

Pension Fund Annual Report



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Chair's comments

As the Chair of the London Borough of Newham Pensions Committee ('PC') and on behalf of my fellow members, I am pleased to introduce the 2024-25 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 33,030 scheme members, and 60 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 2024/25, up £39m closing at £1.936bn, the highest ever for the Fund. Investment returns in the twelve months to 31 March 2025 were driven by UK and US elections, tariffs, inflation and concerns regarding government spending in both the UK and US.

The Pensions & Investment Research Consultants (PIRC) Local Authority Fund Statistics annual league table on LGPS performance 2024-25 shows this Fund achieved 2.9% return in the 1 year which equates to the 36th percentile in the LGPS Fund universe. The Fund was the 10th highest performer in London. The focus on performance must however be on the long term where the Newham Fund came in the top quartile of investment performance over the last 10 year period.

The Government's 'Fit for the Future' consultation, published in late 2024, outlined significant reforms to the way the LGPS manages its investments. These proposals included moving 100% of assets into a pool by 31 March 2026. All pools were asked to submit business plans for how they would implement the changes set out in the consultation by 1 March 2025. The London CIV received a response from the government in 9 April 2025 in which they relayed support of London CIV's proposal and commended the work the London LGPS community.

The Fund continues to have a close dialogue with the London CIV ("LCIV") to progress the transition of remaining assets into its asset pool in accordance with the Department of Levelling Up, Housing and Communities (MHCLG) guidance. The value of Fund assets held under management (AUM) with the LCIV were £1.232bn (63%) at 31 March 2025.

Finally, I would like to thank members of the Pension Committee and Board, both councillors and lay members, officers of the Council and our investment advisers, for their work.



Cllr John Gray
Chair of the Pensions Committee

Highlights of 2024/25

Fit for the Future Consultation

The Government's 'Fit for the Future' consultation, published in late 2024, outlined significant reforms to the way the LGPS manages its investments. This consultation sought views on proposals relating to the investments of the Local Government Pensions Scheme (LGPS) covering areas of asset pooling, UK and local investment and governance. The Fund responded to the MHCLG consultation on Pensions Investment Review: Call for Evidence.

Fit for the Future – Pensions Investment Review

London CIV received a response from the government in 9 April 2025. The government relayed support of London CIV's proposal and commended the work the London LGPS community, have undertaken. All LGPS assets are to be pooled by 31 March 2026, with limited exceptions for operational cash and directly held legacy assets.

Carbon Emissions and sustainability monitoring

The Total Green House Gas (GHG) emissions data has been provided by the investment managers based on total carbon emissions for the portfolio normalised by the EVIC (enterprise value including cash) of the portfolio, expressed in tonnes CO₂e per USD million invested. In addition, the Fund's investment managers' engagement and voting activities relating to sustainability.

Review of the Equities Management and Protection Strategies

The Fund reviewed holdings within the equities class to implement changes that were agreed and approved the appointed of a new Global Active Equity Value manager on the London CIV platform.

The protection strategies that involve hedging the Funds' exposure to equity volatility and currency were also reviewed

The Fund's outlook for 2025/26

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. The Fund will work with the LCIV to continue moving non-pooled assets onto the pool as and when suitable products become available.

The Pensions Schemes Bill

The Government introduced the Pensions Bill on 5 June 2025. Over the coming months, the Pension Schemes Bill will be debated in both Houses of Parliament with potential amendments considered and is expected to become law from 2027, once secondary regulations have been consulted on. The Government expects most of the reforms affecting DB schemes to come into force in 2027 and 2028.

Triennial Valuation 2025

LGPS regulation requires that the Fund has an actuarial valuation. The next valuation is currently underway which will set updated employer rates that will commence in 2026/27. This work is being carried out collaboratively between the Fund actuary, Fund investment adviser, Scheme Administrator and Newham Council. This work will be carried out collaboratively between the Fund Actuary, Fund Investment Adviser, Scheme Administrator and Newham Council.

Sustainable Investment Monitoring Reporting

The engagement and voting activity of the Fund's investment managers and the feedback is recorded within the Sustainable investment monitoring report which will be produced on an annual basis. It provides an insight to the developing nature of the monitoring and activity by managers in this area. This is a live document, whereby manager' processes and asset class norms are continually developing, and will evolve over time.

