by officers of the London Borough of Newham Administering Authority ("Administrator"), by the appointment of an Independent Chair, and by assurance statements and information provided by external service providers to London Borough of Newham Pension Fund ("Fund"). The costs of the Pensions Board's operations are charged to the Pension Fund and is included in the Fund budget.

The Business Plan is an important document, which sets out the aims and objectives of the Pensions Board over the coming year, its core work and how these objectives will be achieved.

This Business Plan is reviewed frequently (at least annually), and progress against objectives is monitored in every meeting. New priorities that might arise can be introduced at each meeting and new actions identified where progress has not been as expected.

The achievement of the objectives and key tasks are reviewed at the end of each year and reported to the Newham Pensions Committee ("Pensions Committee").

Statutory Responsibilities

The role of the Pensions Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- Seeking assurances that due process is followed with regard to Pensions Committee decisions.
- Considering the integrity and soundness of Pensions Committee decision making processes.
- Assist the London Borough of Newham Administering Authority as Scheme Manager.
- Seek assurance that administration performance is in compliance with the Administration Strategy.
- Secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS.
- Secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator ("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 ensuring that any member of the Pensions Board or person to be appointed to the Pensions Board does not have a conflict of interest.

Accountability

The Pensions 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 Regulator.

The Pensions 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 Pensions Board holds the officers accountable by overseeing the work they carry out in administering the pension scheme.

The Pensions Board is accountable to the Scheme Manager, to the Regulator, and to the scheme employers and members it represents.

Objectives

The Pensions Board's main objectives are set out below:

Governance: Act solely in terms of public interest, with integrity, objectivity, accountability, openness, honesty and with leadership, and seek to ensure these are followed by all those involved in the Fund's administration.

Compliance: Seek to understand statutory framework of regulations and guidance, and ensure all aspects are complied with.

Administration: Seek to ensure that proper procedures and controls are in place and are followed, and that performance expectations are met.

Communication: Seek to ensure that standards of reporting and clear communications are maintained and improved.

Efficiency: Seek to ensure improvements are being made in all processes.

Effectiveness: Seek to ensure that the Pensions Board is making an effective contribution to the governance of the Fund through planning and performance assessment.

Risk management: Seek to ensure that investment and non-investment related Fund risks are being identified, monitored and mitigated through appropriate procedures and controls.

Knowledge and understanding: Seek to ensure that all Pensions Board members build and maintain a suitable level of knowledge and understanding. The Pensions Board will seek to ensure that proper advice is being taken and considered in all aspects of decision making
Responsiveness: Seek to ensure that the Pensions Board considers and responds to

consultations, surveys and requests for information effectively.
The means by which the Pensions Board can deliver these objectives are set out in the sections below.

Budget

The Pensions Board agrees an annual budget approved by the Pensions Committee. Provisional sums are included to allow the Pensions Board to cover costs for training, independent advice and any related costs. All costs are chargeable to the Pension Fund.

The allocated budget is £5000.

Key focus areas and tasks for the Pensions Board

1. *Business Planning and Performance*

- Agree programme of work, budget and resources for the coming year and monitor progress at each meeting.
- Undertake a self-assessment of performance for the year.
- Agree a report each year on the activities of the Pensions Board for inclusion in the Fund Annual Report.

2. *Adherence to regulations*

- Review the Pension Fund Annual Report and Accounts for content and compliance.
- Review statutory policy statements on a periodic basis.
- Monitor and review changes to regulations and guidance at Pensions Board meetings.
- Receive and review reports on the LGPS exit cap and McCloud judgement to understand the impact on employees, the Fund and any Administrative implications.

3. *Governance activities*

- The Pensions Board should meet an appropriate number of times a year, at least quarterly.
- Review decisions of the Pensions Committee.
- Review management and monitoring of the Pension Fund risk register. The risk register should cover all potential Investment and non-investment Administration risk areas. The administrator should take a holistic view to risks and understand how they are connected.
- Monitor audit reports and assurances on internal controls.
- Monitor and oversee responses to surveys and consultations.

4. *Administration Procedures and Performance*

- Review a report on scheme administration at each meeting.
- Monitor notifiable events, recording, and reporting of breaches.
- Monitor key performance indicators
- Monitor recording of complaints and progress on IDRP cases
- Monitor movement in membership numbers
- Receive and review periodic reports in respect of performance related to internal and external Operations. Action being taken to improve performance, if required, to be included.
- Monitor data quality and integrity, and progress on improvement plans. Receive data quality assurance from service providers.
- Monitor timeliness of receipt of contribution payments and any recovery action required
- Review operation of key internal procedures and controls related to third party contracts
- Review the implementation of a Pension Administration Strategy (PAS), which sets out responsibilities, and consequences of not complying with duties to the Fund. The PAS should stand up to challenges from employers.
- Monitor the implementation of LPPA's new Pension Administration system and the roll out of members' self service
- The Board will continue to look at ways of assisting employees and others to make judgements about the value of being members of the Pension Fund.

5. *Investment and Funding*

- Review funding and investment decisions made by committee to assess compliance with regulations and guidance
- Review the valuation process for compliance and good practice.
- Review the investment strategy statement and funding strategy statement to assess compliance with regulations and guidance
- Challenge officers and request additional data where required to improve Boards knowledge and ability to effective review decisions and reports in line with the latest regulation and guidance.

6. *Communications*

- Monitor disclosure of information in line with statutory requirements, including annual benefit statements.
- Review communication for content and clarity such that information sent is clear, precise and free from jargon.
- Review communications with employers
- Monitor developments in alternate media for communication e.g. Fund/scheme website/portal
- Consider more effective links to scheme members
- Monitor senior oversight of communications sent to members and prospective members.

- Update of the relevant Pension Web pages, highlighted in 2021-22, work to be completed in 2022-23.
- Measure the effectiveness of scheme communication with members, e.g. measuring website traffic and running surveys.
- Monitor the scheme's progress in ensuring all employees and those with low incomes are informed and educated about the Scheme.
- Review the impact of cost of living crisis on membership numbers and ensure communication is circulated to highlight the benefits and offering of the scheme.
- Have oversight of the update to the council website to maximise information available to current, deferred and potential members and stakeholders of the fund.
- Challenge and oversee the roll out and impact of the new administration system for Members and Employers, especially member self-service.

7. *Record keeping:*

- Review membership reporting and reconciliation processes.
- Monitor data quality is reviewed regularly. The quality of member data should be understood by the Administration team and the Pensions Board. It should be recorded and tracked to ensure common and scheme specific data is of good quality. An action plan should be implemented to address any poor data found.
- Monitor the introduction of a robust data improvement plan.
- Challenge the Administrator about how the member data is held and handled.

8. *Cyber security*

- Monitor and review risks posed to data and assets held by the Fund so steps can be taken to mitigate the risks. This should be reflected in the risk register.
- Challenge the Administrator to consider physical security as well as protection against remote attacks.
- Where cyber security is maintained by Newham Council rather than the Administrator, challenge the Administrator that the Fund's requirements are met.
- Challenge the Administrator to increase awareness of cyber security processes used by third party providers, such as the custodian and external investment managers, that handle Fund assets or data.

9. *Pensions Board members training and engagement*

- Pensions Board members are required to have an appropriate level of knowledge and understanding in order to carry out their role.
- Appropriate training for Pensions Board members to be provided and clear expectations set around meeting attendance.
- Individual Pensions Board member training and training needs should be assessed and clearly recorded.
- Where possible training for the Pension Board can be included with the Pension Committee.

- Processes should be in place to deal with an ineffective Pensions Board member by either the chair of the Pensions Board or the scheme manager. Pension Board members should be fully engaged and challenge parties where appropriate.

Financial Performance

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Contributions*	54,468	54,727	61,422	98,899	48,462
Pensions	(61,035)	(59,469)	(67,820)	(73,569)	(69,682)
Net additions / (withdrawals) from dealings with members	**(6,567)**	**(4,742)**	**(6,398)**	**25,330**	**(21,220)**
Management expense	(5,309)	(5,452)	(8,624)	(7,824)	(8,475)
Net investment returns	18,216	22,743	28,019	22,859	22,312
Change in Market Value	6,611	95,176	(77,854)	176,865	128,943
Net increase / (decrease) in the fund	**12,951**	**107,725**	**(64,857)**	**217,230**	**121,560**

*2020/21 LBN prefunded employer contributions

Net Asset Statement

	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fixed interest securities	45,546	84,219	93,242	85,441	147,474
Equities	476,499	401,854	359,578	238,245	0
Pooled investments	424,129	456,681	450,054	761,122	923,961
Pooled property	131,197	144,973	164,479	161,833	197,597
Private equity / infrastructure	65,404	135,036	195,995	268,581	326,746
Diversified	62,883	58,329	57,537	8,976	2,330
Cash deposits	74,768	102,568	46,497	43,609	89,029
London CIV	150	150	150	150	150
Other	46,105	870	4,094	(30,828)	(96)
Total investment assets	**1,326,681**	**1,384,680**	**1,371,626**	**1,537,129**	**1,687,191**
Current assets	5,499	53,193	2,004	52,718	23,698
Current liabilities	(3,896)	(1,863)	(2,476)	(1,463)	(945)
Total net assets available to the fund	**1,328,284**	**1,436,010**	**1,371,154**	**1,588,384**	**1,709,944**

2021/22 Outturn

2020/21 Outturn	2021/22 Budget	2021/22 Actual	Variance
	£'000	**£'000**	**£'000**
Members	14,000	15,248	1,248
Employers	22,200	24,703	2,503
Transfers In	6,000	8,511	2,511
Contributions from members	**42,200**	**48,462**	**6,262**
Pensions	(51,700)	(49,827)	1,873
Retirement Benefit Lump Sums	(14,200)	(9,614)	4,586
Death Benefits	(2,600)	(2,288)	312
Transfer Out and Refunds	(10,000)	(7,953)	2,047
Benefits paid	**(78,500)**	**(69,682)**	**8,818**
Net deductions from dealing with members	**(36,300)**	**(21,220)**	**15,080**
Administration	(800)	(939)	(139)
Oversight & Governance	(700)	(569)	131
Investment Management Expenses	(7,100)	(6,967)	133
Management expenses	**(8,600)**	**(8,475)**	**125**
Investment Income	25,000	22,385	(2,615)
Taxes on Income	(400)	(72)	328
Return on Investments	**24,600**	**22,313**	**(2,287)**
Net additions including management expenses and investment income	**(20,300)**	**(7,382)**	**12,918**

Management Expenses Analysis

Administration

	2021/22 Budget	2021/22 Actual	Variance
	£'000	**£'000**	**£'000**
Employees	(70)	(61)	9
Legal	(20)	(14)	6
Support services (internal recharges)	(70)	(106)	(36)
Service contracts	(600)	(721)	(121)
Subscriptions	(30)	(35)	(5)
Other	(10)	(2)	8
Total	**(800)**	**(939)**	**(139)**

Oversight and Governance

	2021/22 Budget	2021/22 Actual	Variance
	£'000	**£'000**	**£'000**
Employees	(220)	(208)	12
Legal	(50)	(22)	28
Support services (internal recharges)	(60)	(54)	6
Investment advisory services	(260)	(204)	56
External audit	(60)	(53)	7
Actuarial fees	(50)	(34)	16
Other	0	6	6
Total	**(700)**	**(569)**	**131**

Investment Management

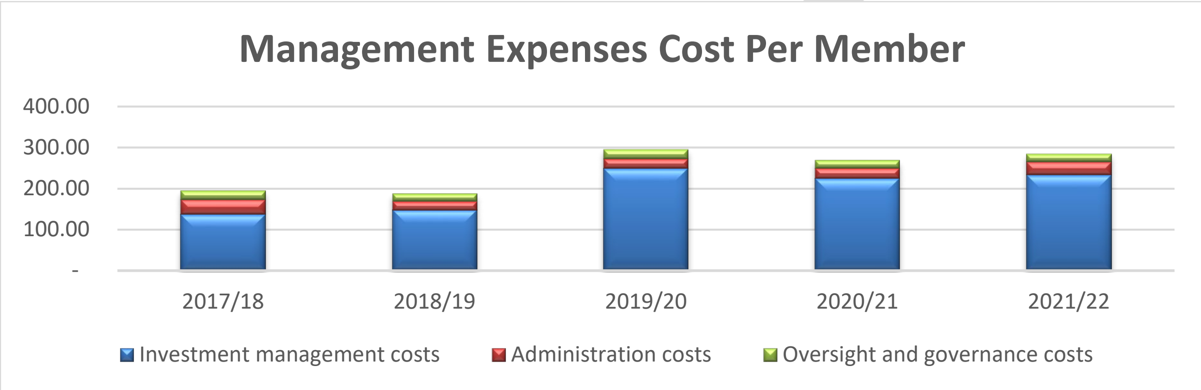
	2021/22 Budget	2021/22 Actual	Variance
	£'000	**£'000**	**£'000**
Management fees	(5,600)	(5,799)	(199)
Transactions costs	(1,300)	(1,046)	254
Custodian Fees	(200)	(122)	78
Total	**(7,100)**	**(6,967)**	**133**

Income

	2021/22 Budget	2021/22 Actual	Variance
	£'000	**£'000**	**£'000**
Equities	5,000	2,652	(2,348)
Fixed interest securities	1,900	3,855	1,955
Pooled investments	4,300	433	(3,867)
Pooled property	4,300	4,134	(166)
Real assets	1,100	194	(906)
Diversified	2,100	443	(1,657)
Cash deposits	100	228	128
Private debt	6,200	6,888	688
Private equity	0	3,558	3,558
Total	**25,000**	**22,385**	**(2,615)**
Taxes on income	(400)	(72)	328
Total	**24,600**	**22,313**	**(2,287)**
Net cash inflow during the year	**(20,300)**	**(7,382)**	**12,918**

Management Expenses Cost per member

Total membership no.	25,516	27,327	29,057	29,168	29,122	29,802
Process	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Investment management costs						
Total cost (£'000)	3,403	3,754	4,304	7,283	6,542	6,967
Cost per member £	133.37	137.37	148.11	249.69	224.64	233.78
Administration costs						
Total cost (£'000)	392	993	630	670	724	939
Cost per member £	15.36	36.35	21.67	22.96	24.86	31.51
Oversight and governance costs						
Total cost (£'000)	618	562	519	671	558	569
Cost per member £	24.23	20.58	17.86	23.01	19.16	19.10



Analysis of asset pooling costs

	2021/22	Cumulative
	£000	**£000**
Set up costs:		
Share purchase	-	150
Implementation charge	-	50
Annual charge	25	175
Development funding charge	57	334
Other	28	56
Total	**110**	**765**
Management fee	20	35
Transition costs	249	266
Savings	(697)	(1,382)
Total fees	**(319)**	**(1,082)**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Set up costs	225	25	100	90	90	110	110
Fees				15	16	17	268
Fee savings				(142)	(310)	(233)	(697)
Net savings realised	**225**	**25**	**100**	**(37)**	**(204)**	**(106)**	**(319)**

Ongoing investment management costs

	Asset Pool Costs £'000	bps*	Non-asset Pool Costs £'000	bps	Fund total £'000	bps
Management fees						
Ad valorem	130	0.00008	5,669	0.0034	5,799	0.0034
Performance	-	-	-	-	-	-
Research	-	-	-	-	-	-
PRIIPS compliance	-	-	-	-	-	-
Asset pool shared costs						
Transaction costs	249	0.00015	798	0.0005	1,046	0.0006
Commissions	-	-	-	-	-	-
Taxes and stamp duty	-	-	72	0.0000	72	0.0000
Custody	-	-	122	0.0001	122	0.0001
Other	-	-	-	-	-	-
Total	**379**	**0.0002**	**6,661**	**0.0039**	**7,039**	**0.0041**

Value of Fund 1,687,194

* 100 basis points (bps) = 1%

Taskforce for climate-related financial disclosures (TCFD) framework.

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

The UK Government has published proposals that will require larger schemes to report against this framework on an annual basis.

The Department of Levelling Up, Housing and Communities will conduct a consultation this autumn on the implementation of mandatory TCFD-aligned reporting in LGPS.

Governance

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

Strategy

- Identify climate-related risks and opportunities that will impact the investment strategy of the scheme over different time horizons.
- Assess the impact of identified risks and opportunities on the scheme's investment strategy.
- Assess the resilience of the scheme's assets and investment strategy to climate-related risks in different scenarios. The scenarios should consider different policy pathways

Risk Management

- Develop and maintain processes for identifying, assessing and managing climate-related risks.
- Ensure the integration of climate-related risks into overall risk management.

Metrics and Targets

- Select greenhouse gases emissions and non-emissions metrics to assess scheme assets against climate-related risks and opportunities.
- Obtain the Scope 1/2/3 emissions and other data to calculate the selected metrics
- Set a target to manage climate-related risk with the chosen metrics and measure performance against this target.

Cost transparency

A voluntary LGPS Code of Transparency into investment management fees and cost was developed and approved by the Scheme Advisory Board (SAB). Code was introduced to assist LGPS clients gather cost information in a consistent format.

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

The Financial Conduct Authority (FCA) aim is to see a more consistent and standardised disclosure of costs and charges for institutional investors.
The Cost Transparency Initiative (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 Account Template, which is the main cost disclosure template to be completed by the investment manager(s) and covers the majority of assets and product types.
3. The Private Equity Sub-template, which is to be completed by investment managers of closed-ended private equity funds.

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

The Compliance System

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

- Be capable of accepting and storing template data
- Check the timeliness of data submission and report late returns
- Ensure that template data is signed off by managers as ‘fair, clear and not misleading’
- Provide a check against the MiFID II total cost amount submitted separately by managers to their LGPS clients

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

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

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

The Fund has been in contact with its fund manager to gather the cost transparency data. The Fund asset managers who are listed as signatories on the SAB website and whether their templates have been uploaded to Byhiras website can be seen in the following table for the reporting period ending 31 March 2021:

Fund Manager	Signatory on SAB website	Template uploaded to Byhiras portal	CTI Main Account Template	CTI Private Equity Template
Barings (liquidation)	✓	X	×	-
CBRE	✓	×	✓	-
Cheyne Capital	×	×	✓	-
KGAL *	×	×	×	-
LGIM	✓	✓	✓	-
London LGPS CIV Ltd	✓	×	×	-
Longview	✓	✓	✓	-
Payden and Rygel	✓	×	✓	-
River and Mercantile	✓	✓	✓	-
Arcmont	×	×	-	✓
Brightwood	×	×	-	×
Fiera	×	×	-	×
HarbourVest *	✓	✓	-	×
Permira	✓	×	-	✓

* Fiera, HarbourVest and KGAL provide the information required in their own template, fees deducted from NAV are included within the accounts.

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

Where CTI reports have been received the Fund has included the costs in the Statement of Accounts.

Asset allocation and performance

Asset category	Opening value £'000	%	Closing value £'000	%	Performance over one year Gross %	Local target %	Variance to Target %
Asset pool managed investments							
London CIV shareholding	150	0.0	150	0.01	-	N/A	N/A
Fixed income	0	0.0	115,164	6.83	New investment in 2021/22		
Government Bonds	84,646	5.5	89,941	5.33	6.25	6.29	-0.04
Public Equities	523,138	34.0	-	-	-	N/A	N/A
Public Equities - New Fund 2021/22	-	0.0	708,555	42.00	New investment in 2021/22		
Total pooled investments	**607,934**	**39.6**	**913,809**	**54.2**			
Non-asset pool managed investments							
Public Equities – Active	238,245	15.5	147,474	8.74	16.00	15.39	0.61
Equity Protection (cash and derivatives)	35,821	2.3	13,858	0.82	Equity protection - not measured		
Government Bonds – divested	49,620	3.2	0	-	-	N/A	N/A
Fixed income – divested	121,436	7.9	0	-	-	N/A	N/A
Fixed income	10,487	0.7	10,302	0.61	-1.92	0.14	-2.06
Private Debt	106,411	6.9	112,895	6.69	9.71	7.00	2.71
Commercial Property	161,833	10.5	197,597	11.71	19.92	15.39	4.53
Social Housing	39,594	2.6	57,205	3.39	1.25	6.00	-4.75
Private Equity	47,130	3.1	71,757	4.25	59.05	13.00	46.05
Real assets	75,446	4.9	84,889	5.03	10.86	7.00	3.86
Cash	43,609	2.8	83,171	4.93	-	-	-
Diversified alternatives	8,976	0.6	2,330	0.14	17.14	4.37	-
Derivatives	(36,461)	-2.4	(7,340)	- 0.44	Equity protection - not measured		
Managed alternatives - divested	21,415	1.4	0	-	-	N/A	N/A
Other	5,633	0.4	(757)	- 0.04	Includes accruals etc - not measured		
Total non-pooled investments	**929,194**	**60.5**	**773,381**	**45.8**			
Total assets	**1,537,129**	**100.0**	**1,687,191**	**100.0**			

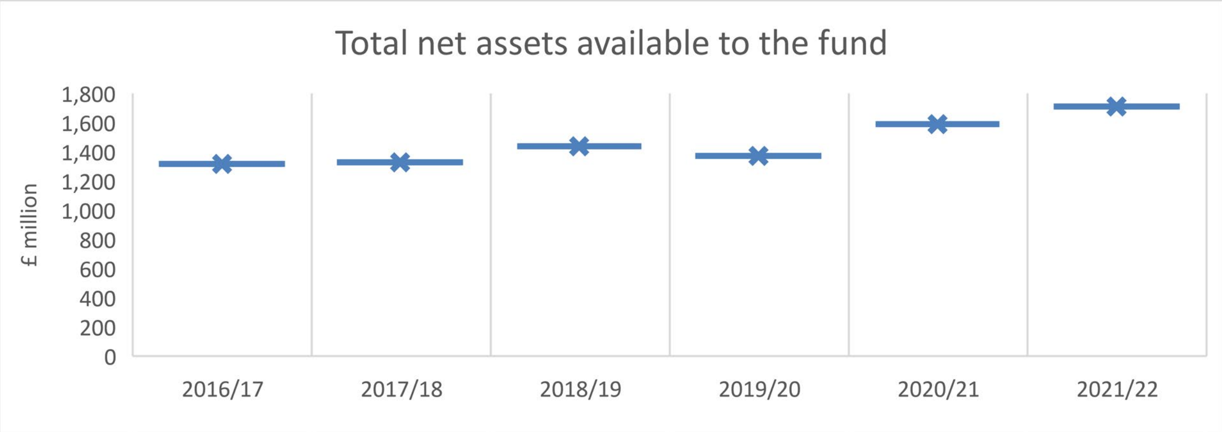
Budget 2022/25

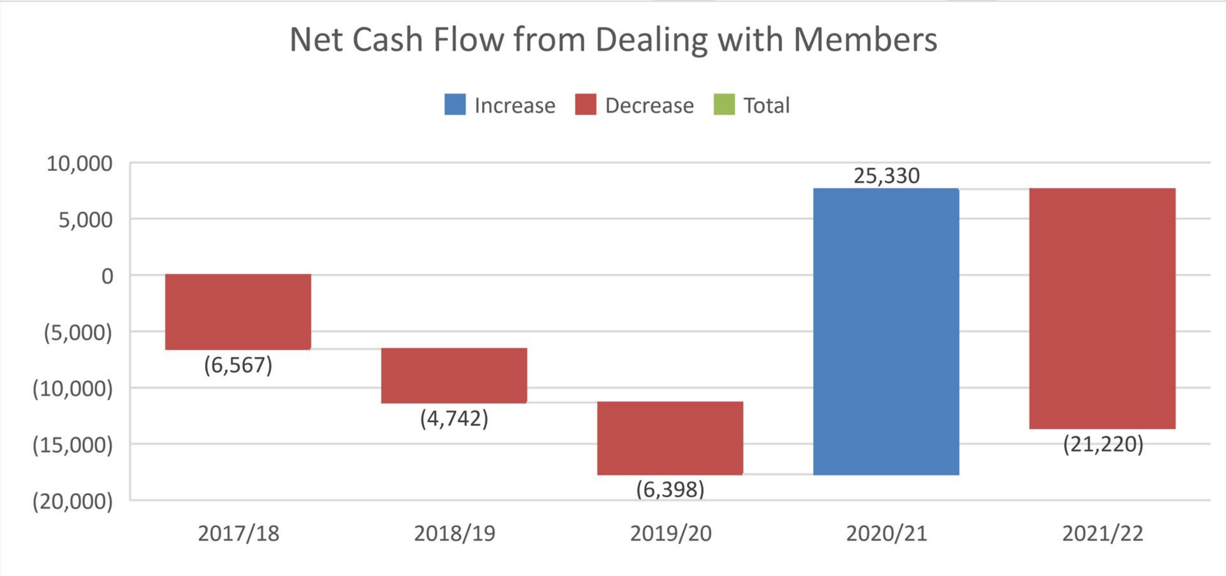
The Pension Fund Outturn for 2021/22 and budget for the following 3 years in accordance with Regulation 34(3) of the Local Government Pension Scheme.