Taskforce on Climate-related Financial Disclosures (TCFD)

Guidance on Task Force on Climate-related Financial Disclosures (TCFD) for Local Government Pension Schemes (LGPS) is expected to be released soon, with the first reports anticipated in late 2025.

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 twelve Councillor members, three substitutes and three co-opted trade union representatives.

The Councillor members as at 31 March 2025 were



Chair – Councillor
John Gray (4/4)



Vice Chair- Councillor
Joshua Garfield (1/4)



Councillor Rohit
Dasgupta (2/4)



Councillor Jennifer
Bailey (4/4)



Councillor Winston
Vaughan (1/4)



Councillor Larisa
Zilickaja (4/4)



Councillor Caroline
Adaja (3/4)



Councillor Jane
Barbara Lofthouse (2/4)

The Councillor substitute members were Councillor John Morris & there was an additional vacancy.

Co-opted trade union representatives during 2024/25 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 2024/25 the Committee met 4 times – 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

The Pensions team is based in the Newham 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.

The previous Section 151 officer Conrad Hall, who was in post during all of 2024/25 and left on secondment from London Borough of Newham on 4 January 2026. Maria G. Christofi was appointed to the Interim Assistant Chief Executive – Change & Improvement took on the role of Corporate Director of Resources (Section 151 Officer) undertaking Section 151 duties from 5 January 2026.

| | | |
|--------------------|--|---------------|
| Maria G. Christofi | Interim Assistant Chief Executive – Change & Improvement & Corporate Director of Resources (Section 151 Officer) | 0203 373 1457 |
| Andrew Ward | Director of Financial Management | 0203 373 1363 |
| Meinir Hall | Head of Finance (Chief Accountant) | 0203 373 8274 |
| Rakesh Rajan | Pension Fund Manager | 0203 373 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 | Assistant Director of Transactional People Services | 01708 432 266 |
| Jacqui 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 |
| 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 | Queensberry House, 3 Old Burlington Street, London, W1S 3AE |
| HarbourVest | Private equity | 3rd Floor, 33 Jermyn Street, London, SW1Y 6DN |
| KGAL | Real assets | 27 Bush Lane, London, EC4R 0AA |
| Legal & General | Passive equities and passive bonds | One Coleman Street London, EC2R 5AA |
| Payden and Rygel | Fixed income | 1 Bartholomew Lane, London, EC2N 2AX |
| Permira | Private debt | 80 Pall Mall, London, SW1Y 5ES |
| Schroders | Structured equity | 30 Coleman Street, London, EC2R 5AL |
| London CIV | Asset Pool Operator Global bond fund (from June 2021) Global equity focus fund (from December 2022) Global Equity Value Fund (from February 2025) | 4th Floor, 22 Lavington Street, London, SE1 0NX |

Actuary

Barnett Waddingham
163 West George Street
Glasgow, G2 2JJ

Investment Advisor

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

Bankers

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

External Auditor

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

AVC Providers

Utmost Life & Pensions (formally Equitable Life)

Walton Street, Aylesbury
Buckinghamshire, HP21 7QW

Clerical Medical

PO box 28121
15 Dalkeith Road
Edinburgh
EH16 9

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 \(FSS\)](#)
- [Environmental, 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 | Medium | 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. LCIV carry out their own monitoring of Fund investments held on their platform. ESG policy mitigates risk of stranded assets. |
| 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 | AAF 01/20 | Reasonable | Price Waterhouse Coopers LLP |
| CBRE | AAF 01/20 ISAE 3402 | Reasonable | Deloitte LLP |
| Cheyne | Operational Due Diligence | Reasonable | Cheyne |
| Brightwood | SOC 1 | Reasonable | U.S Bank Global Fund Services |
| Fiera | CSAE 3000 | Reasonable | Deloitte LLP |
| HarbourVest | SOC 1 | Reasonable | Ernst & Young LLP |
| KGAL | ISAE 3402 | Reasonable | KPMG |
| Longview | ISAE 3402 | Reasonable | Ernst & Young LLP |
| Legal & General | AAF 01/20 - ISAE 3402 | Reasonable | KPMG 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 Coopers LLP |
| Schroders | AAF 01/20 ISAE 3402 | Reasonable | Ernst & Young LLP |
| Custodian | Report | Assurance Obtained | Reporting Accountant |
| Northern Trust | SOC 1 | Reasonable | KPMG LLP |