Pension Fund Budget	**2021/22 Actual**	**2022/23 Budget**	**2023/24 Budget**	**2024/25 Budget**
	£000	**£000**	**£000**	**£000**
Employees contributions	(15,248)	(15,600)	(15,900)	(16,200)
Employers contributions	(24,703)	(25,000)	(43,000)	(43,400)
Transfers In	(8,511)	(8,500)	(8,500)	(8,500)
	(48,462)	**(49,100)**	**(67,400)**	**(68,100)**
Pensions	49,827	51,800	56,700	59,500
Retirement Benefit Lump Sums	9,614	10,200	10,800	11,400
Death Benefits	2,288	2,700	3,200	3,800
Transfer Out	7,953	8,000	8,000	8,000
	69,682	**72,700**	**78,700**	**82,700**
Prefunding (notional)	(20,506)	(19,859)	0	0
Net deductions from dealing with members	**714**	**3,741**	**11,300**	**14,600**
Administration	939	1,000	1,100	1,200
Investment Management Expenses	6,967	7,300	7,800	8,300
Oversight & Governance	569	700	800	900
Management expenses	**8,475**	**9,000**	**9,700**	**10,400**
Investment Income	(22,385)	(24,000)	(24,500)	(25,500)
Taxes on Income	72	200	200	200
Return on Investments	**(22,312)**	**(23,800)**	**(24,300)**	**(25,300)**
Net Budget	**(13,123)**	**(11,059)**	**(3,300)**	**(300)**
Local pension board - within Oversight and Governance	5	5	5	5

Fund Value

Overall, the Fund's net asset value has increased by £122m to £1.71 Bn during the year.





When dealing with members the Fund is cash flow negative, with the exception of 2020/21 when LBN opted to prepay 3 years employers' contributions as a lump sum.

The Pensions Committee have adapted the investment strategy by investing in income generating assets and continually review the approach.

Pension Fund Cash Flow Forecast

	2021/22 Actual £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000
Opening cash / deposit balances	**29,635**	**15,039**	**8,789**	**12,029**	**12,389**
Current Account Cash Flows					
Contributions	34,979	36,720	62,400	63,540	64,920
Transfers in	8,105	8,680	8,400	8,400	8,400
Receipts from money market funds	29,510	26,900	6,680	9,680	12,040
Other Inflow	15,010	60	0	0	0
Total inflow	**87,604**	**72,360**	**77,480**	**81,620**	**85,360**
Pension Benefits	(46,290)	(48,270)	(53,160)	(55,580)	(58,560)
Management expenses and other payments	(3,200)	(3,440)	(3,600)	(3,600)	(3,600)
Lump sums and refunds	(19,200)	(20,000)	(20,800)	(22,400)	(23,200)
Money market fund deposit	(15,000)	(20,600)	(10,000)	(10,000)	(10,000)
Investment deposit	(4,000)	0	0	0	0
Total outflow	**(87,690)**	**(92,310)**	**(87,560)**	**(91,580)**	**(95,360)**
External Account Cash Flows					
Custodian cash withdrawal	0	20,000	10,000	10,000	10,000
Net money market movements	(14,510)	(6,300)	3,320	320	(2,040)
Closing cash balance	**15,039**	**8,789**	**12,029**	**12,389**	**10,349**

This table does not include the cash held with the custodian, which includes any divestments and income received.

The table largely concentrates on operating cash flows eg, contributions received, paying the benefits, retirement grants and management expenses of the Fund. The investment redemption assumptions are solely for the purpose of ensuring the operating cash flow remains positive and will be in the form of investment income redemption.

The Fund will likely require investment redemptions from the custodian to pay capital calls that are required throughout the period, this will be in the form of income receipts.

Investment Performance

Strategic Asset Allocation (SAA)

The long term funding objective of the Fund is to become fully funded within the agreed deficit recovery period of 17 years. The SAA has been designed to meet this objective, whilst ensuring sufficient resources are available to meet liabilities as they fall due and employer contributions are kept as stable as possible.

The table below shows the current strategic asset allocation which was agreed by Committee in December 2021 and the actual allocation of assets at year end.

	Current Allocation	Current SAA	Control Ranges
Public Equities – Active*	8.8%	16%	13% - 19%
Public Equities – Passive*	41.7%	34%	30% - 38%
Private Equities	4.9%	10%	3% - 14%
Infrastructure/Agriculture	5.0%	5%	4% - 6%
Commercial Property	11.5%	10%	8% - 12%
Social Housing **	3.4%	5%	4% - 6%
Public Credit	6.8%	7.5%	5% - 9%
Private Credit	6.6%	7.5%	5% - 9%
Government Bonds	5.3%	5%	3% - 7%
Protection (equity & currency)	0.8%	0%	0% - 5%
Cash	5.2%*	0%	0% - 3%

*Active equity holding was reduced by £135m and is currently being held in passive equities pending a review of equities later in 2022.
** The social housing allocation is being drawn down as the fund manager identifies viable projects.

The SAA is reflected in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS). Compliance with the ISS is monitored regularly and reported quarterly to the Committee. Management's view is that the variances to the SAA will come back in line following implementation of the investment strategy. They are not significant and pose no additional risk to the Fund over and above what the ISS allows.

Analysis of fund assets at the reporting date

Asset type	UK	Non-UK	Total
	£m	£m	£m
Equities	8,887	138,587	147,474
Pooled investment vehicle	999,232	112,024	1,111,256
Alternatives/private debt	290,026	49,352	339,378
Cash and cash equivalents	47,474	49,555	97,029
Other	(8,096)		(8,096)
LCIV share holding	150		150
Total	**1,337,673**	**349,519**	**1,687,191**

Analysis of investment income accrued during the reporting period

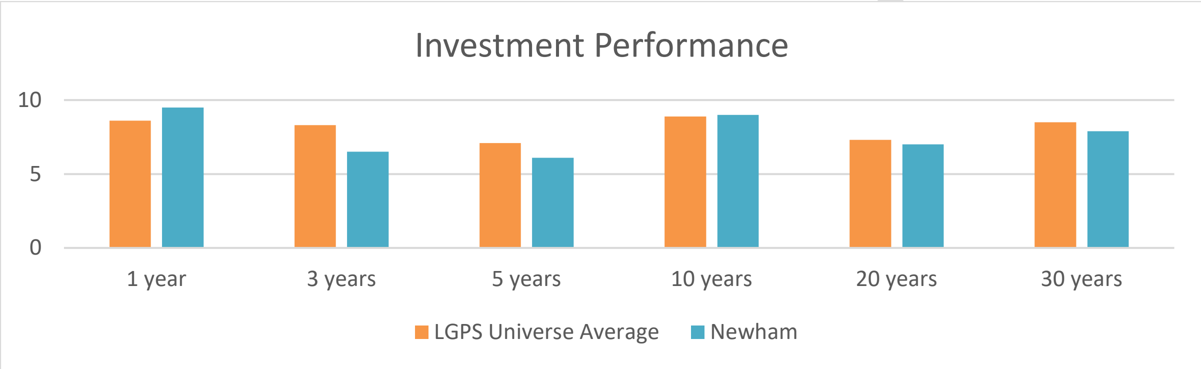
Asset type	UK £m	Non-UK £m	Total £m
Cash and cash equivalents	117	111	228
Asset pool	249		249
Fixed income	2,401	1,454	3,855
Equities	115	2,537	2,652
Private equity	2,607	951	3,558
Real assets	-	194	194
Diversified alternatives	-	442	442
Pooled fixed income	-	184	184
Pooled property investments	3,764	370	4,134
Private debt	5,266	1,623	6,889
Total	**14,519**	**7,866**	**22,385**

Investment Performance

The Fund's invested assets closed the year at £1.7Bn, the Fund's performance of 9.54% outperformed against the benchmark return of 4.95%. Details of how individual managers and asset classes have performed are included in the next section. Information on investment performance is provided by the Fund's custodian, Northern Trust.

PIRC LGPS Universe performance results 2021/22 were provided in July 2022. LGPS Funds returned an average of 8.6% for the year, there are timing differences between the PIRC universe and the investment advisor reporting.

The chart below shows the investment performance history



Investment Advisors Review 2021/22

Barnett Waddingham advise the Pension Committee on the Fund's strategic asset allocation and assist in the monitoring of the investment managers. The purpose of this report is to review the economic environment over the 12 months to 31 March 2022, as well as to briefly analyse how the Fund's investment managers performed over the period. The data in this report has been sourced from the Fund's custodian, Northern Trust, and the Fund's investment managers.

ECONOMIC ENVIRONMENT

The 12-month period to 31 March 2022 began with markets focused on the recovery from the COVID-19 pandemic following the successful vaccine rollout. However, as 2021 came to an end the focus switched to rising inflation and the actions that central banks would need to take to bring it under control, with central banks beginning to significantly tighten monetary policy for the first time since the start of the pandemic. The concerns around inflation were exacerbated in February 2022 as the Russian invasion of Ukraine led to further disruption, particularly in energy markets. The threat of rising interest rates resulted in bond markets generally producing negative returns over the year to 31 March. Equities generally produced positive returns over the 12-month period, however this masks significant volatility and periods of negative returns, particularly during the first quarter of 2022.

This scale and success of the COVID-19 vaccine rollout, 11.3 billion doses had been administered globally by 31 March 2022, allowed many countries to end most COVID-19 restrictions over the period. As a result, the IMF estimated that global growth over 2021 reached 6.1%, the highest rate since the 1970s. However, this was not always a straightforward process and the Delta and Omicron variants of COVID forced many countries to re-impose some or all restrictions. In particular China, which adopted a "zero-COVID" policy, re-introduced full lockdown restrictions to several major cities in early 2022. Nevertheless, the broader pattern of reopening held in most of the rest of the world, allowing a strong economic recovery.

The strong recovery, aided by COVID related fiscal and monetary stimulus packages, contributed to a significant increase in consumer demand for goods as restrictions eased. This increased demand, coupled with ongoing supply chain disruption from the pandemic saw prices in many goods and commodities rise sharply. By the end of the period inflation had reached multi-decade highs in several major economies. In March 2022, UK CPI inflation reached 6.2%, its highest level in thirty years, and US CPI inflation rose to 7.9%, the highest level in forty years.

Consequently, markets began to price in more interventions by central banks to stem the tide of inflation through interest rate rises and reduced asset purchases. This process began on 16 December 2021, when the Bank of England became the first major central bank to raise interest rates, increasing the base rate from 0.1% to 0.25%. This was followed by a rise to 0.5% on 3 February 2022 and to 0.75% on 17 March. The Federal Reserve also raised its central rate range on 16 March from 0.00%-0.25% to 0.25%-0.5% and, despite not raising rates over the period, the European Central Bank reduced the pace of its future asset purchases. These actions and the prospect of more to come resulted in a sharp rise in government bond yields at all terms. In the UK, 20-year nominal gilt yields rose by 0.46% over the year to 31 March 2022.

The Russian invasion of Ukraine in February 2022 further compounded the fear of rising inflation. Western governments responded to the invasion by imposing sanctions on Russia and their ally, Belarus. In particular, the US, UK and EU placed strict sanctions on Russian government bodies, Russian oligarchs, and the Russian financial system, including a ban on trading Russian Government bonds issued after 1 March 2022 on the secondary market. Russia is a major producer of several important commodities, and the risk of disruption to those markets, from the war or from retaliatory sanctions, caused prices to rise. Oil rose above $100 a barrel for the first time since 2014, briefly touching close to $140, a 14-year high. European natural gas prices rose to an all-time high as did several other important commodities such as wheat and nickel. Equity markets also fell sharply after the invasion, with global equities falling by 12.2% since the start of 2022 in March. However, by the end of the quarter several of these market movements partially reversed as the scale of the invasion and response to it became clearer.

Towards the latter end of the year to 31 March 2022, major central banks began to tighten monetary policy as economies recovered to pre-pandemic levels. Some central banks began to raise interest rates whilst those that did not generally adopted a more hawkish stance by slowing the rate of their asset purchase programmes.

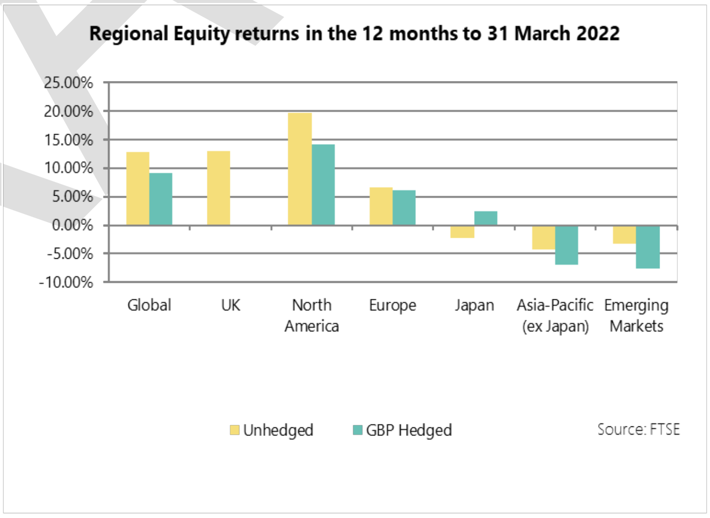
- The Bank of England raised the base rate three times in the year to 31 March 2022, from 0.1% at the start of the year to 0.75% at the end of the year. At the 3 February 2022 meeting, the Bank of England agreed to cease reinvestment of corporate bonds and begin sales with total disinvestment to be completed by the end of 2023. Over the year to 31 March 2022, the Bank of England made £71.6 billion in net asset purchases.

- The Federal Reserve (The Fed) raised the Federal Funds Rate range from 0.00%-0.25% to 0.25%-0.50% in March 2022. The Fed increased the size of its balance sheet purchasing around $1.2 trillion of assets over the 12 months to March 2022.

- The European Central Bank (ECB) decided not to raise rates and kept its main lending rate at 0.0% throughout the period. Over the 12 months to 31 March 2022, the ECB's total asset purchases, including purchases as part of the Pandemic Emergency Purchase Programme, totalled €1.0 trillion.

Equities

Against this backdrop, market returns from traditional asset classes were largely positive in absolute terms over the year to 31 March 2022.



Overall, global equities produced positive total returns over the year to 31 March 2022, rising by 9.1% in local currency terms. All geographical regions produced a positive return over the year, except for Emerging Markets equities and Asia-Pacific (ex Japan) equities. The best performing region (in local currency terms) was North America (14.2%) and the worst performing (in local currency terms) was Emerging Markets (-7.2%).

Legal & General passive ESG equity

Over 2021, the Fund moved its holdings in the LGIM regional equity funds to LGIM's Paris Aligned equity fund and their Future World Emerging Markets equity fund. Both of these funds are index-tracking (i.e. not actively managed).

The LGIM Future World Emerging Markets Equity Index Fund invests wholly or predominantly in shares that make up the Solactive L&G ESG Emerging Markets Index. The objective of the fund is to produce a return that is consistent with this index.

The Emerging Market Equity Fund has returned -4.2% over the period since July 2021, underperforming the LGIM Future World Emerging Market by 0.3%.

Similarly, the LGIM ESG Paris Aligned World Equity Index Fund operates by purchasing shares to produce a return that is consistent with the Solactive L&G Developed Markets Paris Aligned ESG SDG Index. Over the period since July the fund has returned 4.5% outperforming the benchmark by 1.5%.

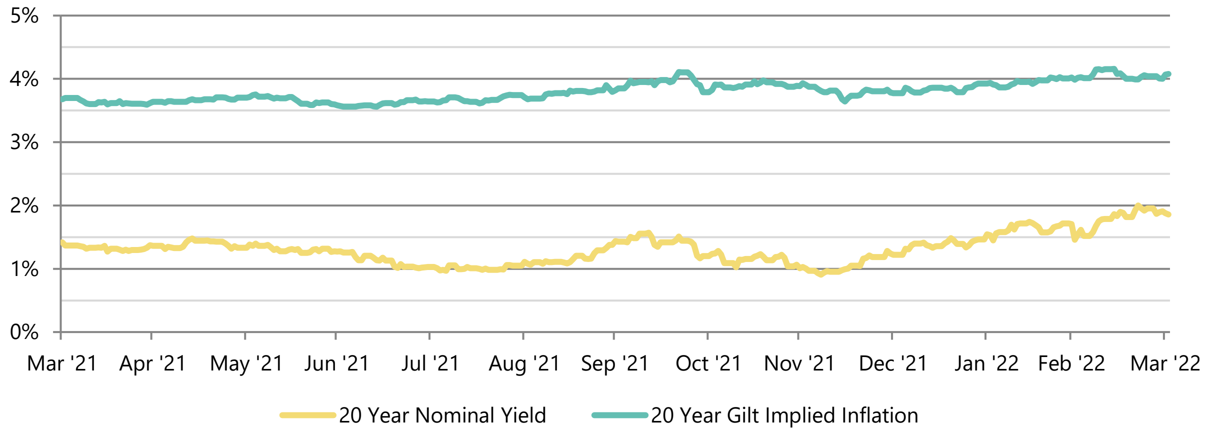
Longview active equity

This fund is actively managed and seeks to generate returns in excess of its benchmark (MSCI World). Longview delivered a return of 16.0% over the year to 31 March 2022 outperforming the benchmark by 0.6%. The Fund is now 1.7% p.a. ahead of its benchmark since inception. Around 84% of the assets with Longview were invested in North American Equities, with outperformance over the long term predominantly driven by stock selection.

Bonds

Over the year to 31 March 2022, UK gilt yields rose across all maturities. The net impact was a negative return (-5.1%) for UK fixed interest gilts (all stocks). However, a rise in implied inflation resulted in UK index-linked gilts (all stocks) delivering a positive return (5.1%) over the year. UK corporate bond spreads (all stocks) widened by 0.3% over the year.

20 Year Gilt Yields over the 12 Months to 31 March 2022



Aberdeen bonds

Abrdn manage the Aberdeen World Opportunistic Bond Fund. Its objective is to outperform a global bond index by 2% to 3% p.a. gross of fees, over rolling 5 year periods.

To meet MGCLG guidance this fund was transferred to the LCIV PIMCO GIS Global Bond Fund in June 2021.

PIMCO GIS Global Bond Fund

The proceeds from the Abrdn bond fund were invested in the LCIV PIMCO GIS Global Bond Fund in June 2021. The PIMCO fund is actively managed and aims to generate a return above its benchmark, the Bloomberg Global aggregate (GBP Hedged) Index. Over the period since the switch the fund has produced returns of -6.1% tracking the index over the period.

Legal & General index linked gilts

Around 5% of the Fund's assets were invested in Legal & General's Under 15 Year Index-Linked Gilts Index Fund, which performed in line with its benchmark, returning 6.3% over the period.

Payden & Rygel Absolute Return Bonds

The Payden & Rygel Absolute Return Bond Fund produced negative returns of -1.9% over the 12-month period, underperforming its benchmark by 2.1%. Since the inception date in 2019, the fund has returned 0.3%, this is an outperformance of 0.1% where the benchmark is based on the one-month cash rate (ICE BofA ML British Pound 1M).

ALTERNATIVES

CBRE property

The MSCI UK All Property Index rose by 23.7% over the 12 months to 31 March 2022. The Fund's assets are invested in UK and global property Funds. The UK Fund seeks to outperform the AREF/IPD UK QPFI All Balanced Property Fund Index by 0.75% p.a. over rolling three-year periods, whilst the Global Fund has an objective of between 9% p.a. and 11% p.a. over rolling three year periods. The combined portfolio returned 19.9% over the 12 months to 31 March 2022.

Cheyne Capital Property

The Cheyne Capital Management Social Property Impact Fund invests across four investments including social housing. The fund targets a return of 6.0% p.a. and produced a return of 1.3% over the 12-month period to 31 March 2022. Since the inception date the fund has returned -1.8%.

Morgan Stanley alternatives

The investment strategy review concluded that the Morgan Stanley approach did not provide the level of transparency sought by the Pension Committee. Furthermore, in an effort to align the alternatives holdings with a framework that was more closely aligned with the Governments pooling proposals, alternative ways of structuring this holding have been agreed. As a result, the mandate with Morgan Stanley was terminated in January 2021.

However, the underlying funds within the mandate were relatively illiquid and authority over the holdings was transferred to the Pension Fund where they remain while they wind down.

Harbourvest Private Equity

Harbourvest seek to generate returns on the Fund's assets by investing in private equity funds which, in turn, invest in unlisted companies.

Performance over the 12 months to 31 March 2022 was 59.1%, outperforming its benchmark return of 13.0% (Retail Price Index Inflation + 4%). The long-term return has been strong with the fund returning 12.8% p.a. since inception, around 5.5% p.a. ahead of the benchmark of inflation + 4% p.a.

Private debt (Permira, Arcmont & Brightwood)

The private debt portfolio is split between Permira, Arcmont and Brightwood. Each manager takes a different approach and access broadly different parts of the private debt market, diversifying the Fund's portfolio. These funds are closed ended in nature (i.e. cannot be sold until they mature) and are still in the relatively early stages of their development.

All three funds have a benchmark hurdle rate of 7%. The Arcmont and Brightwood holdings outperformed this benchmark over the year to 31 March 2022 returning 7.3% and 15.5% respectively. The Permira holdings broadly met the benchmark returning 6.9% over the year to 31 March 2022.

MAN liquid alternatives

In December 2021, the Fund fully disinvested from its holding in the MAN Firm segregated liquid alternatives holding. As at 31 March 2022 the proceeds of the disinvestment, £23.6m (1.4%) of the Fund's assets, were held in a cash fund with Northern Trust.

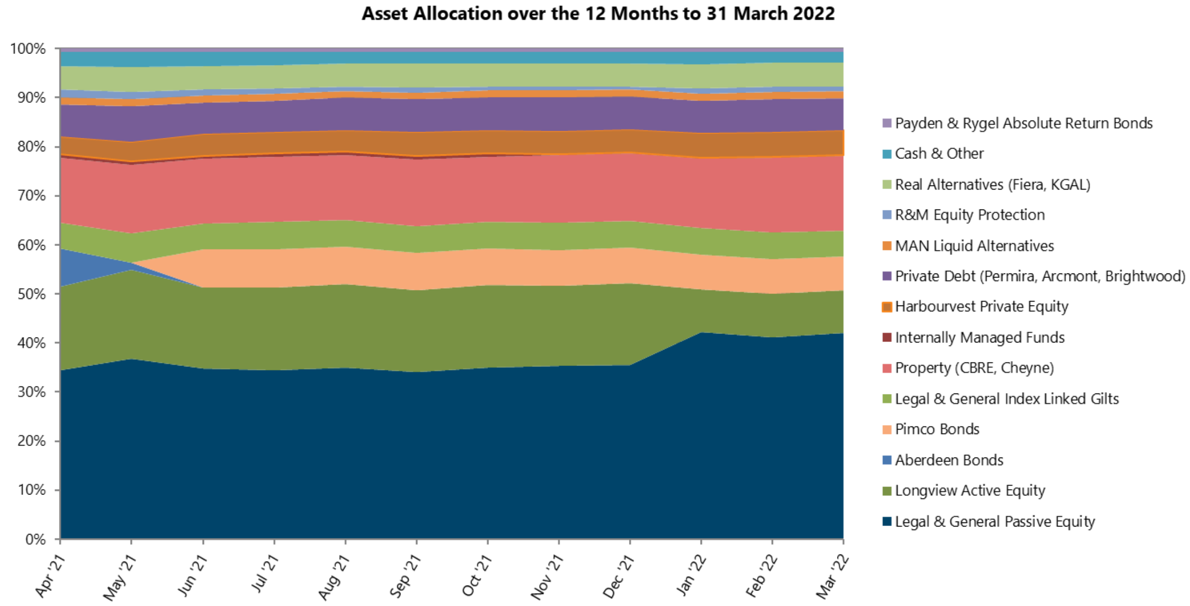
Real alternatives (Fiera & KGAL)

The real alternatives portfolio was valued at £84.9m at 31 March 2022. It is split between the Fiera Agriculture fund, Fiera Infrastructure fund and KGAL. The funds have a target return of 6-8% p.a. net of fees.

Performance for the portfolio over the year to 31 March 2022 was 10.9%. Both Fiera funds outperformed their respective benchmarks over the year with the agriculture fund returning 14.2% and the infrastructure fund returning 8.1%. However, the KGAL Capital fund underperformed its 7% target by 3.1%, returning 3.9% over the year. Performance since the fund's inception in 2018 has been stronger at 5.5% p.a.

Asset allocation

The change in allocation over the period is shown the chart below.



Actuarial Statement 2021/22

Introduction

The last full triennial valuation of the London Borough of Newham Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2020.

2019 valuation results

The 2019 valuation certified a primary rate of 17.0% of pensionable pay. The primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

In addition, further "secondary" contributions were required in order to pay off the Fund's deficit by no later than 31 March 2037. The total secondary contributions payable by all employers, present in the Fund as at 31 March 2019, over the three years to 31 March 2023 was estimated to be as follows:

Secondary Contributions	2020/21	2021/22	2022/23
Total as a % of payroll	2.3%	2.3%	2.3%
Equivalent to total money amounts	£4.6m	£4.8m	£5.0m

In practice, each employer was assessed individually in setting the minimum contributions due from them over the inter-valuation period, details of which can be found in the formal report on the actuarial valuation dated March 2020.

Contribution rates

The contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

Asset value and funding level

The smoothed market value of the Fund's assets as at 31 March 2019 for valuation purposes was £1,432m which represented 96% of the Fund's accrued liabilities at that date, allowing for future increases in pay and pensions in payment.

Assumptions

The assumptions used to value the liabilities at 31 March 2019 are summarised below

Assumption	31 March 2019
Discount rate	5.0% p.a.
Pension increases	2.6% p.a.
Salary increases	3.6% p.a.
Mortality	Members – S3PA Heavy tables with a multiplier of 90% for males and 95% for females and projected improvements in line with the 2018 CMI model allowing for an initial addition to improvements of 0.5% p.a., a long term rate of improvement of 1.25% p.a. and a smoothing parameter of 7.5 Dependents – S3DA tables with projected improvements in line with the 2018 CMI model allowing for an initial addition to improvements of 0.5% p.a., a long term rate of improvement of 1.25% p.a. and a smoothing parameter of 7.5
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

Updated position since the 2019 valuation

Assets

Returns over the year to 31 March 2022 have been strong, resulting in an increase in asset values. As at 31 March 2022, in market value terms, the Fund assets were slightly more than they were projected to be based on the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2022, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation. In particular, the CPI inflation assumption has increased since the 2019 valuation.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the 2022 valuation.

Overall position

On balance, we estimate that the funding position is likely to be at a similar level when compared on a consistent basis to 31 March 2019 (allowing for the update to the CPI inflation assumption).

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future benefits which results in a higher primary contribution rate, all else being equal. Deficit contributions would also be slightly higher as a result of the worsening in the funding position.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular due to market volatility following the Russia-Ukraine conflict. There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

We will continue to monitor the funding level on a quarterly basis as requested by the administering authority.

Barry McKay

Barry McKay FFA

Partner Barnett Waddingham LLP

Scheme Administration Report 2021/22

Overview

Responsibility for call handling and responding to online member queries sits with the LPPA's central Pensions Helpdesk in Preston.

During the period April 2021 to March 2022, the LPPA Pensions Helpdesk call centre answered an average of 93.7% (94% 2020/21) of calls across all clients, with the average wait time for a call to be answered being 7 minutes for general calls, 3 minutes for bereavement calls (5 minutes 2020/21, no split between general and bereavement calls). 77% (77% 2020/21) of calls answered were resolved at the first point of contact.

The Pensions Helpdesk records customer satisfaction levels of call handling, email handling and retirement processing. The satisfaction levels for call handling were 94% (93% 2020/21) for Newham scheme members. Satisfaction levels for retirement cases averaged at 89% (95% 2020/21) for Newham scheme members.

Value for Money Statement

We have generally seen an improvement in the number of cases meeting the key performance indicators which is shown in the key performance data. 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.

We are currently rated third best value for money (in terms of cost per member) in all London councils and 36th in all England and Wales councils (2020/21 figures, 2021/22 figures yet published).

Our data quality on common data standards is currently 92.8% (92.8% 2020/21). Data quality is fundamental to ensuring an accurate valuation of the Fund's liabilities, the quality of the data score is improving. The Fund will be introducing a data improvement plan during 2021/22 which identifies areas and processes that can assist in maintaining, and improving the data which we already hold.

Summary of Activities undertaken by LPPA during the year

LPPA manage all aspects of the Fund administration including the following key functions:

- Processing new members of the scheme
- Dealing with requests from members who wish to transfer their pension into or out of Newham'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 LPPA engagement team manage communications and training for Scheme employers and pension scheme members.

LPPA is also working on a project to move onto a new pensions administration database. They are moving their clients across in two tranches with each tranche consisting of employer communication in the form of emails, webinars and online training courses, data being copied into the test system and duel processing across new and current system, with the second tranche, which includes Newham, having learnt from what occurred in the first.

Summary of Activities undertaken by Newham during the year

The Newham finance and 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
- Admission, Monitoring and Cessation of scheme employers
- Reviewing risk profiles of scheme employers

Internal Dispute Resolution Procedure (IDRP)

Any internal disputes will firstly be sent to the Head of People Transactional Services, they will either complete the Stage 1 review or refer to a relevant independent officer from the Authority's Actuary. At Stage 2 the case would be forwarded to the Director of Exchequer Services or the Head of Pensions and Treasury to provide a final decision.

Number of Complaints

Year	Total no of complaints
2021/22	38
2020/21	40

Complaints are dealt with independently by a dedicated Complaints Team where the complaint is logged and monitored to ensure a quick resolution where possible.

Analysis of activities against target

	SLA Target - working days	Total Processed	Target completion	% Completed on time
New starters	3	1,901	98%	99.7%
Transfers in	4	426	98%	97.7%
Transfers out	5	495	98%	97.4%
Estimate - individual	5	806	98%	98.5%
Deferred benefits	4	739	98%	97.7%
Deaths	3	724	98%	96.4%
Retirements (immediate)	5	278	98%	98.6%
Retirements (deferred)	5	374	98%	99.2%
Refunds	4	752	98%	99.1%
Estimates - employer	5	340	98%	99.1%
Correspondence	5	784	98%	99.4%
Aggregations	30	360	98%	95.3%
Other	various	1,509	98%	98.1%
Total		**9,488**		

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

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

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

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

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

Newham will be introducing a data improvement plan during 2022/23 which will identify key work streams and priorities to help improve both the quality of data and the administration performance.

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

Annual Benefit Statements are required to be sent to active and deferred scheme members by 31st August each year. This was achieved successfully in 2021.

Over the past 3 years trends on the key activities within the administration team are detailed below.

	2021/22	2020/21	2019/20
New starters	1,901	2,047	2,054
Transfers in	426	396	378
Transfers out	495	608	604
Estimate - individual	806	703	842
Deferred benefits	739	1,063	1,091
Deaths	724	630	465
Retirements (immediate)	278	354	828
Retirements (deferred)	374	532	
Refunds	752	941	1,366
Estimates - employer	340	352	573
Correspondence	784	1,298	963
Aggregations	360	469	60
Total	**7,979**	**9,393**	**9,224**

Analysis of New Pensioners

Reason	Total
Ill- Health	8
Flexible Retirement	4
Redundancy	26
Retired early / normal	44
Retired late	29
Deferred member retirements	163

Staff Resource

Pensions Administration is provided by LPPA, the effective delivery of the contract is monitored by a Pensions Projects and Contracts Manager. LBN also employ a Pensions Officer to support the improvement of data quality between the administrations and payroll systems.

LPPA have changed the structure of their administration and work is performed by specialist teams who will complete cases of a specific type for all of LPPA's local government clients. The whole LPPA administration completed a total of 9,488 (2020/21 12,135) cases including other contractual cases outside of the top 12 for the period 1st April 2021 to 31st March 2022.

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 has impacted the Pensions Administration team due to:

- Extra 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.
- Extra 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

Two schools, Lister School and Rokeby School, have joined the existing scheme employer, Newham Community Schools Trust.

The growth in Scheduled and Admitted Body scheme employers also increases the support and communications requirements for the Newham 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.

Confidentiality of Personal Data

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

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

Accuracy of Data

Each year, following year-end processing, LPPA raise queries with Newham 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 scheme employers is accurate with an aim to improve the overall data quality position.

During 2021/22, LPPA tracked the TPR scores on a quarterly basis. They continue to develop an ongoing program of work to improve data scores to above the targets outlined below.

	Target	Q4 2021/22	Q4 20209/21	Trend
	%	%	%	%
Common data score	**95.0**	92.6	92.8	**-0.2**
Conditional data score	**90.0**	95.9	93.0	**2.9**

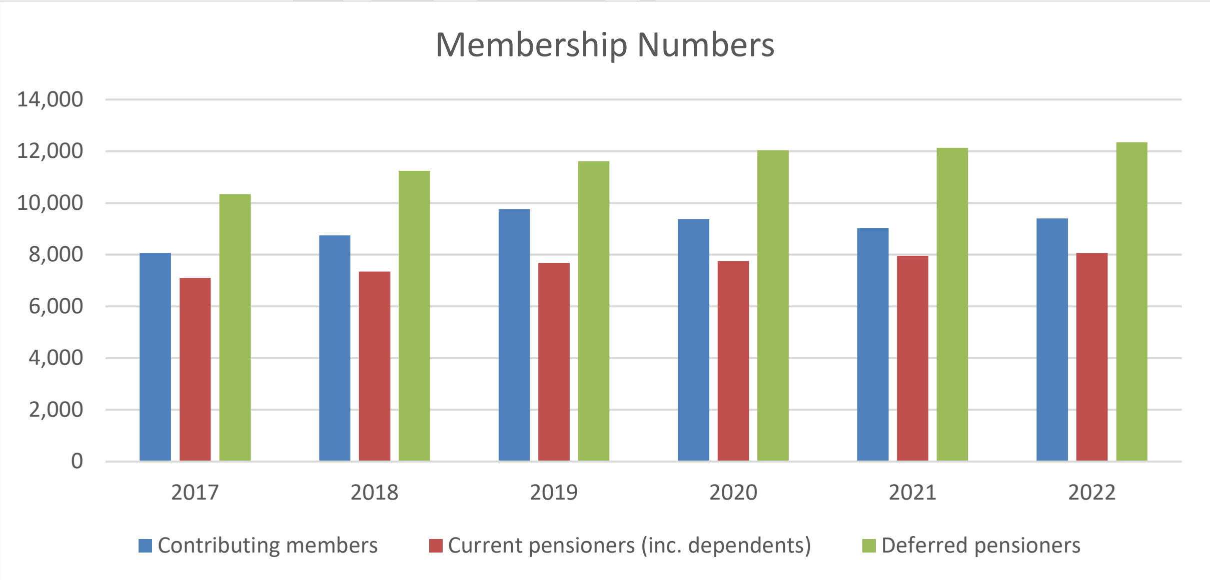
Fund Membership

The Fund contracts out its benefits administration to LPPA, a wholly owned subsidiary of the LPFA and Lancashire Pension Fund in accordance with the council's best value arrangements. The contract is managed and monitored for gathering assurance over the effective and efficient delivery of these operations by oneSource Exchequer and Transactional Services.

LPPA continue to maintain pension scheme membership records and provide advice, benefits calculations and estimates.

Membership statistics 2017 – 2022

Membership Numbers as at 31 March	2017	2018	2019	2020	2021	2022
Contributing members	8,069	8,741	9,755	9,374	9,035	9,397
Current pensioners (inc. dependents)	7,104	7,343	7,688	7,760	7,949	8,061
Deferred pensioners	10,343	11,243	11,614	12,034	12,138	12,344
Total	**25,516**	**27,327**	**29,057**	**29,168**	**29,122**	**29,802**

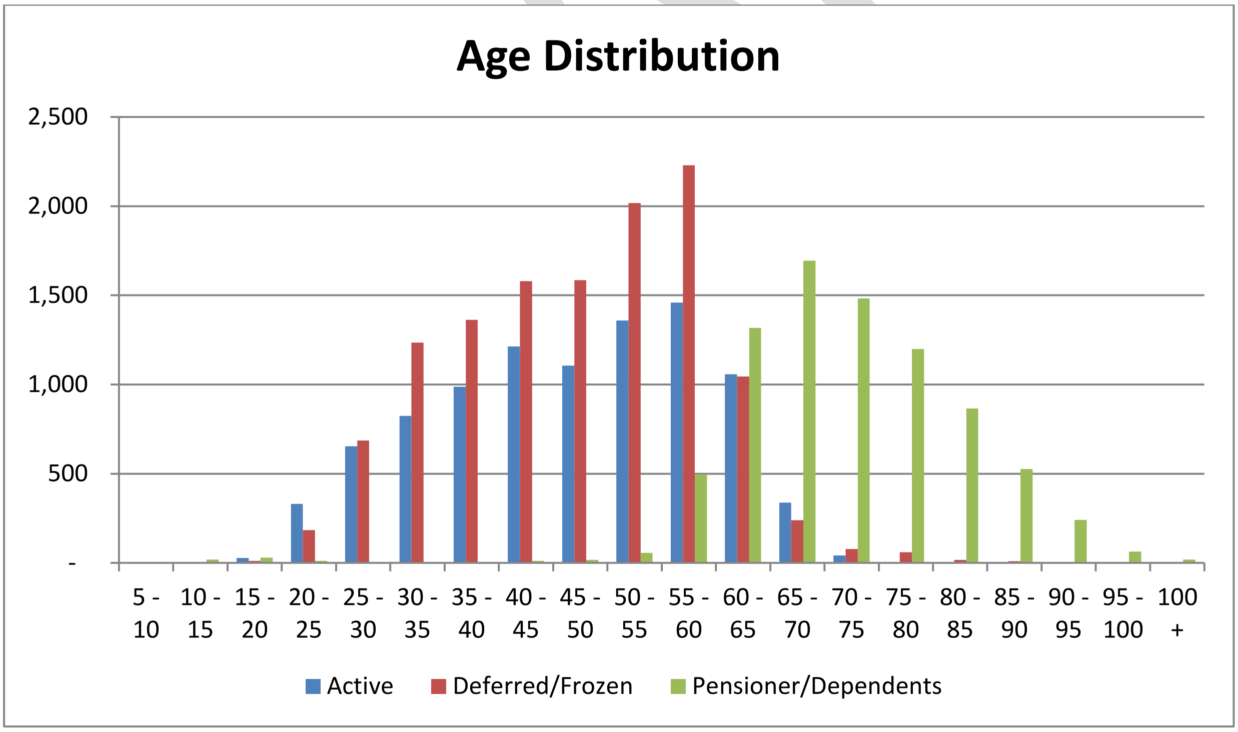


Membership Age Profile at 31 March 2022

Bands	Active	Deferred/Frozen	Pensioner/Dependents
0 - 5	-	-	2

5 - 10	-	-	4
10 - 15	-	-	18
15 - 20	27	11	29
20 - 25	331	184	11
25 - 30	653	686	2
30 - 35	825	1,235	4
35 - 40	987	1,363	3
40 - 45	1,213	1,579	11
45 - 50	1,105	1,585	17
50 - 55	1,359	2,018	56
55 - 60	1,460	2,229	495
60 - 65	1,058	1,045	1,317
65 - 70	338	240	1,694
70 - 75	41	78	1,483
75 - 80	-	60	1,200
80 - 85	-	17	866
85 - 90	-	10	527
90 - 95	-	3	241
95 - 100	-	1	63
100 +	-	-	18
Total	**9,397**	**12,344**	**8,061**

Age distribution



Fund Employers

LBN is the administering authority for the Fund. Organisations known as admitted and scheduled bodies may also participate in the Fund - scheduled bodies have a right to be incorporated, whereas admitted bodies require the agreement of the administering authority.

Analysis of employers in the Fund

	Active	Ceased	Total
Administering Authority	1	0	1
Admitted body	27	10	37
Scheduled body	26	1	27
Total	**54**	**11**	**65**

Active Employer Analysis

	Employer	No of Active Members	Employee Contributions £'000	Employer Contributions £'000
	Administering authority			
1	LBN	5,547	10,897	11,142
	Admitted bodies			
1	Active Newham	9	9	26
2	Better Together	6	14	35
3	Birkin	4	-	-
4	Change Grow Live	1	1	2
5	Churchill	1	-	1
6	Compass	2	1	4
7	Early Start	42	54	119
8	ECAM**	-	-	-
9	Enabled Living	26	66	164
10	iXact	-	39	121
11	Juniper Pursuits	392	230	849
12	Juniper Ventures	483	414	1,411
13	Language Shop	52	79	144
14	London Network for Pest Solutions	17	41	104
15	Mint	76	45	145
16	Mitie PFI	1	1	3
17	Newham Partnership Working	63	99	267
18	Olive Dining - Cumberland	5	3	11
19	Olive Dining - Forest Gate	9	1	12
20	Olive Dining - Plashet	-	3	11
21	Olive Dining - St.Angela's	2	1	5
22	Pabulum Monega**	-	-	-1
23	Pabulum Lister**	-	-	-
24	Public Realm Services	68	44	145
25	RM Education**	-	-	-
26	The Good Support Group**	-	-	-
27	Wilson Jones	4	3	7
	Olive Dining - Britannia Village*	-	4	10
	Olive Dining - St Anthonys*	-	3	7
	Olive Dining - St Edwards*	-	4	10
	Olive Dining - St Francis*	-	3	6
	Olive Dining - St Helens*	-	1	3
	Olive Dining - St Joachims*	-	2	7
	Olive Dining - St Michaels*	-	5	15
	Olive Dining - Star*	-	6	17
	Admitted bodies total	**1,263**	**1,176**	**3,660**

	Employer	No of Active Members	Employee Contributions £'000	Employer Contributions £'000
1	Agate Momentum Trust	47	54	173
2	Big Education Trust	60	111	205
3	Bobby Moore Academy	12	28	56
4	Boleyn Trust	333	367	1,464
5	Brampton Manor School	58	86	303
6	Britannia Education Trust	34	36	128
7	Burnt Mill Academy Trust	28	37	132
8	Chobham	67	82	178
9	Community Schools Trust	98	145	492
10	East London Science School	24	39	96
11	Education Links	14	18	41
12	EKO Trust	155	143	462
13	Langdon School	83	113	421
14	Leading Learning Trust	83	92	298
15	Learning in Harmony	193	223	754
16	London Academy of Excellence	13	28	47
17	London Design and Engineering	52	63	123
18	New Vision Trust	260	208	694
19	Newham College of Further Education	224	403	945
20	Newham Collegiate	13	30	66
21	Newham Community Schools Trust	147	189	638
22	Newvic College	92	172	362
23	Oasis Academy	17	22	45
24	Our Lady of Grace	211	215	986
25	Stratford School	63	68	176
26	Tapscott Leading Trust	206	203	616
		2,587	**3,175**	**9,901**
	TOTAL	**9,397**	**15,248**	**24,703**

* Admission agreement in progress
** Cessation valuation in progress

LPGS 2013 (as amended)

The LGPS regulations 2013 came into effect on 1 April 2014. The key changes under the new scheme are set out in the table below:

	LGPS 2008	LGPS 2013
Basis of Pension	Final Salary	Career Average Revalued Earnings (CARE)
Accrual Rate	1/60th	1/49th
Revaluation Rate	Based on Final Salary	Consumer Prices Index (CPI)
Pensionable Pay	Pay excluding non-contractual overtime and non-pensionable additional hours	Pay including non-contractual overtime and additional hours for part time staff
Contribution Flexibility	No	Yes – 50:50 option where members pay 50% contributions for 50% of the pension benefit
Normal Pension Age	65	Linked to the State Pension Age
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	No change - trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	No change - 3 x Pensionable Pay
Indexation of Pension in Payment	CPI (RPI for pre-2011 increases)	CPI

Employee Contribution Table 2022/23

Employee contribution rates are tiered as shown in the table below and contribution rates for part time members are based on actual pensionable pay, rather than full time equivalent pay. The 50:50 Scheme provides contribution flexibility for members. For more information about member benefits, changes to the scheme and the impact of the changes on your pension, please see www.yourpension.org.uk/newham or contact LPPA.

Salary Band £	Employee Contribution rate	
	Main Section	50/50 Section
0 – 15,000	5.5%	2.75%
15,001 – 23,600	5.8%	2.90%
23,601 – 38,300	6.5%	3.25%
38,301 – 48,500	6.8%	3.40%
48,501 – 67,900	8.5%	4.25%
67,901 – 96,200	9.9%	4.95%
96,201 – 113,400	10.5%	5.25%
113,401 – 170,100	11.4%	5.70%
170,101 or more	12.5%	6.25%

Financial Statements

Statement of Responsibilities

The Authority’s Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Resources.
- To manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- To approve the Newham Pension Fund Accounts.

The Responsibilities of the Corporate Director of Resources

The Corporate Director of Resources is responsible for the preparation of the Authority’s Pension Fund Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom is required to present fairly the financial position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2022.

In preparing the Pension Fund Accounts, the Corporate Director of Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice.

The Corporate Director of Resources has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with the Accounts and Audit Regulations 2016, I certify that the Accounts set out on pages 61 to 93 of the Annual Pension Report present a true and fair view of the financial position of the Fund at 31st March 2022 and its income and expenditure for the year ended 31st March 2022.

Signature: Date:

Conrad Hall
Corporate Director of Resources

Auditors Report

2021/22 Pension Fund Accounts

2020/21 £'000		Notes	2021/22 £'000
	Dealings with members, employers and others directly involved in the fund:		
93,149	Contributions	7	39,951
5,750	Transfers in from other pension funds		8,511
98,899			**48,462**
(64,169)	Benefits	8	(61,729)
(9,400)	Payments to and on account of leavers	9	(7,953)
(73,569)			**(69,682)**
25,330	**Net withdrawals from dealing with members**		**(21,220)**
(7,824)	Management expenses	10	(8,475)
17,506	**Net additions/deductions including fund management expenses**		**(29,695)**
	Returns on investments		
22,984	Investment income	11	22,385
(125)	Taxes on income		(72)
176,865	Profit and losses on disposal of investments and changes in the Market value of investments	12	128,943
199,724	**Net return on investments**		**151,256**
217,230	**Net increase/decrease in the assets available for benefits during the year**		**121,561**
1,371,154	**Opening net assets of the Fund**		**1,588,384**
1,588,384	**Closing net assets of the Fund**		**1,709,945**

Net Asset Statement

2020/21 £'000		Notes	2021/22 £'000
1,528,794	Investment assets		1,612,699
(35,414)	Investment liabilities		(14,537)
43,749	Cash deposits		89,029
1,537,129	**Total invested assets**	12	**1,687,191**
52,718	Current assets	19	23,699
(1,463)	Current liabilities		(945)
51,255	**Net current assets**		**22,753**
1,588,384	**Net assets of the Fund available to fund benefits at 31 March**		**1,709,945**

Notes to the Pension Fund Accounts

Note 1: Description of Fund

The London Borough of Newham Pension Fund (‘the Fund’) is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Newham (LBN). The Local Authority is the reporting entity for this Fund.

The following description of the Fund is a summary only, for more detail reference should be made to the Fund’s Annual Report 2021/22.

a) General

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

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

It is a contributory defined benefit pension scheme administered by the LBN to provide pensions and other benefits for pensionable employees of LBN and a range of other scheduled and admitted bodies within the borough. Teachers are not members as they are included within other national pension schemes.

The Fund is overseen by the Committee, of LBN supported by the Local Pension Board (‘the Board’) and day to day operations have been delegated to the Statutory Section 151 officer.

b) Membership

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

Organisations participating in the Fund include:

- Scheduled bodies, which 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.

31 March 2021	Membership	31 March 2022
54	Number of employers with active members	54
	NUMBER OF EMPLOYEES IN SCHEME	
5,052	London Borough of Newham	5,511
3,983	Other employers	3,886
9,035	**Total**	**9,397**
	NUMBER OF PENSIONERS	
7,437	London Borough of Newham	7,467
512	Other employers	594
7,949	**Total**	**8,061**
	NUMBER OF DEFERRED MEMBERS	
10,124	London Borough of Newham	10,108
2,014	Other employers	2,236
12,138	**Total**	**12,344**
29,122		**29,802**

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 financial year ending 31 March 2022. Employee contributions are matched by employers contributions which are set based on triennial actuarial funding valuations. The last full valuation of the Fund was at 31 March 2019, employer contribution rates range from 12% to 28.1% of pensionable pay, the average employer primary rate is 17.0%. https://www.newham.gov.uk/downloads/file/1173/lbn-acturial-valuation-2019

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service.

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 uprated annually in line with the Consumer Prices Index.

There are a range of other benefits provided including early retirement, disability pensions and death benefits. For more details, please refer to the Fund's scheme handbook available from http://www.yourpension.org.uk/handr/Newham-Publications.aspx.

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its year-end position as at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* ("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. No such accounting standards have been identified for 2021/22 by the Fund.