Newham Pensions Board Annual Report 2024/25

Purpose of Report

1. The report is compiled to provide feedback on the work undertaken during April 2024 to March 2025 (2024-25) by the Newham Pensions Board and to meet the legislative requirement for producing an Annual Report.

Background

1. 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
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 2024-25.
6. The costs of the Pensions Board's operations.
 - a. Meeting and Independent Chair Allowances are paid by the London Borough of Newham
 - b. Training costs are charged to the Pension Fund and are included in the Fund budget.
 - c. The total spend by the Board was £2,223.00

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 Attendance at Meetings

1. The Membership of the Pensions Board is:

| | |
|--------------------------------|---------------------------|
| Independent Chair | Tejonidhi Kashyap |
| Employee Representative | Catherine Hanlon (GMB) |
| Employee Representative | Position vacant |
| Employee Representative | Christine Lander (UNISON) |
| Employer Representative | Position vacant |
| Employer Representative | Position vacant |
| Employer Representative | Philippa Terry |

Attendance at Meetings

| Meeting Date | Tejonidhi Kashyap (TK) | Catherine Hanlon (CH) | Christine Lander (CL) | Philippa Terry (PT) |
|-------------------------|-------------------------------|------------------------------|------------------------------|----------------------------|
| 3 rd June 24 | X | X | X | X |
| 8 th July 24 | X | X | X | X |
| 22 nd Oct 24 | | X | X | X |
| 26 th Nov 24 | X | X | X | X |
| 18 th Feb 25 | X | X | X | X |

Attendance at Training

1. See appendix 1, for a summary of Training and attendance for the Pension Board.

Areas Covered at Pension Board

| Items Covered | Meeting Dates | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 3 rd June 24 | 8 th July 24 | 22 nd Oct 24 | 26 th Nov 24 | 18 th Feb 25 |
| Review Pension Board Plan for forthcoming year | x | | | | |
| Draft Pension Board Annual Report | x | | | | |
| Pensions Administration Strategy | | | | x | |
| Communications Policy | | | x | | |
| Pensions Regulator Code of Practice | | x | x | x | x |
| Risk Register | | x | x | x | x |
| LPPA Budget | | x | | | |
| LPPA Performance Report | | x | x | x | x |
| LPPA Risk & Compliance Report | | x | x | x | x |
| Pensions Administration Report | | x | x | x | x |
| Pensions Fund Update | | x | x | x | x |
| LPPA Update; UPM, Current Pressures and plans for service improvements | | | | | x |
| LPPA Internal Audit Controls | | | | x | |
| Charging Strategy | | | | x | |
| Employer Risk Work | | | | x | x |
| Pensions Committee Update | | | | x | x |

Chair's Comments

1. This year, the Pensions Board continued to uphold strong governance, compliance, and administrative standards across the Fund. Focused efforts were made to respond to evolving regulatory requirements, enhance member and employer engagement, and strengthen the Fund's operational effectiveness.
2. A new Breaches of the Law Policy has been introduced to clarify how breaches are identified, managed, and reported. The Board has continued its commitment to strong governance through regular reviews of the Fund Risk Register and internal audit reports. Work is ongoing to ensure full compliance with the new Pensions Regulator Code of Practice. Administration performance has been regularly reported, including data quality reviews. Data reporting was scrutinized, focusing on service provider performance, including processing times, call handling, and adherence to SLA targets.
3. The Board has placed focus on communication strategies, particularly with employers and schools, to promote LGPS and drive membership growth. A revised Communication Policy and Plan was presented, and member-facing communications such as retirement and new joiner letters were reviewed. Efforts continue to improve outreach and engagement with employers and scheduled bodies.
4. I would like to extend my thanks to the rest of the Board, the members of the Pension Committee and the officers of the Administrator, for their commitment, insight, and professionalism. As we look to the year ahead, I am confident that the scheme will continue to deliver value to members.