The accounts report on the net assets available to pay pension benefits. The accounts 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 account of the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose (see Note 18).

Going Concern Statement

Management's assessment of the entity's ability to continue as a going concern.

The LGPS is a statutory defined benefit scheme and is effectively guaranteed by Government. It operates on a funded basis, which means that contributions from employees and employers are paid into a fund which is then invested, from which pension benefits are paid as they fall due.

The Fund reduces investment risk by diversifying its investments across a number of different types of global assets; these include shares; equities; property; government bonds and company bonds; infrastructure; and private debt. This diversification means that not all assets are affected by economic events.

The Committee reviewed its Environmental, Social and Governance Policy (ESG) in May 2021, strengthening the Funds commitment to invest responsibly and manage climate risk. The Committee has taken the view that well run companies perform better over the long term.

From time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. For this reason the actuary carries out a smoothing exercise when assessing the valuation of the Fund's assets.

The concept of a going concern assumes that the Fund functions and services will continue in operational existence for the foreseeable future. LGPS Regulations remain in force with no expectation of any plans to wind up the Fund or the LGPS. The Fund continues to operate as usual.

In carrying out its assessment that this basis is appropriate, made for the going concern period to 31 March 2025.

What is the process management followed to make its assessment?

In line with statutory requirements the Fund undertakes a valuation every three years to determine the ratio of the Funds' assets to its liabilities. This funding position is a summary statistic often quoted to give an indication of the health of the Fund. The Fund's triennial valuation at 31 March 2019 reported that the Fund had sufficient assets to cover 96% of the accrued liabilities.

The purpose of the valuation is to review the current funding strategy and ensure the Fund has a contribution plan and investment strategy in place that will enable it to pay members' benefits as they fall due.

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. Any deficits are financed through increased contributions agreed with the actuary and are financed by Council, admitted and scheduled bodies contributions.

The Fund's Investment Strategy Statement (ISS) sets out its strategic asset allocation in order to deliver the investment returns which the Fund requires to achieve full funding over the longer term. The ISS is continually developed and updated at each quarterly Committee.
The employer covenant is reviewed periodically with the Fund's actuary. The aim is to provide early warning of any employer at risk of defaulting on their liabilities and to ensure adequate

bonds or guarantees are in place to mitigate that risk. The July 2021 employer risk review revealed no material risk to the Fund.

The Fund also monitors the timeliness and value of contributions, this will help us to intervene early if we suspect that an employer is struggling to meet their pension obligations.

The Fund's Investment Advisor reports quarterly to the Committee at which fund manager performance is reviewed and discussed to ensure that the investment strategy remains on track.

What are the assumptions on which the assessment is based including whether the key assumptions underlying the budgets and/or forecasts appear appropriate in the circumstances?

Details on the assumptions used in the valuation are contained within the actuary's 2019 valuation report and the updated Funding Strategy Statement, March 2021.

The Fund monitors budgets and cash flow on a monthly basis. Cash flow will include predictable payments, such as the monthly pension payroll, or more unpredictable payments such as transfer out payments, retirement lump sums or death benefits. The Fund is maturing which means that the cash flow position of the Fund is negative, contributions from employers and employees are not sufficient to meet the payments of benefits due without needing to utilise investment income, or liquidate investment assets. However, this has been forecast for a number of years and the Committee took steps in invest in income yielding assets , currently some assets classes are non-distributing as there is sufficient cash balances to maintain this approach, the Committee will review this approach as the need arises.

In establishing an acceptable working cash balance, we wish to determine a sum that is sufficient to cover predictable benefit payments, taking account of expected cash flow, whilst also providing a buffer to meet unpredictable payments together with any deterioration in cash inflow.

	2021/22 Actual £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000
Opening cash balances	**29,635**	**15,039**	**8,789**	**12,029**
Inflows	87,604	92,360	90,800	91,940
Outflows	(102,200)	(98,610)	(87,560)	(91,580)
Closing cash balance	**15,039**	**8,789**	**12,029**	**12,389**

The Fund's cash flow remains robust. The Fund held cash of £89m at the Balance Sheet date, equivalent to 0.2% of the Fund Assets. In addition, the Fund held £1.3b in Level 1 and Level 2 investment assets which could be realised within 3 months if required. However, based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments. As such the accounts have been prepared on a going concern basis.

What are Management's plans for future action?

The Committee continue to monitor manager performance and review the Fund's ISS taking advice from the schemes advisors and officers and take any remedial actions to the portfolio where necessary.

The next triennial valuation is in progress and will become effective on 1 April 2023. This will assess the funding level at that time and contributions rates and the investment strategy will be reviewed and revised as necessary to ensure that there are sufficient assets to fund the liabilities. The Fund will continue to keep the funding position under review.

The Fund maintains a balance of cash sufficient to meet operational requirements, and this will continue to be monitored on a monthly basis. The Funds cash position is monitored regularly and reported on a quarterly basis to the Committee.

The Fund also has a currency hedge in place to partly remove currency risk from non-sterling denominated assets.

Note 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 schemes which rise 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 basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contribution in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current 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 or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (Note 20) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers in.

c) Investment 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.

- Dividend income is recognised on the date the shares are quoted 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.

- 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 Asset Statement (NAS) as a current financial asset.

- Changes in the value of investments (including investment properties) 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 NAS as current liabilities, providing that 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 management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), all items of expenditure are charged to the Fund on an accruals basis as follows:

Administrative expenses

All staff costs of the pension administration team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance costs

All staff costs associated with oversight and governance are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

Fees of the external investment managers and custodian are agreed 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 decrease as the value of these investments change.

Where an investment manager's fee note has not been received by the year end date, an estimate based upon the Market value of their mandate as at the end of the year is used for inclusion in the Fund account. In 2021/22 £0.918m of fees are based on such estimates (2020/21 £0.611m).

Private Equity management fees are estimated by taking a portion of the total management fees of the private equity partnership based on the percentage of the Fund holdings with the partnership. In 2021/22 £0.95m of fees is based on such estimates (2020/21 £0.416m).

Net assets statement

g) Financial assets

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the NAS 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 asset are recognised in the Fund account.

The values of investments as shown in the NAS have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 14). 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).

h) 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.

i) 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 value at bid prices and liabilities are fair value at offer prices. Changes in the fair value of derivative contracts are included in the change of market value.

j) Cash and cash equivalents

Cash comprises cash in hand in terms of temporary deposits, amounts held by the Fund's external managers and invested in money market funds. 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.

k) Financial liabilities

A financial liability is recognised in the NAS 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 in the Fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised costs are carried at amortised cost i.e. the amount carried in the NAS is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (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 NAS (Note 18).

m) Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with section 4(1) (b) of The LGPS (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 20). The AVC provider is Clerical Medical and contributions are also collected for life assurance policies provided by Utmost Life and Pensions.

n) 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 NAS but are disclosed by way of narrative in the notes.

Note 4: Critical judgements in applying accounting policies

Pension fund liability

The liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised (see 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.

Note 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. Estimates and assumptions are made taking into account historical experience, current trends and future expectations. The items in the NAS for which there is a significant risk of material adjustment in the following year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
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, salary increases, changes in retirement ages, mortality rates and returns on fund 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 total pension obligation in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £54m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £4m, and • a one year increase in assumed life expectancy would increase the liability by approximately £118m.
Private equity, private debt and real assets investments (Note 14)	Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines 2012*. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investment in the financial statements is £327m. There is a risk that this investment may be under or overstated in the accounts.

Note 6: Events after the Reporting Date

The Written Ministerial Statement relating to the consultation on amendments to the statutory underpin (also known as the McCloud remedy) was issued on 13 May 2021. The Statement confirms much of what our actuary had already expected and adjusted future liabilities to allow for. However, a degree of uncertainty remains and we await a promised full response later this year.

In due course, primary legislation for public service pensions will be taken through Parliament and then regulations will be made to make the changes for the LGPS, with the expectation they will come into force on 1 April 2023. This is a non-adjusting event.

A link to the Statement is here Written statements - Written questions, answers and statements - UK Parliament

Note 7: Contributions Receivable

2020/21 £'000	By Category	2021/22 £'000
13,982	**Employees contributions**	**15,248**
	Employers contributions:	
66,988	Normal contributions	21,474
10,854	Deficit recovery contributions	1,764
1,325	Augmentation contributions	1,465
79,167	**Total Employers contributions**	**24,703**
93,149	**Total**	**39,951**

2020/21 £'000	By Authority	2021/22 £'000
74,956	Administering Authority	22,039
6,065	Admitted Body	4,836
12,128	Scheduled Body	13,076
93,149	**Total**	**39,951**

Note 8: Benefits Payable

2020/21 £'000	By Category	2021/22 £'000
(48,788)	Pensions	(49,827)
(13,396)	Commutation and lump sum retirement benefits	(9,614)
(1,985)	Lump sum death benefits	(2,288)
(64,169)	**Total**	**(61,729)**

£'000	By Authority	£'000
(58,510)	Administering Authority	(56,042)
(2,572)	Admitted bodies	(2,372)
(3,087)	Scheduled bodies	(3,315)
(64,169)	**Total**	**(61,729)**

Note 9: Payments to and on account of leavers

2020/21 £'000		2021/22 £'000
(335)	Refunds to members leaving service	(248)
(9,065)	Individual transfers	(7,705)
(9,400)	**Total**	**(7,953)**

Note 10: Management Expenses

2020/21 £'000		2021/22 £'000
(724)	Administrative costs	(939)
(6,542)	Investment management expenses	(6,967)
(558)	Oversight and governance costs	(569)
(7,824)	**Total**	**(8,475)**

Note 10a: Investment Management Expenses

2021/22	Management Fees £'000	Transaction Costs £'000	Total £'000
Asset pool	(130)	(248)	(378)
Equity	(1,155)	(75)	(1,230)
Fixed income	(201)	(638)	(839)
Managed Alternatives	(25)	-	(25)
Pooled equity	(144)	-	(144)
Pooled fixed income	(34)	(30)	(64)
Pooled property Investments	(876)	-	(876)
Private debt	(76)	(54)	(130)
Private equity	(2,458)	-	(2,458)
Real assets	(700)	-	(700)
	(5,799)	**(1,046)**	**(6,845)**
Custody Fees			(122)
Total			**(6,967)**

2020/21	Management Fees £'000	Transaction Costs £'000	Total Costs £'000
Asset pool	(127)	-	(127)
Pooled equity	(82)	(122)	(204)
Equity	(2,327)	(131)	(2,458)
Fixed income	(592)	(106)	(698)
Pooled fixed income	32[1]	(8)	24
Managed Alternatives	(474)	(154)	(628)
Pooled property Investments	(770)	-	(770)
Private debt	(110)	(69)	(179)
Real assets	(676)	(654)	(1,330)
	(5,126)	**(1,244)**	**(6,370)**
Custody Fees			(172)
Total			**(6,542)**

[1] Prior year pooled fixed income received management fee rebates

Note 10b: External Audit Costs

2020/21 £'000		2021/22 £'000
(51)	External audit	(53)
(56)		**(53)**

Note 11: Investment Income

2020/21 £000	By Category	2021/22 £000
1,832	Fixed interest securities	3,855
-	Asset pool	249
5,771	Equities	2,652
122	Pooled equities	-
3,502	Pooled property	4,134
3,093	Pooled fixed income	184
6,046	Private debt	6,889
1,179	Private equity	3,558
141	Real assets	194
850	Diversified Alternatives	442
448	Interest on cash deposits	228
22,984	**Total before taxes**	**22,385**

Note 12: Investments

Market Value as at 31 March 2021	Analysis of Investments	Market Value as at 31 March 2022
£'000		**£'000**
238,245	**Equities**	**147,474**
85,441	**Fixed interest securities**	**-**
	Pooled funds - additional analysis	
131,923	Fixed income unit trust	125,466
607,784	Equity unit trust	798,495
21,415	Managed alternatives	-
761,122		**923,961**
161,833	**Pooled property investments**	**197,597**
	Other Investments	
47,130	Private equity	71,757
75,446	Real assets	84,889
106,411	Private debt	112,895
39,594	Social Housing	57,205
268,581		**326,746**
8,976	**Diversified Alternatives**	**2,330**
150	**Shares in London CIV**	**150**
43,609	**Cash deposits**	**89,029**
	Other investment assets	
2,355	Investment income due	226
2,091	Amount receivable for sales	-
1,047	Derivative assets	6,215
140	Spot FX contracts	8,000
5,633		**14,441**
	Investment liabilities	
(36,461)	Derivative liabilities	(13,554)
-	Amounts payable for purchases	(983)
(36,461)		**(14,537)**
1,537,129	**Total investment assets**	**1,687,191**

Note 12a: Reconciliation of Movements in Investments and Derivatives

	Market value as 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 as at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Equities (active)	238,245	53,356	(175,790)	31,663	147,474
Fixed interest securities	85,441	-	(180,006)	94,565	-
Pooled funds	761,122	261,834	(51,494)	(47,501)	923,961
Pooled property investments	161,833	19,615	(14,161)	30,310	197,597
Other investments	268,581	56,283	(40,072)	41,954	326,746
Diversified alternatives	8,976	(493)	(7,276)	1,123	2,330
Shareholding in London CIV	150	-	-	-	150
	1,524,348	**390,595**	**(468,799)**	**152,114**	**1,598,258**
Derivative contracts:					
Purchased/written options	(34,347)	55,533	(6,653)	(20,658)	(6,125)
Forward currency contracts	(1,068)	7,795	(3,552)	(4,390)	(1,214)
	1,488,934	**453,923**	**(479,004)**	**127,066**	**1,590,919**
Other Investment balances:					
Cash deposits	43,609			1,591	89,029
Investment income due	2,355			-	226
Amount receivable for sales of investments	2,091			2	-
Amounts payable for purchases of investments	-			-	(983)
Spot FX Contracts	140			284	8,000
	1,537,129			**128,943**	**1,687,191**

	Market value as at 31 March 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market value as at 31 March 2021
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Equities	359,578	74,153	(305,188)	109,702	238,245
Fixed interest securities	93,242	63,843	(62,141)	(9,503)	85,441
Pooled investments	450,054	233,172	(15,654)	93,550	761,122
Pooled property investments	164,479	5,291	(3,479)	(4,458)	161,833
Private equity/debt & real assets	195,996	85,881	(17,101)	3,805	268,581
Diversified alternatives	57,537	29,907	(84,227)	5,759	8,976
Shareholding in London CIV	150	-	-	-	150
	1,321,036	**492,247**	**(487,790)**	**198,855**	**1,524,348**
Derivative contracts:					
Futures	-	2	-	(2)	-
Purchased/written options	10,103	-	-	(44,450)	(34,347)
Forward currency contracts	(9,327)	13,853	(27,076)	21,483	(1,067)
	1,321,812	**506,102**	**(514,866)**	**175,886**	**1,488,934**
Other Investment balances:					
Cash deposits	46,497			870	43,609
Investment income due	2,589			-	2,355
Amount receivable for sales of investments	1,828			-	2,091
Amounts payable for purchases of investments	(1,100)			-	-
Spot FX Contracts	-			109	139
	1,371,626			**176,865**	**1,537,129**

Note 12b: Investments analysed by Fund manager

Market value as at 31 March 2021 £'000	%	Fund manager	%	Market value as at 31 March 2022 £'000
		Pooled *investments – London CIV*		
150	-	LCIV Shareholding	-	150
		LCIV Global	6.8	115,164
		Investments aligned with London CIV asset pool		
607,786	39.6	Legal and General (LGIM)	47.3	798,500
		Investments managed outside of the London CIV asset pool		
179,967	11.7	Aberdeen Standard	-	-
35,854	2.3	Arcmont	2.5	41,325
21	-	Baring	-	21
32,560	2.1	Brightwood	2.2	37,626
6,956	0.5	Brockton	0.5	8,962
157,320	10.2	CBRE	11.3	189,338
39,594	2.6	Cheyne	3.4	57,205
66,995	4.4	Fiera Capital	4.4	74,487
53,679	3.5	HarbourVest	5.0	83,993
9,525	0.6	KGal Capital	0.7	12,114
249,509	16.2	Longview	8.8	148,922
21,415	1.4	Man FRM – divested in 2021	-	-
10,607	0.7	Morgan Stanley	0.2	2,956
3,267	0.2	Northern Trust cash deposits	3.1	51,503
10,489	0.7	Payden & Rygel	0.6	10,304
43,683	2.8	Permira	2.4	40,762
7,752	0.5	River & Mercantile	0.8	13,859
1,537,129	**100**	**Total investment assets**	**100**	**1,687,191**

Individual investments exceeding 5% of net assets

	Market value as at 31 March 2021 £'000	% of total fund %	Market value as at 31 March 2022 £'000	% of total fund %
LGIM – Paris Aligned	-	-	679,983	40.00
LGIM – Future World Index	232,841	15.15	-	-
Aberdeen World Opportunistic Bond	121,436	7.90	-	-
LCIV Global Bond Fund	-	-	115,164	6.83
LGIM - <15YR Index-linked gilts	84,646	5.51	89,941	5.33
CBRE Global Alpha Fund	69,062	5.04	91,928	5.45
	507,986		**977,016**	

Note 12c: Stock Lending

The Fund does not carry out stock lending directly, and is an investor of a pooled fund with the passive equity manager, 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 2022, the value of quoted equities on loan was £80m (2020/21: £166m). These equities continue to be recognised in the Fund's financial statements.

Note 13: Analysis of Derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be 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 the various investment managers.

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 is River and Mercantile. A breakdown of forward contracts held by the Fund as at 31 March 2022 is given below:

Open forward currency contracts

Settlements	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		**000**	**£’000**	**£’000**
One to six months	GBP	97,651	USD	(129,600)	-	(806)
One to six months	GBP	48,876	EUR	(58,200)	-	(409)
Open forward currency contracts at 31 March 2022					**-**	**(1,215)**
Net forward currency contracts at 31 March 2022						**(1,215)**
Prior year comparative						
Open forward currency contracts at 31 March 2021					**(955)**	**(2,024)**
Net forward currency contracts at 31 March 2021						**(1,069)**

Purchased/written options

As part of its risk management strategy, the Fund purchases equity option contracts that protect it from falls in value in its main investment markets.

Investment underlying option contract	Expires	Put/ Call	Notional Holdings	Market Value as at 31/03/2021	Notional Holdings	Market Value as at 31/03/2022
			£'000	£'000	£'000	£'000
Assets						
Overseas equity purchased	One to three months	Put	60	92	-	-
Overseas equity purchased	Over three months	Put	-	-	73	6,215
				92		**6,215**
Liabilities						
Overseas equity written	One to three months	Put	(76)	(26)	-	-
Overseas equity written	Over three months	Put	-	-	(91)	(2,525)
Overseas equity written	One to three months	Call	(60)	(34,412)	-	-
Overseas equity written	Over three months	Call	-	-	(73)	(9,814)
				(34,438)		**(12,339)**
Net purchased/written options				**(34,346)**		**(6,124)**

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Note 14: Fair Value - Basis of Valuation

Description of asset	Valuation 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 accounting period	Not required	Not required
Quoted bonds	Level 1	Market value based on current yields	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Overseas bond options	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled investments - unit trusts	Level 2	Closing bid price where bid and offer are published	NAV-based pricing set on a forward pricing basis	Not required
Structured equity	Level 2	Estimated valuation reported by counterparty	Market information such as interest rates, equity values, implied volatility, implied dividends	Reported values are estimates and do not represent trading value to enter into or close a position.
Pooled investments-property funds	Level 3	Closing bid price where bid and offer are published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Pooled investments-hedge funds	Level 3	Closing bid price where bid and offer are published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Private (Unquoted) equity / debt and real assets	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines (2012)*	• Earnings before interest, tax, depreciation and amortisation multiple • Revenue multiple • Discount for lack of marketability • Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, 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.

The figures set out below are independent investment advisors assessment of the 1 year volatility for the asset classes held.

Description of asset	Assessed valuation range (+/-) %	Value as 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Private debt*	10	112,895	124,185	101,606
Private equity	15	71,757	82,521	60,993
Real assets**	10	84,889	93,378	76,400
Social Housing	10	57,205	62,926	51,485
Subtotal		**326,746**	**363,010**	**290,484**
Pooled investments-hedge funds	15	2,265	2,605	1,925
Property funds	10	51,107	56,218	45,996
Total		**380,183**	**421,833**	**338,405**

*Private debt is combined totals of the following managers; Arcmont, Brightwood & Permira
**Real assets is combined totals of the following managers; Fiera & KGAL

Note 14a: Fair Value Hierarchy

Assets and liabilities have been classified three levels, according to the quality and reliability of information used to determine fair values.

Level 1 –where the fair values are derived from adjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2 – Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3 – Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

Values at 31 March 2022	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant observable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities	147,474	-	-	147,474
Pooled investments	-	924,027	-	924,027
Pooled property investments	8,743	137,747	51,107	197,597
Private equity	-	-	326,746	326,746
Diversified alternatives	-	-	2,264	2,264
Derivative assets	-	6,215	-	6,215
Cash deposits	89,029	-	-	89,029
Other investment assets	8,150	-	-	8,150
Investment income due	226	-	-	226
Net investment assets	**253,622**	**1,067,989**	**380,117**	**1,701,728**
Financial liabilities at fair value through profit and loss				
Payable for investment purchases	-	(983)	-	(983)
Derivative liabilities	-	(13,554)	-	(13,554)
Total	**253,622**	**1,053,386**	**380,117**	**1,687,191**

Restated Values at 31 March 2021	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant observable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Bonds	-	85,441	-	85,441
Equities	238,245	-	-	238,245
Pooled investments	-	761,658	8,439	770,097
Pooled property investments	8,186	103,342	50,306	161,834
Private equity	-	-	268,581	268,581
Derivative assets	-	1,047	-	1,047
Cash deposits	43,609	-	-	43,609
Other investment assets	290	-	-	290
Investment income due	705	1,650	-	2,355
Amounts receivable for sale	-	2,091	-	2,091
Net investment assets	**291,035**	**955,229**	**327,326**	**1,573,590**
Financial liabilities at fair value through profit and loss				
Derivative liabilities	-	(36,461)	-	(36,461)
Total	**291,035**	**918,768**	**327,326**	**1,537,129**

This table has been restated as it was noted that 3 assets were recorded in Level 3 rather than Level 2.

Table from 2020/21 Values at 31 March 2021	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant observable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Bonds	-	85,441	-	85,441
Equities	238,245	-	-	238,245
Pooled investments	-	761,658	8,439	770,097
Pooled property investments	8,186	27,008	126,640	161,834
Private equity	-	-	268,581	268,581
Derivative assets	-	1,047	-	1,047
Cash deposits	43,609	-	-	43,609
Other investment assets	290	-	-	290
Investment income due	705	1,650	-	2,355
Amounts receivable for sale	-	2,091	-	2,091
Net investment assets	**291,035**	**878,895**	**403,660**	**1,573,590**
Financial liabilities at fair value through profit and loss				
Derivative liabilities	-	(36,461)	-	(36,461)
Total	**291,035**	**842,434**	**403,660**	**1,537,129**

Note 14b: Reconciliation of Fair Value Measurements within Level 3

	Market value as at 31/03/2021 £'000	Transfers in/out of level 3 £'000	Purchases £'000	Sales £'000	Unrealised gains (losses) £'000	Realised gains (losses) £'000	Market value as at 31/03/2022 £'000
Pooled investments-hedge funds	8,439	-	1	(7,260)	(602)	1,686	2,264
Private equity	47,130	-	500	-	2,812	-	50,443
Property funds	50,306	-	14,028	(17,996)	26,519	11,464	84,321
Private debt	106,410	-	24,977	(21,851)	2,236	1,124	112,896
Real assets	75,446	-	4,542	(11,751)	1,309	3,441	72,987
Social Housing	39,594	-	17,000	-	611	-	57,206
Total	**327,326**	**-**	**61,049**	**(58,858)**	**32,885**	**17,715**	**380,117**

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 of account.

Note 15: Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and NAS heading.

Market value as at 31 March 2021				Market value as at 31 March 2022		
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			
238,245	-	-	Equities	147,474	-	-
85,441	-	-	Fixed Interest Securities	-	-	-
761,121	-	-	Pooled funds	923,961	-	-
161,833	-	-	Pooled property Investments	197,597	-	-
268,580	-	-	Private equity/debt & real assets	326,746	-	-
8,976	-	-	Diversified alternatives	2,330	-	-
150	-	-	London collective investment vehicle	150	-	-
-	73,244	-	Cash and cash equivalents	89,029	15,037	-
1,047	-	-	Derivatives	6,215	-	-
2,495	-	-	Other investment balances	8,226	-	-
2,091	-	-	Amounts receivable for sales	-	-	-
-	21,989	-	Sundry debtors and prepayments	-	6,532	-
1,529,981	**95,233**	**-**	**Total Financial Assets**	**1,701,728**	**21,569**	**-**
			Financial liabilities			
-	-	(36,461)	Derivatives	-	-	(13,554)
-	-	(1,463)	Sundry creditors	-	-	(945)
-	-	-	Amounts payable for purchases	-	-	(983)
-	**-**	**(37,924)**	**Total Financial liabilities**	**-**	**-**	**(15,482)**
1,529,981	**95,233**	**(37,924)**	**Total**	**1,701,728**	**21,569**	**(15,482)**

Note 15a: Net Gains and Losses on Financial Instruments

31 March 2021 £'000		31 March 2022 £'000
	Financial Assets	
198,855	Fair value through profit and loss	152,113
979	Other investment balances	1,878
	Financial Liabilities	
(22,969)	Fair value through profit and loss	(25,048)
176,865	**Total**	**128,943**

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

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

Note 16: 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 Fund manages these investment risks as part of its overall Fund risk management programme.

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

Market risk

Market risk is the risk of loss emanating 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 of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment 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 Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, and manage any identified risk in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. The Fund's structured equity is a hedge that provides some level of mitigation to market volatility.

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. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

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

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Movement %	Market value as at 31 March 2022 £'000	Movement on increased value £'000	Movement on decreased value £'000
Equities*	15	147,474	169,595	125,353
Pooled funds	10	924,027	1,016,430	831,625
Pooled property investments	10	197,597	217,357	177,838
Private equity	15	71,757	82,521	60,994
Private debt	10	112,895	124,185	101,606
Real assets	10	84,889	93,378	76,400
Diversified alternatives	15	2,265	2,605	1,925
Social housing	10	57,205	62,925	51,484
London collective investment vehicle	15	150	173	128
Cash and cash equivalents	0	89,029	89,029	89,029
Other investment assets	0	14,440	14,440	14,440
Payable for investment purchases	0	(983)	(983)	(983)
Investment liabilities	0	(13,554)	(13,554)	(13,554)
Total Investment assets		**1,687,191**	**1,858,101**	**1,516,285**

* unhedged position

Asset type	Movement %	Market value as at 31 March 2021 £'000	Movement on increased value £'000	Movement on decreased value £'000
Equities*	15	238,245	273,982	202,508
Fixed interest securities	10	85,441	93,985	76,897
Pooled funds	10	761,121	837,233	685,009
Pooled property investments	10	161,833	178,016	145,650
Private equity	15	47,130	54,200	40,061
Private debt	10	106,410	117,051	95,769
Real assets	10	75,446	82,991	67,901
Diversified alternatives	15	8,976	10,322	7,630
Social housing	10	39,594	43,553	35,635
London collective investment vehicle	15	150	173	128
Cash and cash equivalents	0	43,609	43,609	43,609
Other investment assets	0	5,635	5,635	5,635
Investment liabilities	0	(36,461)	(36,461)	(36,461)
Total Investment assets		**1,537,129**	**1,704,289**	**1,369,972**

* unhedged position

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate – risk sensitivity analysis

The Fund recognises that interest rates can vary and 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.

The Fund's investment advisor has advised that there is a low probability that long-term average rates are expected to move less move by more than 100 basis points (1%) from one year to the next and experience suggests that such movements are unlikely.

Asset type	Market value as at 31 March 2022 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Cash and Cash equivalents	89,029	89,919	88,139
Cash balances	15,037	15,187	14,887
Total	**104,066**	**105,106**	**103,026**

	Market value as at 31 March 2021 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Asset type			
Cash and Cash equivalents	43,609	44,045	43,173
Fixed interest securities	85,441	86,295	84,587
Cash balances	29,635	29,931	29,339
Total	**158,685**	**160,271**	**157,099**

Interest Receivable

	Market value as at 31 March 2022 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Asset type			
Cash and Cash equivalents	228	230	226
Total	**228**	**230**	**226**

	Market value as at 31 March 2021 £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
Asset type			
Cash and Cash equivalents	702	709	695
Fixed interest securities	1,650	1,666	1,633
Total	**2,352**	**2,375**	**2,328**

This 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.

Currency risk

Currency risk represents the risk that 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. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Asset type	Market value as at 31 March 2022 £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
Overseas quoted equities	138,588	152,447	124,729
Overseas fixed interest unit trusts	10,302	11,332	9,272
Overseas pooled property investments	112,024	123,226	100,822
Overseas private debt	112,895	124,185	101,606
Overseas real assets	84,889	93,378	76,400
Total	**458,698**	**504,568**	**412,829**

Asset type	Market value as at 31 March 2021 £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
Overseas quoted equities	219,948	241,943	197,953
Overseas public sector quoted	49,620	54,582	44,658
Overseas fixed interest unit trusts	131,923	145,115	118,731
Overseas equity unit trusts	166,002	182,602	149,402
Overseas managed alternatives	21,415	23,557	19,274
Overseas pooled property investments	82,003	90,203	73,803
Overseas private debt	106,410	117,051	95,769
Overseas real assets	75,446	82,991	67,901
Total	**852,767**	**938,044**	**767,491**

a) **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 of investments 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 financial assets and liabilities.

The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Fund has also set limits as to the maximum sum placed on deposit with individual financial institutions. In addition, the Fund invests an agreed percentage of its Funds in the money markets to provide diversification.

Summary	Rating	Asset value as at 31 March 2021 £'000	Asset value as at 31 March 2022 £'000
Held with Custodian			
Northern Trust custody cash accounts	AA-	43,609	89,029
Money market funds			
BNP Paribas	A+	20,000	14,990
Federated Prime Rate	AAA	9,500	-
Bank current accounts			
Lloyds	A+	135	47
Total		**73,244**	**104,066**

The Fund has experienced no defaults from fund managers, brokers or bank accounts over many years.

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. All contributions due at 31 March 2022 and 31 March 2021 (£2.1m and £1.1m respectively) were received in the first two months of the respective financial year.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £43m (31 March 2021: £32.9m).

Cash not needed to settle immediate financial obligations is invested by the Fund in accordance with LBN's Treasury Investment Strategy (TIS). The TIS sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

The Fund also has access to an overdraft facility for short-term cash needs (up to seven days). This facility is only used to meet timing differences on pension payments. As at 31 March 2022 the balance on this facility stood at £0 (31 March 2021: £0).

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 2022 the value of liquid assets represented 69% of the total Fund value (31 March 2021: 72% of the total Fund assets).

b) **Refinancing risk**

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

Note 17: Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation is due to take place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the authority tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 17 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases a maximum period of 12 years can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 10% of the 100% funding target, then a deficit recovery plan will be put in place requiring addition employer contributions.

At the 2019 actuarial valuation, the Fund was assessed as 96% funded (85% at the March 2016 valuation). This corresponded to a deficit of £58m (2016 valuation: £201m) at that time.

Individual employers' rates will vary depending on the demographic and actuarial factors particular to each employer.

In addition to the primary contribution rate, most employers also pay a secondary contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the Funding Strategy Statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows.

Financial assumptions as noted in the triennial valuation

Assumed returns at	31 March 2019	31 March 2016
	%	%
Discount rate	5.0	5.4
CPI Inflation	2.6	2.4
Pension increases	2.6	2.4
Salary increases	3.6	3.9

Mortality assumptions as noted in the triennial valuation

Future life expectancy based on the actuary's fund-specific mortality review was as follows.

Life expectancy from age 65		31 March 2019	31 March 2016
		Years	Years
Retiring today	Males	21.2	21.6
	Females	23.8	24.0
Retiring in 20 years	Males	22.7	23.3
	Females	25.4	25.8

Commutation assumptions

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

50:50 option

Less than 1% of active members (evenly distributed across age, service length and salary range) have taken up the 50:50 option.

Note 18: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 17). The actuary has also used valued ill-health and death benefits in line with IAS 19.

2020/21		2021/22
£m		£m
(2,770.3)	Present value of promised retirement benefits	(2,755.8)
1,578.5	Fair value of scheme assets (bid value)	1,687.2
1,191.8	**Net Liability**	**1,068.6**

An allowance for the potential impact of the McCloud & Sargeant judgement is included in the present value of promised retirement benefits.

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see Note 17) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Other key assumptions used are:

	2020/21 %	2021/22 %
Inflation/pension increase rate assumption	2.8	3.2
Salary increase rate	3.8	4.2
Discount rate	2.0	2.6

Note 19: Current Assets

original 2020/21 £000	restated 2020/21 £000		2021/22 £000
414	414	Contribution due - employees	1,234
680	680	Contribution due - employers	896
21,989	1,368	Prepayments*	1,335
0	303	Receivables	77
0	20,318	Debtors	5,119
29,635	29,635	Cash balances	15,037
52,718	**52,718**	**Total**	**23,698**

* The prepayments category has been expanded to improve the analysis

Note 20: Additional Voluntary Contributions

Market value at 31 March 2021 £'000		Market value at 31 March 2022 £'000
1,029	Clerical Medical	1,123
160	Utmost Life and Pensions	156
1,189	**Total**	**1,279**

AVC contributions of £0.059m were paid directly to Clerical Medical during the year (£0.058m 2020/21).There have been no further contributions to Utmost in either financial year.

These amounts are not included in the Fund accounts in accordance with Regulation 4 (1) (b) of the LGPS (Management and Investment of funds) Regulations 2016.

Note 21: Agency Services

The Fund pays discretionary awards to the former teachers of LBN, the amounts are fully reclaimed.

2020/21 £'000		2021/22 £'000
320	Payments on behalf of London Borough of Newham	316
320	**Total**	**316**

Note 22: Related Parties

The Fund is administered by LBN. During the reporting period, the Council incurred costs of £1.16m (2020/21: £0.94m) in relation to the administration the Fund and was subsequently reimbursed by the Fund for these expenses (see Note 10). As at 31 March 2022 the Council owed the Fund £5.1m (2020/21 £20.3m).

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 and the Chief Executive of oneSource.

Of the Committee members there are no active members of the LGPS and three deferred members; Councillor John Gray, Councillor Harvinder Singh-Virdee and Councillor James Asser. The members of the Committee do not receive fees in relation to their specific responsibilities as members of the Committee.

The Fund is a minority shareholder in London LGPS CIV Ltd. Shares valued at £0.15m at 31 March 2022 (£0.15m at 31 March 2021) are included as long-term investments in the NAS. A mixed portfolio of investments is managed by the regional asset pool as shown in Note 12b. During 2021/22 a total of £0.13m was charged to the pension fund by London CIV in respect of investment management services (£0.13m in 2020/21).

Note 22a: Key Management Personnel

Key management personnel are members of the Committee, the Corporate Director of Resources, the Director of Exchequer and Transactional Services and the Head of Pensions & Treasury for oneSource. Total remuneration payable to key management personnel which is recharged to the Fund is set out below:

2020/21 £'000		2021/22 £'000
35	Short-term benefits	35
1,381	Post-employment benefits	1,387
1,416	**Total**	**1,422**

Note 23: Contingent Liabilities and Contractual Commitments

The Russian invasion of Ukraine commencing 24 February 2022 resulted in significant market volatility in the financial markets. The Fund has indirect holdings of £0.6m through two of its fund managers. This amount is currently frozen due to UK government sanctions.

Outstanding capital commitments for private debt, property, private equity, real assets and social housing at 31 March 2022 totalled £114m (31 March 2021: £139m). There are no contingent liabilities to report.

Four admitted body employers in the Fund hold insurance bonds and seven admitted bodies have a guarantee in place with the Local Authority to guard against the possibility of being unable to meet the pension obligations. These bonds/guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default. No such defaults have occurred.

The Fund, in conjunction with other Borough shareholders in the London CIV, has entered into an exit 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 City of London. Should an amount become due the Fund will meet 1/32 share of costs.

Investment Strategy Statement 2021/22

1. Introduction

1.1 This is the second Investment Strategy Statement (ISS) adopted by the London Borough of Newham (LBN) Pension Fund ("the Fund") and reflects the conclusions drawn from the strategy review undertaken in 2020.

1.2 Under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 LBN is required to publish this ISS.

The Regulations require administering authorities to outline how it meets each of 6 objectives aimed at improving the investment and governance of the Fund.

1.3 This Statement addresses each of the objectives included in the 2016 Regulations:

- A requirement to invest fund money in a wide range of instruments
- The authority's assessment of the suitability of particular investments and types of investment
- The authority's approach to risk, including the ways in which risks are to be measured and managed
- The authority's approach to pooling investments, including the use of collective investment vehicles
- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

We deal with each of these in turn below.

1.4 The Pensions Committee (PC) of LBN oversees the management of the Fund's assets. Although not trustees, the members of the PC owe a fiduciary duty similar to that of trustees to the council-tax payers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

1.5 The relevant terms of reference for the PC within the Council's Constitution (8.07 2) are:

- To make all decisions under Regulations made pursuant to Sections 7, 12 or 24 of the Superannuation Act not otherwise falling to the Corporate Director of Resources to determine as set out in the officers' scheme of delegation.
- Consideration and approval of the authority statement of accounts in accordance with the relevant Accounts & Audit Regulations made from time to time.
- The PC shall be a member of the Local Authority Pension Fund Forum.

The PC has responsibility for:

- Determining an overall investment strategy and strategic asset allocation, with regard to diversification and the suitability of asset classes
- Appointing the investment managers, an independent custodian, the actuary, the investment advisor(s) and any other external consultants considered necessary
- Reviewing on a regular basis the investment managers' performance against benchmarks, portfolio risk and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls

- Monitoring compliance with the ISS & Funding Strategy Statement (FSS) and reviewing its contents
- Reviewing policy on social, environmental and ethical considerations, and on the exercise of voting rights

The Corporate Director of Resources and the appointed consultants and actuaries support the PC. The day-to-day management of the Fund's assets is delegated to investment managers. Elements of the Fund allocation in the property and diversified alternatives portfolio are managed in-house with adviser support.

1.6 This ISS will be reviewed at least once a year, or more frequently as required - in particular following valuations, future asset/liability studies and performance reviews, which may indicate a need to change investment policy, or significant changes to the FSS.

1.7 Under the previous Regulations the Statement of Investment Principles required to state how it complies with the revised six investment principles as outlined within the CIPFA Pensions Panel Principles. Although not formally required under the 2016 Regulations this information is given in Appendix A. In addition, Appendix B includes a disclosure of the Fund's policy on how the PC discharge their stewardship responsibilities.

2. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

2.1 Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the PC is aware of the risks it runs within the Fund and the consequences of these risks.

2.2 In order to control risk the PC recognises that the Fund should have an investment strategy that has:

- Exposure to a diverse range of sources of return, such as market, manager skill and through the use of less liquid holdings.
- Diversity in the asset classes used
- Diversity in the approaches to the management of the underlying assets.

A consequence of this approach is that the Fund's assets are invested in a wide range of instruments.

2.3 This approach to diversification has seen the Fund dividing its assets across 4 broad categories; equities, bonds, real assets (i.e. assets with some form of link to inflation) and absolute return strategies. The size of assets invested in each category will vary depending on investment conditions. However, it is important to note that each category is itself diversified.

2.4 The main risk the PC are concerned with is to ensure the long-term ability of the Fund to meet pension, and other benefit obligations, as they fall due is met. As a result the PC place a high degree of importance on ensuring the expected return on the assets is sufficient to do so, and does not have to rely on a level of risk which the PC considers excessive.

2.5 Whilst the Fund currently has a surplus of income (contributions and investment income) over expenditure the PC is mindful that this position may change in future and keeps the liquidity within the Fund monitored.

2.6 At all times the PC takes the view that their investment decisions, including those involving diversification, in the best long term interest of Fund beneficiaries.

2.7 To mitigate these risks the PC regularly reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its return objective. In addition to keeping their investment strategy and policy under regular review the PC will keep this ISS under review to ensure that it reflects the approaches being taken.

2.8 The table in Section 5.3 provides detail on the asset allocation.

3. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment

3.1 When assessing the suitability of investments LBN takes into account a number of factors:

- Prospective return
- Risk, including macro-economic risk
- Concentration
- Risk management qualities the asset has, when the portfolio as a whole is considered
- Geographic and currency exposures
- Whether the management of the asset meets the Fund's ESG criteria.

3.2 Suitability is a critical test for whether or not a particular investment should be made.

3.3 Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against. In addition the Funding Strategy Statement implies the Fund as a whole should generate a return which is sufficient to support the valuation discount rate, whilst minimising risk as much as is possible and practicable.

3.4 The PC monitors the suitability of the Fund's assets on a quarterly basis. To that end they monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood. Where comparative statistics are available the PC will also compare the Fund asset performance with those of similar funds.

3.5 The PC relies on external advice in relation to the collation of the statistics for review.

4. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed

4.1 The PC recognises that there are a number of risks involved in the investment of the assets of the Pension Fund amongst which are the following:

4.2 Geopolitical and currency risks:

- are measured by the value of assets (the concentration risk), in any one market leading to the risk of an adverse influence on investment values arising from political intervention; and
- are managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

4.3 Manager risk:

- is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and
- is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

4.4 Solvency and mismatching risk:

- are measured through a qualitative and quantitative assessment of the expected

development of the liabilities relative to the current and alternative investment policies; and
- are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

4.5 Liquidity risk:

- is measured by the level of cash flow required over a specified period; and
- managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy

4.6 Custodial risk:

- is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

4.7 Environmental, Social and Governance ('ESG') risk:

- It is recognised that ESG and ethical issues have the potential to impact on the long term financial viability of an organisation. The PC monitors both developments within the investment environment and the voting of its appointed managers, supported through regular reporting from the Fund's custodian on the voting and engagement activity of its investment managers.

4.8 Funding of the Fund is based upon financial and demographic assumptions determined by the actuary. The main risks to the Fund are highlighted within section 7 of the Funding Strategy Statement. The risks to the Fund are controlled in the following ways:

- The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the Investment Managers from deviating significantly from the intended approach while permitting the flexibility for Managers to enhance returns
- The appointment of more than one manager with different mandates and approaches provides for the diversification of manager risk.

4.9 The investment management agreements constrain the Manager's actions in areas of particular risk and set out the respective responsibilities of both the Manager and LBN.

LBN and the PC are aware investment risk is only one aspect of the risks facing the Fund. The other key risk they are aware of is the ability of LBN to meet the future contributions, support the investment risk (i.e. the level of volatility of investment returns) and underwrite actuarial risk, namely the volatility in the actuarial deficit and the impact this has on contributions.

4.10 LBN and the PC are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy the PC carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate.

Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and also the correlation between them. These can be based on historic asset class information for some of the listed asset classes the Fund uses. However, for other private market and less liquid assets it is much more difficult.

The PC is also mindful that correlations change over time and at times of stress can be significantly different from they are in more benign market conditions.

To help manage risk the PC uses an external investment adviser to monitor the risk. In addition when carrying out their investment strategy review the PC also had different investment advisers asses the level of risk involved.

4.11 The Fund targets a long-term return that will support the discount rate set by the actuary at the triennial valuation and the Fund's Independent Adviser has confirmed that the current long-term investment strategy is expected to produce an investment return in excess of this amount. The investment strategy is considered to have a low degree of volatility and currently targets as low a volatility possible given the level of return required by the discount rate.

4.12 When reviewing the investment strategy on a quarterly basis the PC considers advice from their Investment and Economic Advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable.

4.13 At each review of the ISS the assumptions on risk and return and their impact on asset allocation will be reviewed.

4.14 The Fund may invest in a wide range of investments including quoted and unquoted assets in Equities, Fixed Income, Property and Alternatives either directly or through pooled investments. The Fund may also make use of directly held derivatives for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

5. Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles.

5.1 LBN recognises the government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

5.2 In this regard the Fund has indicated to the Government in its submissions that when opportunities to have assets within the investment strategy managed by an appropriate pooling partner it will give these consideration.

LBN and the PC are aware that certain of the assets held within the Fund have limited liquidity and moving them would come at a cost. Whilst it is the expectation to make use of the pooling partner for the management of the majority of the Fund assets in the longer term, the PC recognises that transitioning from the current structure to the pooling partner will be a protracted exercise spread over a number of years to ensure unnecessary costs are not incurred.

5.3 The table below shows the assets the Fund anticipates will be invested with the pooling partner, when the appropriate management becomes available, and those which it expects to sit outside of those managed by their pooling partner.

Asset Class	PC Approved SAA %	Control Ranges %
Growth	**60**	
Equities	50	43 - 57
Private Equity	5	3 - 7
Infrastructure/Agriculture	5	4 - 6

Asset Class	PC Approved SAA %	Control Ranges %
Income	**35**	
Property	10	8 - 12
Social Housing	5	4 - 6
Private Credit	7.5	5 - 9
Corporate Bonds	7.5	6 - 9
Index-linked Bonds	5	4 - 6
Protection and Cash	**5**	
Equity Protection and Currency Hedging	5	4 - 9
Cash	0	0 - 5
Absolute Return Bonds	0	
Total	**100**	

5.4 The PC is in the process of transitioning the assets from the current holdings above to the long term strategic asset allocation approved by the PC shown in the table above. This transition process takes into account market conditions and investment opportunities. Until the transition is complete asset allocations will lie in the range between the two columns in the table above with a margin of +/- 1% on each to allow for the impact of market movements.

5.5 At each review of the investment strategy, which will happen at least every three years, the investment of the above assets will be actively considered by the PC, and in particular whether a collective investment option is appropriate.

5.6 More information on the preferred pooling partner and its operation is included in Appendix C of this statement.

6. Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

6.1 A full of review of the Fund's approach to Environmental, Social and Governance (ESG) policy was completed in 2021/22. The Fund adopted an ESG Policy which outlines its approach to the management of Environmental, Social and Governance issues within its investment portfolio. The ESG Policy is publically available and will be reviewed as deemed appropriate.

6.2 The Fund's ESG policy is set out in the Appendix.

7. Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments

7.1 The Fund is committed to making full use of its shareholder rights, and this is also covered in its ESG Policy. The Fund's policy on voting rights is based on the Cadbury, Greenbury and Hampel codes, as well as the stock exchange combined code, and the principles of protecting shareholder rights, minimising risk and enhancing value.

7.2 The Fund expects its Fund Managers to vote in an appropriate and informed manner and report their voting actions in their quarterly investment reports. The exercise of shareholder's rights is delegated to the Fund Managers as part of their mandate. Fund Managers will vote in accordance with their Corporate Governance Policy Statements. These policy statements have been developed with the recommendations of Institutional Shareholder Service (ISS), Pensions and Lifetime Savings Association of Pension Funds (PLSA) and the Association of British Insurers (ABI).

8. Feedback on this statement

Any feedback on this investment Strategy Statement is welcomed. If you have any comments or wish to discuss any issues then please contact:
Conrad Hall
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1000 Dockside Road London E16 2QU
Email: conrad.hall@newham.gov.uk

Investment Strategy Statement: Appendix A

Compliance with CIPFA Pensions Panel Principles for investment decision making in the local government pension scheme in United Kingdom

Decision Making

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners' Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012',

The Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is also recognised as important to demonstrate how the Fund meets such principles and best practice.

The Secretary of State has previously highlighted the principle contained in Roberts v. Hapwood whose administering bodies exercise their duties and powers under regulations governing the investment and management of Funds:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others".

The Myners' Principles are seen as supporting this approach. The principles, together with the Fund's position on compliance, are set out below:

Principle 1 - Effective decision-making

Administrating authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Full Compliance

The council has delegated the management and administration of the pension fund to the PC, which meets at least quarterly. The responsibilities of the PC are described in paragraph 1.4 of the Investment Strategy Statement.

The PC is made up of elected members of the Council who each have voting rights and has representatives from the admitted and scheduled bodies within the Fund and from trade unions, as observers.

The PC obtains and considers advice from and is supported by the Corporate Director of Resources, One Source Finance and as necessary from the Fund's appointed actuary, investment managers and advisors. A review of the investment advice received by the Fund was completed in 2014/15, to ensure it continues to be fit for purpose in the changing investment and legislative environment.

The PC has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the scheme's regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

Business plans are presented to the PC annually and progress is monitored on a quarterly basis.

Several of the PC members have extensive experience of dealing with Investment matters and training is made available to new PC members. PC members are required to undertake a minimum of three days of investment training a year – there is an on-going programme of training available to members. The PC has adopted the CIPFA Knowledge and Skills Framework.

Principle 2 - Clear objectives

An overall investment objective(s) should be set 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 the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Full Compliance

The aims and objectives of the Fund are set out within the FSS and within the Investment Strategy Statement. The main fund objective is to meet the cost of pension liabilities and to enable employer contribution rates to be kept as nearly constant as possible at reasonable cost to the taxpayers and admitted bodies.