Tejonidhi Kashyap

Chair of the Pensions 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 2024 to March 2025, 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, the introduction of the general code and the progress officers are making in producing an action plan for full compliance
 - ii. LGPS exit cap, McCloud judgement to understand the impact on employees, the Fund and any Administrative implications.
 - iii. Introduction of a Breaches of the Law policy
 1. The Breaches of the Law is a requirement under the General Code to ensure how the fund will identify, manage and report on any breaches, the responsibilities of relevant stakeholders.
 - iv. Training needs analysis and monitoring
 - b. Governance
 - i. Regular review of the Authority's Fund Risk Register, including revising the format.
 - ii. Review audit reports and assurances on internal controls
 - iii. Ensuring actions taken in compliance with the new Code of Practice from the Pensions Regulator.
 1. The code sets out the requirements of a fund to ensure it has adequate policies and procedures in place to ensure good governance and compliance with relevant legislation.
 - iv. Review and update of the Pension Administration Strategy and Charging Policy
 1. The aim was to better support how a pension fund and its employers will work together to manage and administer the scheme, ensuring compliance with regulations and providing a high-quality service to members
 - c. Administration
 - i. Administration Performance Reports
 1. Including data quality
 - ii. Administration Service Contract include review annual budget
 - iii. Receive update from LPPA on their current performance and how they are keeping this above their agreed service level agreements, and updates in relation to their Efficiency and Service Improvement Plan (ESIP), such as their online retirement

process where the member can complete the necessary claim forms through their online account.

- iv. Monitor complaints made and progress on IDRPs cases
- v. Review Employer Admission process, discussing performance of outstanding admission and ways to improve the timing of admissions being concluded.

d. Membership and communication

- i. Discussions on communications with employers and schools, to look at promoting LGPS and increasing membership numbers.
 - 1. Presentation of the Communication Policy and Communication Plan
- ii. Working on strategy for membership numbers
- iii. Review common letters sent to members e.g. retirement letters, new joiner letters
- iv. Reviewing how the fund can liaise with employers and scheduled bodies of the scheme, in order to improve the reach of its messaging, discussions particularly in how to target schools.

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. Financial risks include those charge with the governance of the fund being unable to fulfil their duties and our actuaries using incorrect assumptions during the triennial valuation. Non-financial risks include delays in admitting new employing authorities into the pension fund and a lack of specialist technical knowledge in interpreting the pension scheme regulations.

Forward Plan for 2025/26

- 1. The Pensions Board has made a business plan for the 2025-26 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](#).

Glossary

| | |
|-----------------|--|
| Exit Cap | The cap limits the exit payments made to employees of public sector bodies. |
| GDPR | General Data Protection Regulation |
| LPPA | Local Pension Partnership Administration (LPPA), Newham Pension Fund Administrators |
| 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 |
| UPM | Universal Pensions Management. The pension administration system used by LPPA. |

Appendix 1 – Board Members Training Schedule

| Training Title | Description of Content | Training Provider | Date of Training | Board Members | | | | | |
|-------------------------------------|---|-----------------------------------|------------------|---------------|----|----|----|----|----|
| | | | | TK | CH | PT | CL | JH | JS |
| Completed | | | | | | | | | |
| Pensions Regulator Trustees Toolkit | There are 11 learning modules: five core modules aimed at all trustees, four aimed at trustees of DB schemes and two aimed at trustees of DC schemes | The Pension Regulator | | | | | | | |
| Enlighten | There are five learning modules, all covering the basics of: actuarial information, background to the LGPS, information about employers, scheme governance and triennial valuations | Barnett Waddingham (fund actuary) | | | | | | | |

Financial Performance

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|----------------|-----------------|-----------------|----------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Contributions* | 98,899 | 48,462 | 53,978 | 79,236 | 84,004 |
| Pensions | (73,569) | (69,682) | (72,220) | (79,012) | (94,893) |
| Net additions / (withdrawals) from dealings with members | 25,330 | (21,220) | (18,242) | 224 | (10,899) |
| Management expense | (7,824) | (8,475) | (8,516) | (5,936) | (5,914) |
| Net investment returns | 22,859 | 22,312 | 22,318 | 29,151 | 28,719 |
| Change in Market Value | 176,865 | 128,943 | (5,518) | 173,475 | 26,728 |
| Net increase / (decrease) in the fund | 217,230 | 121,560 | (9,958) | 196,914 | 38,634 |