The investment strategy has been set with the objective of controlling the risk that the assets will not be sufficient to meet the liabilities of the Fund while achieving a good return on investment (see paragraphs 4 and 5 above). The approach taken reflects the Fund's liabilities and was decided upon without reference to any other funds. The Fund's performance is measured against the investment objective on a quarterly basis.

The Fund's strategy is regularly reviewed.

Principle 3 – Risk and liabilities

In setting and reviewing their investment strategy, administrating authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Full Compliance

The PC has, in conjunction with its advisers, agreed an Investment Strategy that is related to the Fund's liabilities. An actuarial valuation of the Fund takes place every three years, the 2019 valuation has now been completed. The investment strategy is designed to give diversification and specialisation and achieve optimum return against acceptable risk.

The Investment Allocation of the Fund is set to maximise the potential to close the funding deficit over future years. The current allocation is outlined in paragraph 5.3 of the Investment Strategy Statement.

During 2014/15, the Fund established an Admitted/Scheduled Body policy, which will outline its approach to assessing the strength of the covenant for participating employers and the risk assessment undertaken when new employers wish to join the Fund.

Principle 4 – Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members

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Full Compliance

The PC has appointed investment managers with clear index strategic benchmarks (see paragraph 4.2 above) within an overall Investment objective which place maximum accountability for performance against that benchmark on the manager.

The managers are monitored at quarterly intervals against their agreed benchmarks, and independent detailed monitoring of the Fund's performance is carried out by Barnett Waddingham, the Fund's advisor and by Northern Trust, the Fund's custodian who provide the performance figures. Moreover portfolio risk is measured on quarterly basis and the risk/return implications of different strategic options are fully evaluated.

The advisor is assessed on the appropriateness of asset allocation recommendations and the quality of advice given.

The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the OJEU procedures.

The PC monitors the investment decisions it has taken, including the effectiveness of these decisions. In addition the PC receive quarterly reports as to how the Fund has performed against their investment objective. The performance figures are included in the extract from the accounts which is included in the Fund's annual report.

Principle 5 – Responsible Ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee Statement of Principles on the responsibilities of shareholders and agents.
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to scheme members on the discharge of such responsibilities.

Full Compliance

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in paragraph 7.1 of the Investment Strategy Statement and in the Fund's ESG Policy. Authority has been delegated to the investment managers to exercise voting rights on behalf of the Fund. The investment managers are required to report how they have voted in their quarterly reports.

The Fund believes in using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests – the Fund's approach to this is outlined in paragraph 7.2 of the Investment Strategy Statement and in the Fund's ESG Policy.

A full of review of the ESG polices of current Fund Managers and their compliance with the Financial Reporting Council's Stewardship Code was completed 2019, and the results were reported to the PC. This Investment Strategy Statement and the ESG Policy are both publically available to all scheme members.

Principle 6 – Transparency and reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.
- Provide regular communications to scheme members in the form they consider most appropriate.

Full Compliance

Links to the Governance Compliance Statement, the Investment Strategy Statement, the FSS, the ESG Policy and the Communications Statement are all included in the Pensions Fund Annual Report which is published and is accessible to stakeholders of the Fund on the Council's web site, internal intranet and a website developed specifically for the Fund.

All Committee meetings are open to members of the public and agendas and minutes are published on the Council's website and internal intranet. The Fund's Annual Report includes an assessment of the Fund's performance and an extract from the accounts is sent to stakeholders annually.

Investment Strategy Statement: Appendix B

Compliance with the Stewardship Code

The UK Stewardship Code 2020 (the Code) sets high stewardship standards for asset owners and asset managers, and for service providers that support them.

The Code comprises a set of 'apply and explain' Principles for asset managers an asset owners, and a separate set of Principles for service providers. The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.

The 12 principles are set out below:

1. Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates longterm value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

2. Signatories' governance, resources and incentives support stewardship.

3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.

6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

8. Signatories monitor and hold to account managers and/or service providers.

9. Signatories engage with issuers to maintain or enhance the value of assets.

10. Signatories, where necessary, participate in collaborative engagement to influence issuers.

11. Signatories, where necessary, escalate stewardship activities to influence issuers.

12. Signatories actively exercise their rights and responsibilities.

Investment Strategy Statement: Appendix C

Reviewed By

Area of Review	Name	Position	Date
Administration	James Cocks	Head of People Transactional Services	Feb-22
Finance and Investment	Rakesh Rajan	Head of Pensions and Treasury	Feb-22

Key - Assessment of Risk						Risk Likelihood	Risk Impact
Likelihood	A					F = Very Unlikely	4 = Negligible
	B					E = Unlikely	3 = Moderate
	C					D = Possible	2 = Serious
	D					C = Likely	1 = Major
	E					B = Very likely	
	F					A = Certainty	
		4	3	2	1		
		Impact					

Area	Risk Title	Potential Consequence(s)	Risk/Control Ref	Controls	Control Owner	All Risks are monitored on an Ongoing basis, unless Est. end date is stated	Assessment of Risk
Finance and Investment	Those charged with governance of the Fund are unable to fulfil their responsibilities effectively, either through loss of experienced committee and board members and officers.	Poor governance and lack of professional advice or poor advice giving rise to detrimental decision making, leading to loss of investment opportunities and adverse performance.	1a	Knowledge and skills training for members of the Pension Committee	Stephen Wild	on-going	2D
			1b	Review of the Investment Strategy Statement, Funding Strategy Statement, State of the Nations document and ESG Policy	Stephen Wild	on-going	
			1c	Scrutiny and support from the Local Pensions Board	James Cocks	on-going	
			1d	Monitoring of advice received from Investment Advisor and Macro-Economic Advisor	Stephen Wild	on-going	
Finance and Investment	Assumptions made at Triennial valuation are not realised	Fund's actuary's assumptions at the Triennial valuation not realised - giving rise to a larger deficit and therefore requirement for higher employer contributions.	2a	Strategic asset allocation designed to achieve appropriate balance between capital protection and diversification.	Stephen Wild	on-going	2D
			2b	Quarterly valuation update to monitor returns against triennial valuation assumptions.	Stephen Wild	on-going	
			2c	Developments monitored via Fund's Actuary – next triennial valuation being completed in 2022	Stephen Wild	on-going	
			2d	Deficit monitoring of contributions	Stephen Wild	on-going	

Area	Risk Title	Potential Consequence(s)	Risk/Control Ref	Controls	Control Owner	All Risks are monitored on an Ongoing basis, unless Est. end date is stated	Assessment of Risk
Finance and Investment	Reduction to Membership Numbers	Declining active membership leading to negative cash flow from dealings with members requiring assets to be realised to meet liabilities.	3a	Targeted approach to recruitment of non-members to benefits of LGPS	James Cocks	on-going	1D
			3b	Cash flow forecasting and modelling.	Stephen Wild	on-going	
			3c	Strategic asset allocation re-aligned towards higher yielding assets to increase investment income.	Stephen Wild	on-going	
Finance and Investment	Negative impact to Employers due to the COVID pandemic	Risk employer goes into default due to Covid-19, deficit on termination, change of status, financial risk.	4a	Actuarial assessment completed for all new admission requests to assess level of risk	James Cocks	on-going	2D
			4b	Bonds or suitable guarantees put in place to protect the Fund in case of default	James Cocks	on-going	
			4c	Funding level of each employer assessed as part of triennial valuation, and contribution rates set accordingly.	James Cocks	on-going	
			4d	Monitoring of contribution payments	James Cocks / Stephen Wild	on-going	
Finance and Investment	Negative impact to Assets and Liabilities due to the COVID pandemic	Assets and liabilities impacted by investment performance in light of Covid-19 - assets could fail to increase at the same rate as liabilities giving rise to a larger deficit and therefore requirement for higher contributions	5a	Strategic asset allocation designed to achieve appropriate balance between capital protection and diversification. Reviewed at quarterly strategy meetings.	Stephen Wild	on-going	2D
			5b	Monitoring of Investment Managers' performance, with meetings held on an exceptions basis where performance is below benchmark	Stephen Wild	on-going	
			5c	Quarterly valuation update to monitor returns against triennial valuation assumptions.	Stephen Wild	on-going	
Admin	Poor administration by the Pension Fund, employers and payroll providers in the Fund	Impact will give rise to inaccurate data with financial and reputational consequences, actuary to set contribution rates with high margin of error.	6a	Annual monitoring of membership records, valuation checks	James Cocks	on-going	2D
			6b	Annual reconciliation between payroll and scheme membership data.	James Cocks	on-going	
			6c	Data Cleansing exercise and actuary data report	James Cocks	on-going	
Finance and Investment	Negative impact of decisions of those contracted to manage the fund	The Pension Fund relies on third party providers for its investment management, administration and custodial services and any poor performance will adversely impact on the Fund.	7a	Adequate contract monitoring to ensure performance standards and financial security of external providers.	Stephen Wild	on-going	1D
			7b	Fund managers reviewed by investment advisor.	Stephen Wild	on-going	
			7c	Monitoring of audited accounts to ensure consistent asset valuation.	Stephen Wild	on-going	
			7d	Monitoring of LGPS pool: LCIV	Stephen Wild	on-going	
Admin	**Overpayment made to individuals in receipt of pension benefits**	Pension Overpayments arising as a result of non-notification of death, re-employment, or ceasing education	8a	Life Certificate check on all pensioners in receipt of Cheques/Giro's all pensioners living abroad and all those over the age of 80	James Cocks	on-going	3C
			8b	Participate in the National Fraud Initiative	James Cocks	on-going	
			8c	Mortality screening tools set up for overseas and process overall is carried out monthly	James Cocks	on-going	

Area	Risk Title	Potential Consequence(s)	Risk/Control Ref	Controls	Control Owner	All Risks are monitored on an Ongoing basis, unless Est. end date is stated	Assessment of Risk
			8d	Reclaim amounts over £250.00 that have been overpaid	James Cocks	on-going	
Admin	**A lack of techical/specialist knowledge held by officers to implement new legislation**	Failure to comply with existing or new legislation due to lack of specialist knowledge, inability to apply new legislation correctly, etc.	9a	Working with the funds actuaries and administrators on upcoming changes that will impact the fund.	James Cocks / Stephen Wild	on-going	2D
Finance and Investment			9b	Ensuring officers, Pension Committee and Board members have access to training		on-going	
Admin			9c	Administration managed by LPPA, who have a technical team, who can support the authority and its employers		on-going	
Finance and Investment	**Changes to regulations which could be detrimental to the Pension Fund**	Negative impacts are not planned and the fund could be in breach of regulations, which could be raised by external auditors	10a	Active participation in consultations.	James Cocks / Stephen Wild	on-going	2C
			10b	Use of specialist advisors to prepare for/respond to regulation changes. Proactive approach.	Stephen Wild	on-going	
Finance and Investment	**Financial and reputational risk of being invested in companies with poor ESG/SRI records**	The fund would receive a negative image, which could bring a negative image to the authority	11a	Preparation of Socially Responsible Investment Policy.	Stephen Wild	on-going	2D
Finance and Investment	**Poor investment performance arising from asset allocation**	Individual fund managers require higher employer contributions to compensate	12a	Monitoring of Investment Managers' performance, with meetings held on an exceptions basis where performance is below benchmark	Stephen Wild	on-going	1D
			12b	Strategic asset allocation designed to achieve appropriate balance between capital protection and diversification. Reviewed at quarterly strategy meetings.	Stephen Wild	on-going	
			12c	Quarterly valuation update to monitor returns against triennial valuation assumptions.	Stephen Wild	on-going	
Finance and Investment	**Fund's financial & external reporting do not comply with requirements and meets the need of users and local people**	Failure to comply with financial regulations and accounting standards may lead to adverse external audit report.	13a	Recruitment and training of professionally qualified and experienced accounting staff.	Stephen Wild	on-going	2D
			13b	Staff to engage in continuing professional development, attending courses as appropriate.	Stephen Wild	on-going	
Finance and Investment	**Poor communication with stakeholders**	Poor communication with stakeholders will give rise to disaffection and actions against Council	14a	The Pension's Communications Strategy	James Cocks	on-going	3D
			14b	Annual Report on Pension Fund - summary version sent to all active members	Stephen Wild	on-going	
			14c	Annual Meeting - all employers and other key stakeholders invited to attend	Stephen Wild	on-going	

Area	Risk Title	Potential Consequence(s)	Risk/Control Ref	Controls	Control Owner	All Risks are monitored on an Ongoing basis, unless Est. end date is stated	Assessment of Risk
			14d	Union representation on the Committee	Stephen Wild	on-going	
			14e	Pro-active communication in relation to ESG investments	Stephen Wild	on-going	
Both	**The Fund does not complete the Guaranteed Minimum Pension (GMP) reconciliation.**	The risk of not completing exercise will result in overpayment to members	15a	Engaged with LPPA who carried out initial review against HMRC records. Engage with LPPA for final list of records for review	James Cocks	31/12/2021	3D
Both	**LPPA no longer providing a Risk Management and Governance Service**	The risk of employers with poor covenant ratings are not brought to council's attention and may run risk of a deficit to the fund.	16a	The authority has engaged with the actuary to provide annual covenant checks	James Cocks / Stephen Wild	31/03/2021	4A
Admin	**LPPA implement a new administration system**	A poorly implemented system can damage the reputation of the fund to its members and employers. Overpayments could be made if the system is not fully reconciled	17a	The implementation is managed by a private actuary, increasing expertise within the project	James Cocks / Stephen Wild	30/09/2022	2B
			17b	There will be officer engagement with progress and scrutiny with LPPA presenting updates to board		30/09/2022	
Finance and Investment	**Forced merger of LGPS funds**	Compulsory mergers of LGPS funds, away from Newham Pension Fund, has the potential to set a precedence with other employers, taking contributions from the fund, negatively impacting the funds cash flow	18a	Participation in Department for Levelling Up, Housing and Communities consultations	Stephen Wild	on-going	2C
Both	**Cyber Security and Managing Fraud**	The risk for personal data of members to be lost or compromised, leading to fines from the Pension Regulator, reputational damage, and increase to scheme deficits	19a	Ensure sufficient training is provided to Committee and Board members and officers who have access to confidential data.	James Cocks		2D
			19b	Ensuring Pension Administration maintains data quality certification, e.g ISO 27001	James Cocks	on-going	
			19c	Ensuring working towards implementing The Pension Regulator Code of Practice 14 (soon to be Good Governance Framework)	James Cocks		
Admin	**Sufficient capacity to meet demands of changes in legislation or governance of the pension fund**	Department for Levelling Up, Housing and Communities Consultations and their outcomes from McCloud, Cost Cap, £95k Cap and Goodwin likely to significantly increase the workload impacting on the Fund, i.e., resources to deliver the required outputs;	20a	Shared Service agreement held with LCC, they would be advising of capacity needs and costs would be shared between other authorities contracted with LPPA	James Cocks	on-going	3C

Area	Risk Title	Potential Consequence(s)	Risk/Control Ref	Controls	Control Owner	All Risks are monitored on an Ongoing basis, unless Est. end date is stated	Assessment of Risk
Finance and Investment	**Major economic and political events that may have a material impact on Pension Fund Investment assets**	Assets and liabilities impacted by investment performance in light of a major economic and political event - assets could fail to increase at the same rate as liabilities giving rise to a larger deficit and therefore requirement for higher contributions	21a	Strategic asset allocation designed to achieve appropriate balance between capital protection and diversification. Reviewed at quarterly strategy meetings.	Stephen Wild	on-going	1A
			21b	Monitoring of Investment Managers' performance, with meetings held on an exceptions basis where performance is below benchmark	Stephen Wild	on-going	
			21c	Quarterly valuation update to monitor returns against triennial valuation assumptions.	Stephen Wild	on-going	

Funding Strategy Statement 2021/22

1. Introduction

This is the Funding Strategy Statement for the London Borough of Newham Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes the London Borough of Newham's strategy, in its capacity as administering authority, for the funding of the London Borough of Newham Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as required by Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

3. Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

4. Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013.Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

5. Key parties

The key parties involved in the funding process and their responsibilities are set out below.

5.1 The administering authority

The administering authority for the Fund is the London Borough of Newham. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund’s assets in accordance with the Fund’s Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund’s performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

5.2 Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

5.3 Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

5.4 Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019.
The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

6. Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service).These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7).Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used.

The administering authority holds details of the open or closed status of each employer.

6.1 Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- **The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and**
- **The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.**

6.2 Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI).This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund.

This assumption was reviewed following the Chancellor's November 2020 announcement on the reform of RPI. From 31 December 2020 RPI inflation is assumed to be 0.4% p.a. lower than the 20 year point on the inflation curve. This adjustment accounts for both the shape of the curve in comparison to the Fund's liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns.

6.3 Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI).Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 1.0% p.a. is therefore made to the RPI assumption to derive the CPI assumption.

This assumption was also reviewed in light of the Chancellor's announcement on the reform of RPI mentioned above. From 31 December 2020 CPI inflation is assumed to be 0.4% p.a. lower than the RPI assumption (i.e. a total of 0.8% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority's proposal to change how RPI is calculated to bring it in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

6.4 Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

6.5 Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI inflation	3.6% p.a.
CPI inflation	2.6% p.a.
Pension/deferred pension increases and	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	5.0% p.a.

6.6 Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

6.7 Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

6.8 McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015.These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published, which are expected in May 2021.

Further details of this can be found below in the Regulatory risks section.

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than the impact of reducing the discount rate assumption by 0.05%.

6.9 Guaranteed Minimum Pension (GMP) indexation and equalization

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018.In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found here.
https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes/consultation-on-indexation-and-equalisation-of-gmp-in-public-service-pension-schemes

On 22 January 2018, the government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021.HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.Details of this outcome and the Ministerial Direction can be found here. https://www.gov.uk/government/publications/indexation-of-public-service-pensions

On 7 October 2020, the government published its Public Service Pensions: Guaranteed Minimum Pension Indexation consultation. The consultation was published to seek views on a proposal to extend the current interim solution beyond 5 April 2021 for dealing with GMP indexation in public service pension schemes, including the LGPS. The consultation closed on 30 December 2020 and an outcome is awaited. The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

6.10 Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 17 years. The adjustment will usually be set as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise a proportion of the surplus.

The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- **The significance of the surplus or deficit relative to that employer's liabilities;**
- **The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;**
- **The remaining contract length of an employer in the Fund (if applicable); and**
- **The implications in terms of stability of future levels of employers' contribution.**

6.11 Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

Pooling of individual employers may be considered in exceptional circumstances if deemed appropriate by the administering authority and Fund Actuary.

7. New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below. Further details can also be found within the Fund's Admission Bodies Policy.

7.1 Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations).Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

7.2 Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

7.3 Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

7.4 Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

7.5 New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

7.6 Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities.

7.7 Contribution rate

The contribution rate for a new academy will be chosen to meet both the costs of benefits accruing to the existing active members in the future, and deficit recovery contributions to try to restore the funding level to 100% over a deficit recovery period of 17 years.

Where an academy joins an existing multi-academy trust in the Fund, an assessment will be made by the Fund Actuary as to whether the existing contribution rate payable by the Trust is sufficient. If so, the academy shall pay the existing rate payable by the Trust. Otherwise, the rate payable by all academies in the Trust, which participate in the Fund, may be revised.

7.8 Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate.

However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

I. it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
II. it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
III. a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out the Fund's separate Contribution review policy. This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

8. Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Further details are given below.

8.1 Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

8.2 Exit credits

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence will be included in order to take potential uncertainties and risk into account e.g. due to market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence will be set by considering the distribution of funding levels under a large number of economic scenarios, with the aim being to gain a reasonable level of confidence that the Fund will be able to meet its benefit obligations to the relevant members in future.

8.3 Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

9. Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

10. Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

10.1 Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption).Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by around 2%, and decrease/increase the required employer contribution by around 0.6% of payroll p.a.

However, the Pension Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

10.2 Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase in the long-term rate of mortality improvement of 0.25% p.a. will increase the liabilities by around 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham’s specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

The administering authority is currently implementing an ill-health self-insurance pool within the Fund whereby a portion of all employers’ contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer’s section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer’s section of the Fund to cover the funding strain.

10.3 Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired).The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cash flow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below
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10.4 Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- **If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.**
- **The potential effects of GMP equalisation between males and females, if implemented, are not yet known.**
- **More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.**
- **The State Pension Age is due to be reviewed by the government in the next few years.**

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

10.5 McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019.However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015.Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

10.6 Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- **amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;**
- **a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;**
- **proposals for flexibility on exit payments;**
- **proposals for further policy changes to exit credits; and**
- **proposals for changes to the employers required to offer LGPS membership.**

The consultation is currently ongoing: the consultation was closed to responses on 31 July

2019 and an outcome is now awaited. So far, two partial responses to the consultation have been issued:

- **On 27 February 2020, a partial response was issued relating to policy changes to exit credits**
- **On 26 August 2020, a partial response was issued relating to review of employer contributions and flexibility on exit payments**

This FSS has been updated in light of these responses and will be revisited again once the outcomes are known for the remaining items.
Detail of the outstanding policy proposals are outlined below:

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. This results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity of the Fund and the cash flow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

There are relatively few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

10.7 Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- **Structural changes in an individual employer's membership;**
- **An individual employer deciding to close the Scheme to new employees; and**
- **An employer ceasing to exist without having fully funded their pension liabilities.**

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund regularly commissions an employer risk review from the Fund Actuary, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.
In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

10.8 Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

10.9 Climate change risks

There are a large number of interlinked systemic long term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes.

10.10 Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019.At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

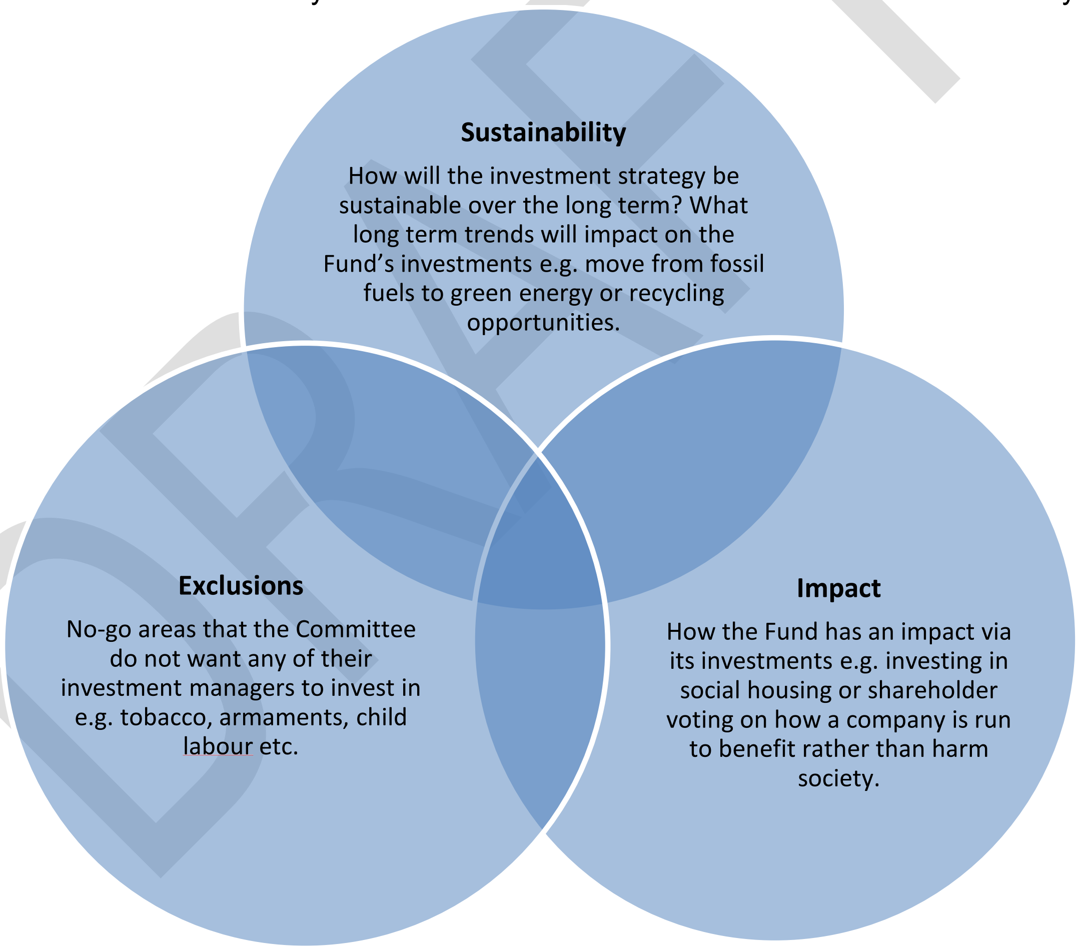
The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Environmental, Social and Governance (ESG) Investment Policy 2021/22

This Policy has been developed and set by the Pension Committee ("the Committee") of the London Borough of Newham Pension Fund ("the Fund") based on the belief that investment decisions should reflect environmental, social and governance considerations. This builds on the policy agreed on 26 February 2020.

This ESG Investment Policy applies to all applicable investments held by the Fund. However, the Committee recognises that there are practical difficulties (such as availability of suitable funds) that will act as an obstacle to the Policy being implemented in full at this time, without incurring material costs or having a likely negative impact on the investments' performance.

The Committee are committed to the long-term aims of this Policy. In the short-term they will apply the Policy pragmatically, as much as possible and continue to monitor opportunities in the investment industry such that they can apply the Policy more fully as time passes.
The diagram below shows the way that the Committee consider ESG issues within this Policy.



The Financial Reporting Council has published the 2020 UK Stewardship Code. This defines stewardship as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".

The Committee has adopted this definition of stewardship, and seeks to apply these principles within the assets that it holds.
The Committee is keen to be a progressive Local Authority when it comes to ESG issues and

this is reflected in both the focus they have placed to date on ESG related issues, resulting in their current low exposure to fossil fuels, and the future focussed nature of this Policy.

The Committee will share this Policy with the Fund's investment managers to encourage engagement and alignment and to highlight any areas of difference which can then be challenged. The Committee view this engagement process as helping identify developments that may help facilitate a more complete implementation of the Policy over time.

The appendices to this policy document provide further background on the external influences on the policy. They also expand on what is meant by financial and non-financial factors referred to within the policy document.

The Committee has identified the factors which they believe to be financial and non-financial in this Policy. In many cases investment decisions will often have a mixture of motivations. However, where the Committee considers that there is a financially positive rationale for taking a factor into account, it is identified in this policy as being a financial factor, notwithstanding that an additional non-financial motivation could also be identified. Where a factor is purely non-financial (i.e. there is not a strong case to take it into account as a financially positive factor), the Committee have aimed to quantify the impact of this factor to ensure that their decisions relating to this factor would at least not involve a risk of significant financial detriment to the Fund. The policy also sets out, in relation to non-financial factors, why the Committee consider that it should be taken into account in accordance with the views that the Committee consider the Fund's members are likely to hold.

Ethical Investing
This document contains the Committee's full ESG policy. Where the Committee wishes to impose ethical constraints on the investment policy these will also be reflected in this policy document.

Community Wealth Building
As, further discussed in the Impact section of this report, the Committee provides opportunities for their investment managers, and other professional firms associated with the Fund, to volunteer their time and knowledge to help with the financial education of population the London Borough of Newham. The Committee recognises the importance of these firms having Corporate Social Responsibility programs.
Examples of this include:

- Financial Education Forum – A forum to provide young adults from the London Borough of Newham with financial education and information on employment opportunities in finance.
- Climate Change Risk Forum – Building on the Council and Committee's view on climate risk, a forum on climate change risk and its financial implications. This too will be focussed on helping young adults understand the financial and other implications of climate risk, and how it can be managed.

The forums mentioned above were due to take place in 2020. These were postponed due to the COVID pandemic. However, they will be revisited at an appropriate time in the future when restrictions and policies allow.

Applicable Assets and Investments
The Committee will apply this Policy to the investments within the Fund but recognises that for some asset classes, ESG considerations cannot and need not be taken into account. The main asset classes that the Fund invests in are set out below with details of whether or not the Policy applies to them. By acknowledging which asset classes can be ignored when implementing the Policy, the Committee can focus on applying the Policy to the asset classes where they can have the most impact.

Category	Asset Class	ESG Policy Applicable?
Equities	Public Equity	Yes
	Private Equity	Yes
Alternatives	Infrastructure	Yes
	Agriculture	Yes
Property	Commercial Property	Yes
	Social Housing	Yes
Credit	Public Credit	Yes
	Private Credit	Yes
	Government Bonds	No – The Fund only invests in UK government bonds and the UK government does not have human rights violations (which would be an ESG concern relating to government bonds). In addition, the Net Zero Investment Framework Implementation Guide[2] states that "investors may exclude domestic [government bond] issuance held for liability matching purposes" in assessing their climate impact. Other overseas government bonds are treated as public credit and therefore the ESG policy is applicable to these.
Protection	Equity Protection	No – achieved via contracts with banks
	Currency Hedging	No – achieved via contracts with banks
Cash	Cash	No

Market Enforced Limitations / Constraints

This Policy is designed to take account of the ESG investment aspirations of the Committee. However, the Committee recognises that there are certain limitations and constraints that mean that the policy cannot be implemented fully at this time. The key limitations and constraints have been identified and noted where relevant.

[2] https://www.parisalignedinvestment.org/media/2021/03/PAII-Net-Zero-Investment-Framework_Implementation-Guide.pdf

Sustainability

The Sustainability section of this Policy comprises of how the Committee is committed to the sustainability of its investments in the long term. It documents the trends which the Committee think will impact on the Fund's investments and how the Committee will incorporate these trends within its investments.

The tables below is intended to be a living document and will be updated when new trends are identified.

Financial Factors

Trend	Committee View	Impact on Investments	Timeframe
Fossil Fuels to Green Energy	The Committee have recognised this trend within the fund by: • Moving their passive equity portfolio to a lower carbon index and considering moving the passive equities to a Paris Aligned Benchmark, which will exclude fossil fuel companies. • Investing in infrastructure and agriculture funds which support green energy production. • Lobbying the London CIV to provide an ESG friendly version of their Global Bond Fund which the corporate bond holdings will be switched into.	Moderate positive impact on return Lower volatility	Immediate
Increasing need for affordable housing	The Committee have carried out extensive research on how to access investment opportunities in social housing. Access will be gained by investing in a pooled fund alongside other UK and overseas investors.	Low	Immediate
Risk of tobacco litigation and decline of smoking	The Committee have excluded tobacco manufacturing companies from their directly held assets. The Committee have shown their support of tobacco exclusions by becoming the first LGPS signatory of the Tobacco Free Portfolios pledge. TOBACCO FREE PORTFOLIOS	Low	Immediate

Non-Financial Factors

Trend	Committee View	Impact on Investments	Timeframe
Equality, diversity and gender	It is in the asset owners' interests that investee companies are employing the best people for the job regardless of their race, gender etc and the way to measure the company's progress in this regard is by carrying out annual equality monitoring. It is also important that companies' most senior executives have been selected on merit and, as stated by the Financial Reporting Council's Corporate Governance Code, that the board has a wide diversity of talent. This is also in furtherance of the Davies Review 2011 into low representation of women on boards, which recommended that companies should aim for 25% representation by 2015.		
Living wage and contracts	Growth in productivity is in the shareholders' interests and this is a serious issue in the UK. Studies show that greater productivity comes from a workforce that is paid fairly.		
UN Global Compact standards	It is in shareholders' interests that directors fulfil their duties under Section 172 of the Companies Act 2006 by conforming to international conventions that protect people's rights to freedom of association within their own company and within the supply chain. Failure to do so may cause reputational damage, labour unrest and a fall in share value.		
Labour ethics and modern slavery	Section 172 of the Companies Act 2006 imposes a duty upon a director to promote the success of the company having regard to, among other factors, the interests of the company's employees and the desirability of the company maintaining a reputation for high standards of business conduct. This is also in furtherance of Principles One to Five of the UN Global Compact. The persistence of labour rights violations in supply chains is a pressing issue. Four 'core' ILO Conventions entail an absolute		

Trend	Committee View	Impact on Investments	Timeframe
	prohibition on forced labour and child labour.		

Market Enforced Limitations / Constraints

Where the Committee accesses assets via pooled funds, the ability to exclude or adjust the asset allocation on the basis of non-financial factors is limited. However the Committee has, and will continue to, sought to engage with the Fund's investment managers to encourage them to influence the underlying companies that they invest in on behalf of the Fund. The Committee also engages regularly with the London CIV to share its views on the themes noted above in an attempt to influence the funds that the London CIV provides.

Exclusions

Where the Fund invests in a pooled fund, individual investors, such as the Fund, have no direct influence on the investments within the fund. The benefits of investing in a pooled fund may include access to illiquid asset classes through liquid investments or exposure to a more diversified range of underlying assets in a cost effective way. As per the MHCLG draft LGPS statutory guidance on asset pooling[3], "all administering authorities must pool their assets in order to deliver the benefits of scale and collaboration".

When investing in pooled funds, the Committee recognises that the exclusions may not be able to be applied in full. However, the Committee will seek to appoint pooled fund investment managers whose policies align with this Policy where possible so as to minimise indirect investment in companies that fall within the exclusions of this Policy wherever there is scope for this requirement to be accommodated.

Financial Factors

The Committee considers that there is a financial rationale for seeking to exclude certain types of investments from the Fund where it is possible to do so. Such exclusions may be for reasons of enhancing risk adjusted returns or reducing financial risks to the Fund.
Where possible, the Committee seeks to exclude the following types of investments on financial grounds:

- Fossil fuel companies.
- Companies that generate over half of their income from tobacco products.

Non-Financial Factors

The Committee believes that certain types of investments (non-financial factors) should be excluded from its direct investments. These are:

- Companies with significant involvement in the manufacture and production of controversial weapons which are defined follows:
    - Companies involved in the core weapons system, or components/services of the core weapons system, considered tailor-made and essential for the lethal use of the weapon.
    - Companies is involved in the production, maintenance/service, sale/trade, or research and development of the core weapons system.

[3] https://www.lgpsboard.org/images/Other/Draft_guidance_on_pooling-consultation.pdf

As of 2019, controversial weapons manufacturers make up less than 0.05% of the Asia Pacific excluding Japan equity index and did not appear in the other investment indices which the Fund invests in. We consider that the Fund's members would generally not want the Fund invested in these companies.

When considering these exclusions the Committee has looked at historic returns including and excluding these factors and is comfortable that they do not represent a worsening of the outlook for expected returns nor add material additional volatility. Therefore, the Committee believes that their exclusion would not involve a risk of significant financial detriment.

Market Enforced Limitations / Constraints

The Fund has incorporated LGIM's Future World Funds into the Strategic Asset Allocation. These funds meet many of the Committees requirements for a low-carbon, ESG focused equity index. Capital is allocated, within market sectors, to companies according to their ESG score and LGIM uses their voting to help raise the importance of such matters.

However, the indices used by the Future World Funds do not exclude tobacco companies. The Committee is currently considering switching the Future World Fund holding to LGIM's newly launched Paris Aligned Benchmark fund, which not only excludes tobacco, but also all fossil fuel companies.

Impact

The Impact section of this Policy sets out how the Fund has an impact on ESG considerations via the investments it holds. Examples of this are how the equities that the Fund holds are voted and any special investments which are taken on to positively impact the environment or social causes.

In addition, the Committee engages with the investment managers of the Fund on their **Corporate Social Responsibility** policies and encourages the managers to engage with the London Borough of Newham when volunteering. When possible, the Committee will provide opportunities for their investment managers to volunteer their time and knowledge to help with the financial education of the population of the Borough in this regard.

Financial Factors

Renewable Infrastructure

When making investments in infrastructure for growth and income, the Committee acknowledged the opportunity from changing energy usage and decided to make an investment in funds that held renewable energy assets as a result.

Social Housing

Over the couple of years leading up to 2020, the Committee has been exploring the opportunities to supplement its existing commitments to infrastructure by investing in local infrastructure projects. Whilst it was recognised that this would bring social impact, the rationale for doing so was driven by the return opportunity that it created.

The development in East London has brought with it commercial infrastructure opportunities and simultaneously increased demand for social infrastructure investment. In the last 12 months, the focus of the Pensions Committee has been to establish ways in which the Newham Pension Fund can benefit from the opportunities arising in social and affordable housing.

The Council of the London Borough of Newham have a stated intention to increase the supply of housing within the Borough. The Committee is mindful that it would be preferable if the investment programme it undertakes in relation to housing complements the approach being taken by the Council from a practical standpoint to avoid increasing costs associated with the Council's own development programme.

The Pensions Committee is also aware of its responsibility to ensure risk within the Fund is managed. Within the housing context this would be done through diversification. Consequently, diversification will be sought in terms of both the number and type of units used, as well as the location within London of the housing invested in. This latter point reflects the differing land costs across London, and the wider country, and the impact this has on the returns and viability of investments.

Voting Policy

The Fund is a member of Local Authority Pension Fund Forum (LAPFF). LAPFF influences, where possible, the way in which assets are voted on. The Committee has a view that voting in line with LAPFF's guidance will have a positive impact on the companies it invests in over the long term along with positive benefits for the economy, the environment and society.

The Committee supplements the work done by LAPFF by agreeing their own voting policy, set out here. Whilst the Committee recognises that the influence it can have on the voting policies of its investment managers can be somewhat limited, it believes that by having clear expectations on voting reflected in this policy and sharing this policy with its investment managers, it can have a greater influence on the voting behaviour of its investment managers. The Committee's voting policy also provides a framework to measure the alignment of its investment managers' voting practices with the views of the Committee.

The list below sets out the Committee's views on various issues that can be reflected in the investment managers' voting and engagement with investee companies. The Committee recognises that constructive engagement with investee companies is vital not only for the investment managers' to share their views and understand the investee company's business, but also so that the investee company understands the reason behind any vote against management, board member or function or any vote in favour of a shareholder resolution. Voting in this way is seen as a form of escalation where engagement has not reached a satisfactory conclusion.

- **Climate change** – investee companies should work towards limiting or reversing climate change by making efforts to reduce carbon emissions and transition to a low carbon economy
- **Just Transition** – investee companies should connect their action on climate change with inclusive development pathways driving a 'just transition' for workers and communities as the world's economy responds to climate change
- **Pay inequality** – investee companies should provide a fair distribution of pay
- **Gender diversity** – investee companies should have (or be actively working towards) balanced gender representation in their organisation, throughout the workforce, including at the board level
- **Health** – investee companies should promote healthy lives and wellbeing for all stakeholders
- **Multicultural diversity** - investee companies should have (or be actively working towards) diverse ethnic and cultural composition of their organisation, throughout the workforce, including at the board level
- **Biodiversity and ecology** – where relevant, investee companies should promote biodiversity, conservation and nature-based solutions to allow nature and people to flourish

- **Packaging, waste and the circular economy** - where relevant, investee companies should aim to limit and reduce waste and make efforts to reduce their environmental impact, including considering the recyclability and re-use of their products
- **Sustainable land use** – investee companies should have (or be actively working towards) adequate policies and programmes designed to protect biodiversity and address community concerns on land use
- **Tax avoidance** – investee companies should pay fair levels of tax
- **Workplace safety and standards** – investee companies should have (or be actively working towards) policies and programmes designed to protect their workers and those in their supply chain

Market Enforced Limitations / Constraints

The Committee currently implement proxy voting for their segregated equity mandate via the Fund's active equity manager, Longview. However, the Committee is currently considering moving the segregated mandate to be held with the London CIV, given MHCLG guidance on pooling. This will mean that the Committee will have less influence on the voting of its active equity holdings. However, the Committee will work with the London CIV to try to influence their voting and engagement policy.

The Committee are aware that imposing a voting policy on a pooled equity fund can be more difficult than on a segregated mandate due to the investment manager's needs to reflect the best interests of all of their unitholders. They are working with their pooled equity managers to influence their voting policy.

Monitoring and Governing the Policy

In order to give effect to its commitment to this Policy, the Committee will:

- Publish this Policy on its website.
- Share this Policy with the Fund's investment managers to encourage alignment and highlight any areas of difference which can then be challenged.
- Review this Policy annually to ensure it remains relevant and modify the Policy if necessary.
- Monitor the Fund's investment managers for adherence to the Policy annually.
- Take the Policy into consideration when investing in a new product or investment manager.
- Monitor the investment landscape for new products or innovations which could be used by the Fund to enable better adherence to the Policy.

Appendix I - External agencies associated with the Policy

UN Principles for Responsible Investment (PRI)

The UN established 6 Principles for Responsible Investment for investment managers in 2006. The principles are set out in the Appendix.

The Committee expect the investment managers of relevant assets within the Fund to adhere to the UN PRI and will monitor the rating of the managers against these Principles.

When making new investment manager appointments the Committee will seek to appoint managers who adhere to the UN PRI.

2020 UK Stewardship Code

The 2020 UK Stewardship Code was established by the UK Financial Reporting Council (FRC). The Financial Conduct Authority (FCA) supports the UK Stewardship Code by requiring any authorised investment manager to “disclose the nature of its commitment to the Code”. If a manager does not feel it applies to them for any reason, they are required to explain why not.

The principles of the UK Stewardship Code are set out in the Appendix II.

The Committee expect the investment managers of relevant asset classes within the Fund to be signatories of the UN Stewardship Code and will monitor managers’ signatory status.

Where the asset class and geographical location are appropriate, the Committee expect managers to adhere to the 2020 UK Stewardship Code.

SRD II – Shareholder Directive Code II

The Committee expects the investment managers to engage with the companies in which it is invested and to publish an engagement policy and disclose annually how the main elements of their investment strategy contribute to the medium to long-term performance of their assets.

Local Authority Pension Fund Forum (LAPFF)

The Fund is a member of LAPFF. LAPFF’s aim is to maximise their influence as shareholders, while promoting corporate social responsibility and high standards of governance among companies in which they invest. The LAPFF comprises of UK public funds which engage as a united front with investee companies on issues such as climate change, child labour and breaches of best practice including the UK Code on Corporate Governance. Executive remuneration is an important governance issue for LAPFF and is focused on the subject of incorporating non-financial performance metrics into long term reward.

The LAPFF provides ad hoc briefings on companies where contentious votes are due or there are serious corporate governance failings or concerns. Where these relate to companies within the Fund’s portfolio, these concerns are raised with the relevant fund manager and appropriate action is taken. Where LAPFF issue a voting direction on a particular issue, fund managers will be expected to comply with this or explain any deviance.

Institutional Investors Group on Climate Change (IIGCC)

The Fund pursues engagement with companies through membership of the IIGCC, one of the core objectives of which is to engage in dialogue on environmental issues.

Appendix II – Key points of UNPRI and 2020 UK Stewardship Code

UN Principles for Responsible Investment

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which they invest.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance their effectiveness in implementing the Principles.
6. Report on their activities and progress towards implementing the Principles.

2020 UK Stewardship Code Principles

1. Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
2. Signatories' governance, resources and incentives support stewardship.
3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.
6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8. Signatories monitor and hold to account managers and/or service providers.
9. Signatories engage with issuers to maintain or enhance the value of assets.
10. Signatories, where necessary, participate in collaborative engagement to influence issuers.
11. Signatories, where necessary, escalate stewardship activities to influence issuers.
12. Signatories actively exercise their rights and responsibilities.

Appendix III - Financial and Non-Financial Factors

In 2014, the Law Commission made clear that private sector pension trustees' fiduciary duty is to take account of financially material considerations, whatever their source. Where ESG considerations are financially material, decision makers should take account of them. The Law Commission went on to say that this applies in exactly the same way as other risks in pension scheme investment, for example interest rate risk, liquidity risk, market risk, political and counterparty risk.

According to the Law Commission, when making an investment decision based on a non-financial consideration, private sector trustees have a duty to **ensure that the decision would not involve a risk of significant financial detriment to the fund and that it would be reasonable to assume that the scheme members agree with that decision**. A related provision may be found in LGPS statutory guidance which contemplates that an LGPS investment may similarly be influenced by wider social, ethical or environmental considerations, so long as that does not risk material financial detriment to the fund. So for example, an administering authority may take account of social housing needs (but only if an investment in such stands up as an investment in its own right) or may choose to take into account the public health implications of an investment (but only if the result of such consideration is the replacement of these investments with assets producing a similar return).

In practice, investment decisions will often have a mixture of motivations and therefore a clear non-financial motivation (separate from the financial motivations for an investment decision) may be difficult to identify. However, for the purpose of this guidance **non-financial factors are those which influence investment decisions and are primarily motivated by considerations other than financial**, This is taken to mean any decision to disinvest or invest for which the primary motivation excludes consideration of the potential financial outcome.

Introduction
The London Borough of Newham is the Administering Authority for the Newham Pension Fund (the Fund). The Council is committed to providing a consistent high quality service to its members and other stakeholders.

This Communications Policy Statement has been prepared with the aim of enhancing the understanding, transparency and visibility of the Fund. This Policy Statement will be reviewed on an annual basis.

Each stakeholder group has different communication requirements and the Fund aims to use the most appropriate methods for its various audiences.

This document sets out the Fund's Communication Policy and the methods used to communicate with its stakeholders.

There are six distinct stakeholder groups with whom the Fund needs to communicate; these are:

- Members of the Pension Fund
- Pension committee members
- Prospective scheme members
- Trade Unions
- Scheme employers
- Pension Fund Officers

1. Members of the Pension Fund

The Internet
Policy Statements plus the Annual Accounts are published on the Council's web-site. A dedicated web-site for the Fund has been set-up which contains a range of information including Scheme details and will contain a secure member area for Committee members. There will also be links to other organisations relevant to members of the Pension Fund e.g. The London Pensions Partnership Administration (LPPA), who undertake the Schemes administration, and scheme employers.

The current intranet site provides access to the Fund's statutory documentation, the Accounts, Annual Report, Investment Strategy Statement, Governance Policy and Governance Statement and the Funding Strategy Statement.

Benefit Statements
Annual Benefit Statements are sent to members of the Fund and deferred beneficiaries by the end of September.

Scheme Literature
The Human Resources Directorate of the Council arranges the production of scheme literature either directly or via LPPA. The literature is made available to employers and scheme members. Copies of this literature are accessible via the Fund's web-site www.newham.gov.uk

Pay Advice
The payroll sections from each of the Scheme employers issue monthly pay advice. These can be used to communicate specific messages and for other purposes such as requesting a prompt notification of change of address. The pay advice is also used to communicate details of annual pension increases. Details of Annual Pension paid and the tax deducted are notified

by P60 to Pensioners and the Inland Revenue.

Annual General Meeting
A General Meetings is held each year to discuss issues concerning the Fund. The meeting will be open to all Committee members, Union Representatives and employers. It will seek to provide an update on the legislation and regulation changes within the LGPS.

General Correspondence
The Fund utilises both surface mail and e-mail to receive and send correspondence.

Telephone Help Line
Scheme members can access a telephone help line to deal with any queries relating to their Pension and this is widely publicised in Scheme literature. The telephone number for LPPA is 020 7369 6105.

Pensions Road-shows
Several road shows are conducted throughout the year by Fund staff and LPPA.

Pre-Retirement Seminars
Several pre-retirement seminars are conducted annually by Fund staff and LPPA. Details of future events can be located on the Fund's website.

2. Pension Committee Members

The Committee oversees the management of the Fund's assets. Although not trustees, the members of the Committee owe a fiduciary duty similar to that of trustees to council-tax payers, who would ultimately have to meet any shortfall in the Assets of the Fund, as well as to the contributors and beneficiaries of the Fund. Whilst appointments to the Committee are annual, several members have served for a number of years, helping to build up knowledge and understanding of the pensions market. This, together with the members wide range of Council and Professional expertise, ensures that decisions are fully scrutinised.

Committee Meetings
Committee meetings take place quarterly. The performance of the Fund's Investments is a standing item. Issues with Fund managers are addresses on an exception basis, with meetings with the Fund managers generally held outside of the Committee.

Members also receive a variety of reports from the Corporate Director of Resources on matters requiring decisions. These reports along with agendas and minutes of the Pension Committee meetings are available via the Fund's web-site.

IT Resources
Members have Internet access to electronic resources, which allow for the monitoring of various aspects of the Fund e.g. proxy voting, and corporate and Environmental, Social and Governance (ESG) issues.

Where there is a requirement for a decision outside of the normal committee cycle an email vote is not appropriate an emergency Committee Meeting will be required.

Training
Committee members are required to undertake a minimum of three days training per year. The Fund's investment managers, advisors, independent committee member and other experts, such as the Local Authority Pension Fund Forum, provide a range of events which members can attend. The commitment to training is recognised within the Fund's annual Business Plan. Opportunities also exist for knowledge building with special events being organised by officers.

Members receive notification of training events via Email. Booking arrangements are managed by Member Services. New members can receive an induction to the Fund.

Trade Unions
Representatives of Unison, UNITE and NUT unions are invited to attend all meetings. As observers they have no voting rights. The current representatives are also members of the Scheme.

3. Prospective Scheme Members

Scheme Booklet
All new prospective Scheme members will be provided with a Scheme booklet upon appointment. The booklet is issued by LPP.

Website
LPP have a web-site which contains specific information for those who have yet to join the Fund. It will highlight the process by which a member should be given the relevant information to make an informed choice, as well as detailing the administrative process that should be followed to "opt out" of the Scheme.

Non Joiner Campaigns
LPPA send out periodic letters to all non-contributors. In the future the Fund will request formal notification of non-joiners from Scheme employers. This information will be used to market the Scheme to specific groups and if necessary developing dedicated literature and campaigns.

Pension Road-shows
As well as being a valuable aid for pensioners and current scheme members, road shows are used to target specific non-members enabling them to make an informed choice with regards to their pension provision. Road shows are available on request via LPPA.

Pay Advice
Prospective Scheme members will be identified via payroll, and pay advice containing marketing information will be used in specific campaigns carried out in conjunction with Scheme employers. Pay advice will also be used to inform members employed by the Council and prospective Scheme members of changes to the Scheme.

4. Trade Unions

Trade Unions 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 Local Government Pension Scheme.

The Fund works closely with the Trade Unions to ensure the Scheme is transparent and easily understood. Upon request, branch officers will be provided with training.

5. Scheme Employers

Alongside the Council the following employer organisations are partners in the Pension Fund:

Scheduled Bodies:

1. Agate Momentum Trust
2. Big Education Trust (formally School 21)
3. Bobby Moore Academy - David Ross Trust
4. Boleyn Trust
5. Brampton Manor Trust
6. Britannia Education Trust
7. Burnt Mill Academy
8. Chobham Academy
9. Community Schools Trust
10. East London Science School
11. Education Links Free School
12. EKO Trust
13. Langdon Academy
14. Leading Learning Trust
15. Learning in Harmony
16. London Academy of Excellence
17. London Design and Engineering UTC (based at UEL)
18. New Vision MAT
19. Newham College of Further Education
20. Newham Collegeiate
21. Newham Community Schools Trust
22. NewVic
23. Oasis Academy
24. Our Lady of Grace MAT
25. Stratford Academy
26. Tapscott Leading Trust

Admitted bodies:

1. Active Newham
2. Better Together
3. Birkin Services - Forest Gate School
4. Change Grow Live Ltd
5. Churchill
6. Compass - Sarah Bonnell School
7. Early Start
8. Enabled Living
9. Every Child a Musician
10. iXact
11. Juniper Pursuits
12. Juniper Ventures
13. Language Shop
14. London Borough of Newham
15. London Network for Pest Solutions
16. Mint
17. Mitie
18. Newham Partnership Working
19. Olive Dining - Cumberland School
20. Olive Dining - Forest Gate School
21. Olive Dining - Plashet School
22. Olive Dining - St Angela's School
23. Pabulum Catering - Monega School
24. Public Realm Services
25. RM Education
26. Wilson Jones - Brampton Academy

Pension Fund Officers

Team Meetings

The Head of Pensions and Treasury host regular team meetings with the Fund's finance and administration staff. If required, issues can be escalated through the Corporate Director of Resources to Chief Officers.

Senior Finance Staff Management Team Meetings

The Head of Pensions and Treasury is a member of the Senior Finance Staff Management Team and attend regular meetings convened by the Corporate Director of Resources. This enables the Corporate Director of Resources to be kept up to date with current issues affecting the Fund.

Fund Management Meetings

Annual meetings are arranged with all Fund Managers within the Fund. Where required advisor representation may be requested.

Intranet

All office-based staff has access to the intranet. This provides timely information on a wide range of matters including documentation and LGPS circulars directly to their place of work.

Induction
New members of staff receive an induction session and each receives an induction / personnel manual.

Emails
Where contact needs to be made with all scheme members, letters will be used rather than emails.

Data Protection
To protect any personal information held on computer, The London Borough of Newham is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection Act grounds should contact Ian Gibbs.

The Administering Authority is under a duty to protect the public funds it administers, and to this end may use information for the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.

Newsletters
Newsletters are issued periodically by LPPA. In the event of changes to the Fund's Regulations then specific notices are also issued.

Main Contacts
The contact details of the Pension Fund's main service providers can be found in the Pension Fund Statement of Accounts.

Taxation
Investments of the Fund are exempt from Capital Gains Tax but tax on UK Dividends is irrecoverable. All Value Added Tax paid is recoverable. There is a liability for Income Tax at 20% for pensions compounded into a lump sum.

1. Introduction

The London Borough of Newham is the administering authoring for the Newham Pension Fund ("The Fund"); it administers the Local Government Pension Scheme of behalf of the participating employers.

This Policy and Compliance Statement outlines the governance arrangements for the Fund, as required by Regulation 55 of the Local Government Pension Scheme Regulations 2013 ("The Regulations").

Under that provision all LGPS Funds in England and Wales are required to produce a Governance Compliance Statement, keep it under review, revise it following any material change in its delegation arrangements and publish it, following such consultation as it considers appropriate. The statement is required to set out:

a) whether the administering authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a subcommittee or an officer of the authority;
b) if they do so
    i. the terms, structure and operational procedures of the delegation;
    ii. the frequency of any committee or sub-committee meetings;
    iii. whether such a committee or subcommittee includes representatives of employing authorities (including authorities which are not Scheme employers)or members, and if so, whether those representatives have voting rights;
c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying;
d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53.

Each administering authority is required to:

a) keep the statement under review and make such revisions as are appropriate following a material change in respect of any of the matters mentioned in points a) to d) above;
b) when reviewing and making revisions to the Governance Policy and Compliance Statement the authority must consult such persons as it considers appropriate.

2. About the Newham Pension Fund

Under the Local Government Pension Scheme Regulations 2013, the London Borough of Newham is required to maintain a pension fund for its employees and those of other Scheme Employers within its area.

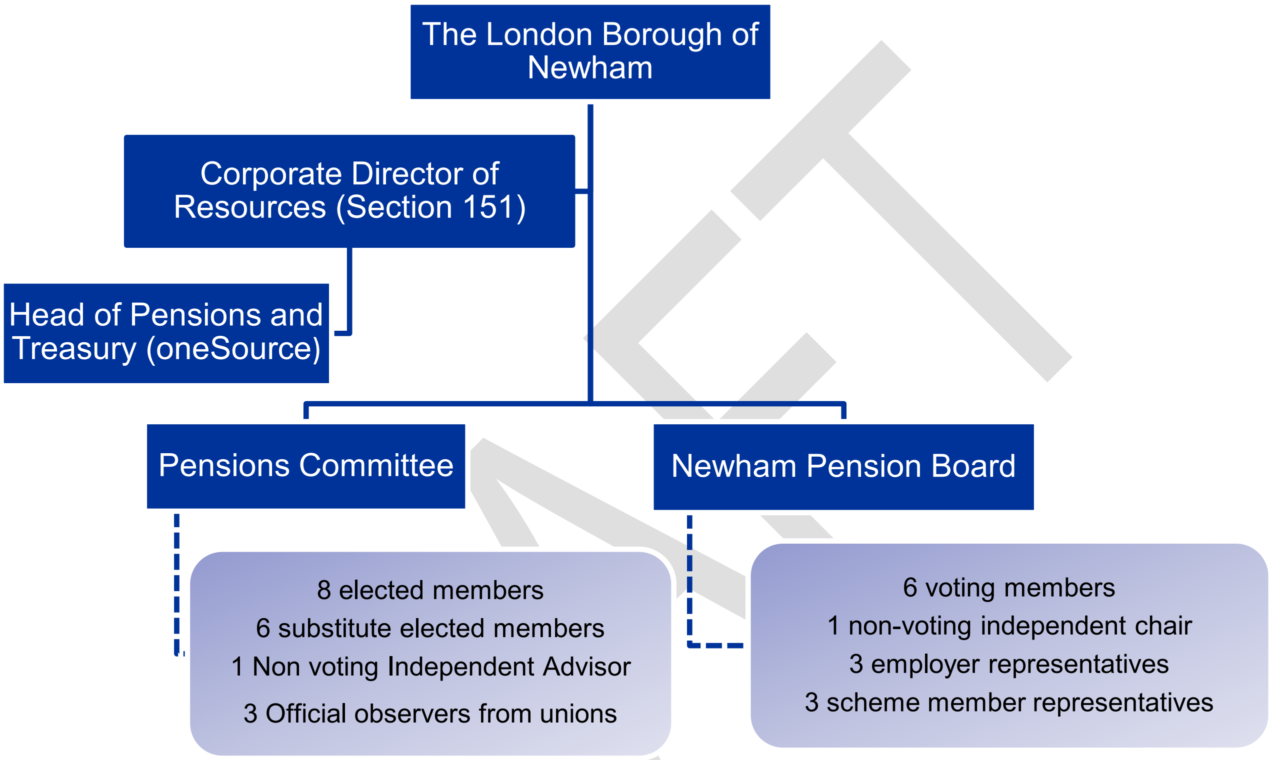
Benefits are prescribed by, and the Fund is invested in accordance with, the provisions of the following regulations under the Public Service Pensions Act 2013 (all as amended):

- Local Government Pension Scheme (LGPS) Transitional Provisions, Savings and Amendment Regulations 2014;
- Local Government Pension Scheme (LGPS) Regulations 2013;
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and other saved provisions from previous sets of LGPS regulations.

With effect from 1 April 2014 employee contributions have been banded according to employees' annual pensionable pay. The rates payable vary from 5.5% to 12.5% of annual pensionable pay.

3. Governance Structure

The Newham Pension Fund governance structure is illustrated below. This structure relates to the administering authority responsibilities only. The London Borough of Newham is also an employer within the Newham Pension Fund. A separate governance structure and Scheme of Delegation is in place in relation to the London Borough of Newham employer responsibilities:



4. Quorum

Pension Committee	The Newham Pension Board
3 members of the committee are required for a meeting to be quorate. Members may arrange for a substitute member to attend in their absence. The business of the Committee shall be carried out in accordance with the Constitution.	3 voting members of which at least 1 employer representative and 1 scheme member representative. In the absence of the chair the members attending can appoint a Deputy Chair for that meeting. The business of the Board shall be carried out in accordance with the Terms of Reference.

5. Responsibilities

Pensions Committee (formally Investment and Accounts Committee)

The Pensions Committee has responsibility for:

- determining an overall investment strategy and strategic asset allocation, with regards

to diversification and the suitability of asset classes;
- appointing the investment managers, an independent custodian, the actuary and any external consultants considered necessary;
- reviewing on a regular basis (quarterly) the investment managers' performance against benchmarks, and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls;
- reviewing on a regular basis (quarterly) the asset pool, London CIV, satisfying themselves as to the managers' expertise and the quality of their internal systems and controls;
- The Chair of the Pensions Committee is the Administrative Authority's representative at London CIV, and fund manager meetings.
- reviewing policy on social, environmental and ethical considerations, and on the exercise of voting rights;
- agreeing the Communications Policy, Governance Statement and the Annual Business plan;
- monitoring compliance with legislation and best practice;
- determining the admission policy and agreements, including the deficit recovery period of Admitted and Scheduled Bodies;
- setting principles and statements in relation to the Fund's Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS), monitoring compliance and reviewing them;
- ensuring that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.

Corporate Director of Resources

The Committee has delegated the responsibility to the Corporate Director of Resources:
- all decisions relating to the administration of the Superannuation Fund, crediting contributions, dividends and interest, realising and making investments to manage the Fund's cash flow up to a limit of £5 million, providing notices to members, arranging for periodical valuations and keeping audited accounts.
- to exercise all powers and duties of the Council as an employer in respect of contracted-out persons under the Pensions Schemes Act 1993;
- to exercise and perform any powers and duties under this Act which fall to be exercised or performed by the Council by virtue of its being an employer (powers and duties relating to stakeholder pensions) under The Welfare Reform and Pensions Act 1999.

The Pension Board

The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to;

a) Assist the London Borough of Newham Administering Authority as Scheme Manager;
b) Secure the effective and efficient governance and administration of the LGPS for the London Borough of Newham Pension Fund
c) in such other matters as the LGPS regulations may specify
d) Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

In accordance with the Regulations, the Pension Board shall secure compliance with:
- The Regulations
- Other legislation relating to the Governance and administration of the LGPS; and
- The requirements imposed by the Regulator in relation to the LGPS, and
- To ensure the effective and efficient governance and administration of the LGPS.

The Pension 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.

6. Terms of Reference

Pensions Committee

a) To make all decisions under Regulations made pursuant to Sections 7, 12 or 24 of the Superannuation Act not otherwise falling to the Executive Director, Resources to determine as set out in the officers' scheme of delegation.
b) Consideration of the external auditors Pension Fund audit plan and audit letter before it is published.
c) The Committee shall be a member of the Local Authority Pension Fund Forum.
d) The Committee shall be entitled to set up Sub-committees and delegate any of their functions to such Sub-committees or officers of the Council.

7. Meetings

Pensions Committee	The Newham Pension Board
a. The Committee meets on a quarterly basis with support from the Corporate Director of Resources and independent advisers. Members are provided with a quarterly report on performance of the Fund along with a business plan update, investment strategy update and administration report. b. Representatives from the Trade Unions are invited to participate in the meeting; however they are not permitted to vote. c. Members of the public are permitted to attend, non-exempted agenda item segments but are not permitted to participate without prior approval of the chair.	a. The Committee meets on a sufficiently regular basis to discharge its duties and responsibilities effectively, with support from Corporate Director of Resources and independent advisers. Members are provided with a quarterly report on performance of the Fund along with a business plan update b. In the absence of the Chair, at any meeting, the members can appoint a Deputy Chair for that meeting. c. The Pensions Administration Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Pensions Administration Manager shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board, they shall be circulated to all members. d. There will be a minimum of 3 Pension Board meetings a year to be held per year, with 1 Annual meeting being held at the beginning of the committee cycle. The meetings are expected to be held in a Town Hall Committee room.

8. Members and Officers Knowledge and Skills

<table>
<tr><th>Pensions Committee</th><th>The Newham Pension Board</th></tr>
<tr><td>
a. Members of the Committee are required to attend 3 days (21 hours) appropriate training from time to time. The Pension Fund Manager will invite members to such training.
b. The Committee shall be entitled to determine whether certain training is desirable or compulsory for all members or certain positions. Where the Committee deems training compulsory, Members shall not be entitled to sit on the Committee until they have attended such training.
c. Member and officer knowledge and skills are recognised as important, and a range of measures are in place to equip members to undertake their role. This is a major factor in the governance arrangements of the Fund in ensuring Committee members and officers have the relevant skills and knowledge. The Fund applies the CIPFA Knowledge and Skills Framework to achieve this objective.
d. Six areas of knowledge and skills have been identified as core technical requirements for those associated with LGPS pension funds:
1) pensions legislation and governance context;
2) pension accounting and auditing standards;
3) financial services procurement and relationship management;
4) investment performance and risk management;
5) financial markets and products knowledge; and
6) actuarial methods, standards and practices.
e. It is not the intention that Committee members should individually become technical experts, but collectively they have the ability, knowledge and confidence to question and challenge the information and advice they are given, and to make effective and rational decisions.
f. Officers advising members and implementing decisions should have a more detailed knowledge appropriate to their duties. Officers are expected to demonstrate their professional competency against the framework through appropriate ‘continuing professional development’ (CPD) arrangements’.
g. Each year a questionnaire is sent out to members to identify key areas that training can be arranged to address. From the
</td><td>
a. A member of the Pension Board must have capacity to become conversant with –
1) The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
2) Any document recording policy about the administration of the LGPS which is for the time being adopted by the London Borough of Newham Pension Fund.
b. A member of the Pension Board must have capacity to gain knowledge and understanding of –
1) The law relating to pensions, and
2) Any other matters which are prescribed in regulations.
c. It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.
d. In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.
e. Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.
f. Pension Board members will comply with the Scheme Manager’s training policy.
</td></tr>
</table>

Pensions Committee	The Newham Pension Board
questionnaire a bespoke training schedule is established and agreed by the Committee. h. The Fund includes in its annual report and accounts details of the knowledge and skills development undertaken by its Committee members. It is being proposed that it will become a regulatory requirement for funds to explain their compliance with the CIPFA framework and in particular cover: 1) how the framework has been applied; 2) what assessment of training needs has been undertaken; and 3) what training has been delivered against the identified training needs.	

9. Reporting Breaches

The Pension Board

The Board should in the first instance report its requests, recommendations or concerns to the Pensions Committee. In support of this any member of the Board may attend a Committee meeting as an observer.

The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.

On receipt of a report the Committee should, within a reasonable period, consider and respond to the Board.

Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.

Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.

The appropriate internal route for escalation is to the Monitoring Officer and/or the Section 151 Officer.

The Board may report concerns to The Pensions Regulator for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.

Pension Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

10. Budget

The Pension Board

The Board is to be provided with adequate resources to fulfil its role, in doing so the budget for the Pension Board will be met from the Fund and must be approved by the Pensions Committee.

11. Publication of Information

Scheme members and other interested parties will want to know that the London Borough of Newham Pension Fund is being efficiently and effectively managed. Minutes of meetings, policies and other information of interest will be published on the London Borough of Newham website.

12. Governance Compliance Statement

Compliance Requirement	Compliance	Notes
Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	As set out in the Pensions Committee responsibilities.
That representatives of participating Local Government Pension Scheme (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 main committee.	Compliant	Representative of the employers and scheme members are Pension Board rather than members of the Pensions Committee.
That, where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not applicable	All Pension Fund matters are considered by the Pensions Committee.
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.	Not applicable	All Pension Fund matters are considered by the Pensions Committee.
Committee membership and representation		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: ▪ employing authorities (including non-scheme employers, e.g. admitted bodies) ▪ scheme members (including deferred and pensioner scheme members ▪ independent professional observers ▪ expert advisers (on an ad-hoc basis).	Compliant	Trade unions appoint representative for the employees. Representative of the employers and scheme members are Pension Board rather than members of the Pensions Committee. Expert advisers attend the Pensions Committee and/or the Pension Board as required.
That, where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant	All Pension Fund matters are considered by the Pensions Committee.

Compliance Requirement	Compliance	Notes
Selection and role		
That the 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.	Compliant	As set out in the Pensions Committee responsibilities.
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.	Compliant	This is a standing agenda item on the Pensions Committee.
Voting		
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.	Compliant	As set out in the Pensions Committee responsibilities.
Training/Facility Time/Expenses		
That in relating 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**.**	Compliant	As set out in the Council's allowances policy and the Pension Fund Knowledge and Skills document.
Meetings		
That an administering authority's main committee or committees meet at least quarterly	Compliant	As set out in the Pensions Committee responsibilities.
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not applicable	All Pension Fund matters are considered by the Pensions Committee.
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interest of key stakeholders can be represented.	Compliant	Represented on the Pension Board.

Compliance Requirement	Compliance	Notes
Access		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels has equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	As set out in the Council's Constitution.
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	As set out in the Pensions Committee responsibilities.
Publicity		
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.	Compliant	All Pensions Committee minutes reports and Pension Fund policies are published on the Council's website.

Appendix I: The Pension Committee Member Training and Development 2021/22

Date	Member Training Session	Attendees
20 April 2021	Fathom's Global Economic update	Cllr Nareser Osei Cllr John Gray Cllr Nilufa Jahan Cllr Winston Vaughan
27 April 2021	Quarterly Strategy Review Meeting	Cllr Nareser Osei Cllr Joshua Garfield Cllr John Gray Cllr Zulfiqar Ali
22 June 2021	Fathom's Global Economic update	Cllr Nareser Osei Cllr Joshua Garfield Cllr Winston Vaughan Cllr Tonii Wilson Cllr John Gray
5 July 2021	Quarterly Strategy Review Meeting	Cllr Nareser Osei Cllr Joshua Garfield Cllr Nilufa Jahan Cllr Tonii Wilson Cllr Winston Vaughan Cllr Harvinder Singh Virdee
21 July 2021	Member Training: BW Actuarial workshop	Cllr Nareser Osei Cllr Joshua Garfield Cllr James Asser Cllr Tonii Wilson Cllr Winston Vaughan
15 September 2021	Fathom's Global Economic update	Cllr Nareser Osei Cllr Joshua Garfield Cllr John Gray Cllr James Asser
23 September 2021	Equities Workshop	Cllr Nareser Osei Cllr Winston Vaughan Cllr Nilufa Jahan
6 October 2021	Quarterly Strategy Review Meeting	Cllr Nareser Osei Cllr Nilufa Jahan Cllr John Gray
28-29 October 2021	LCIV Annual Conference	Cllr Nareser Osei
3 November 2021	Fathom's Global Economic update	Cllr Nareser Osei Cllr Tonii Wilson Cllr James Asser Cllr John Gray Cllr Winston Vaughan

11 November 2021	Quarterly Strategy Review Meeting	Cllr Nareser Osei Cllr Nilufa Jahan Cllr Tonii Wilson Cllr Harvinder Singh Virdee Cllr Joshua Garfield Cllr Winston Vaughan
8-10 December 2021	LAPFF Annual Conference	Cllr John Gray
8 February 2022	Fathom's Global Economic update	Cllr Nareser Osei Cllr John Gray Cllr Harvinder Singh Cllr Joshua Garfield
22 February 2022	Quarterly Strategy Review Meeting	Cllr Nareser Osei Cllr Nilufa Jahan Cllr Tonii Wilson Cllr Winston Vaughan Cllr John Gray
3 March 2022	Triennial Valuation and Pension Admin Training	Cllr Nareser Osei Cllr John Gray Cllr Nilufa Jahan Cllr Tonii Wilson Cllr Winston Vaughan Cllr Harvinder Singh Virdee

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.

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 $1/100^{th}$ of 1%.

Benchmark - A measure against which the investment policy or performance of an investment manager can be compared.

Billing Authority – Refers to a local authority that is responsible for the collection of tax, both on behalf of itself and local authorities in its area.

Budget - A forecast of future expenditure plans for the Council. Detailed revenue budgets are prepared for each year.

Career Average Revalued Earnings (CARE) - from 1 April 2014 the LGPS became a

Career Average Revalued Earnings Scheme. The pension built up from 1 April 2014 is based on a CARE scheme basis and the pension built up prior to 1 April 2014 is linked to Final Salary.

Cash equivalents – Highly liquid, safe 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.

Collective Investment Vehicle (CIV) - is any entity that allows investors to pool their money and invest the pooled funds, rather than buying securities directly as individuals

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.

COVID-19 – Coronavirus pandemic.

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 (may be called preserved 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 Income – Receipt in Advance – This represents a receipt received as part of entering into a building lease. The credit is being released over the term of the lease.

Deferred Liabilities – These are future payments that the Council is contractually obliged to pay in future years. These liabilities relate to Private Finance Initiative (PFI) schemes.

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.

Guaranteed minimum Pension (GMP) - Is the minimum guaranteed level of pension, which a pension scheme had to provide to members if they were contracted out of the SERPS between 6 April 1978 and 5 April 1997.

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.

Long-Term Assets - Assets that yield benefit to the Council and the services it provides for a period of more than one year.

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

Minimum Revenue Provision (MRP) - The amount that has to be charged to revenue to provide for the redemption of debt. Not applicable to the HRA.

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.

Project PACE – LPPA led project to implement new Pension Administration system.

Provisions - Amounts set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment are uncertain.

Public Service Pension Act 2013 (PSPA13) - 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.

Reserves - Amounts set aside which do not fall within the definition of a provision, to fund items of anticipated expenditure. These include general reserves or balances which every Council must maintain as a matter of prudence.

Retail Price Index (RPI) – 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 RPI includes mortgage interest payments and council tax in the basket of goods not included in the CPI.

Scheduled body - An organisation that has the right to become a member the Local Government Pension Scheme 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
AGS Annual Governance Statement
AVC Additional Voluntary Contribution
CARE Career Average Revalued Earnings
CEP Contributions Equivalent Premium
CETV Cash Equivalent Transfer Value
CIPFA The Chartered Institute of Public Finance and Accountancy

CIV Collective Investment Vehicle
CPI Consumer Prices Index
ESG Environmental, Social and Corporate Governance
FSS Funding Strategy Statement
GAD Government Actuary's Department
GDPR General Data Protection Regulation
GMP Guaranteed Minimum Pension
HMRC Her Majesty's Revenue & Customs
IAS International Accounting Standard
IDRP Internal Disputes Resolution Procedure
IFA Inter-fund Adjustment
IFRS International Financial Reporting Standards
ILA Individual Lifetime Allowance
ISS Investment Strategy Statement
LBN London Borough of Newham
LGPC Local Government Pensions Committee
LPS Local Government Pension Scheme
LCIV London Collective Investment Vehicle
LPPA Local Pensions Partnership Administration
MHCLG Ministry of Housing, Communities and Local Government
NPV Net Present Value
NRA Normal Retirement Age
NRD Normal Retirement Date
PSLA Pensions and Lifetime Savings Association
SAB Scheme Advisory Board
SLA Standard Lifetime Allowance
SPA State Pension Age
SERPS State Earnings Related Pension Scheme
RPI Retail Price Index
VAT Value Added Tax