*2020/21 LBN prefunded employer contributions

Net Asset Statement

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|------------------|------------------|------------------|------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fixed interest securities | 85,441 | 147,474 | - | 3 | - |
| Equities | 238,245 | - | - | 398 | (2) |
| Pooled investments | 761,122 | 923,961 | 1,063,441 | 1,242,710 | 1,232,716 |
| Pooled property | 161,833 | 197,597 | 186,343 | 191,151 | 190,711 |
| Private equity / infrastructure | 268,581 | 326,746 | 363,747 | 372,472 | 365,881 |
| Diversified | 8,976 | 2,330 | 543 | - | - |
| Cash deposits | 43,609 | 89,029 | 61,317 | 89,903 | 145,140 |
| London CIV | 150 | 150 | 150 | 150 | 150 |
| Other | (30,828) | (96) | 1,794 | (6,278) | 776 |
| Total investment assets | 1,537,129 | 1,687,191 | 1,677,335 | 1,890,509 | 1,935,372 |
| Current assets | 52,718 | 23,698 | 22,757 | 7,763 | 13,522 |
| Current liabilities | (1,463) | (945) | (105) | (1,309) | (13,373) |
| Total net assets available to the fund | 1,588,384 | 1,709,944 | 1,699,987 | 1,896,106 | 1,935,669 |

2024/25 Outturn

| 2024/25 Outturn | 2024/25 Budget | 2024/25 Actual | Variance |
|--|-----------------|-----------------|----------------|
| | £'000 | £'000 | £'000 |
| Members | 18,400 | 18,432 | 32 |
| Employers | 53,800 | 53,834 | 34 |
| Transfers In | 11,700 | 11,739 | 39 |
| Contributions from members | 83,900 | 84,005 | 105 |
| Pensions | (68,200) | (63,471) | 4,729 |
| Retirement Benefit Lump Sums | (13,200) | (12,483) | 717 |
| Death Benefits | (2,000) | (1,886) | 114 |
| Transfer Out and Refunds | (15,100) | (15,064) | 36 |
| Benefits paid | (98,500) | (92,904) | 5,596 |
| Net deductions from dealing with members | (14,600) | (8,899) | (5,491) |
| Administration | (1,327) | (1,723) | (396) |
| Oversight & Governance | (368) | (507) | (139) |
| Investment Management Expenses | (4,065) | (3,686) | 380 |
| Management expenses | (5,760) | (5,916) | (155) |
| Investment Income | 28,692 | 28,719 | 27 |
| Taxes on Income | (25) | (24) | 1 |
| Return on Investments | 28,667 | 28,695 | 28 |
| Net additions including management expenses and investment income | 8,307 | 13,880 | 5,618 |

Management Expenses Analysis

Administration

| | 2024/25 Budget | 2024/25 Actual | Variance |
|---------------------------------------|----------------|----------------|------------|
| | £'000 | £'000 | £'000 |
| Employees | - | - | - |
| Legal | - | - | - |
| Support services (internal recharges) | 1,327 | 1,721 | 394 |
| Service contracts | - | - | - |
| Subscriptions | - | - | - |
| Other | 6 | 2 | 2 |
| Total | 1,327 | 1,723 | 396 |

Oversight and Governance

| | 2024/25 Budget | 2024/25 Actual | Variance |
|---------------------------------------|-------------------|-------------------|------------|
| | £'000 | £'000 | £'000 |
| Employees | - | - | - |
| Legal | 45 | 34 | (11) |
| Support services (internal recharges) | - | - | - |
| Investment advisory services | 184 | 200 | 16 |
| External audit | 65 | 137 | 72 |
| Actuarial fees | 64 | 94 | 30 |
| Other | 10 | 42 | 32 |
| Total | 368 | 507 | 139 |

Investment Management

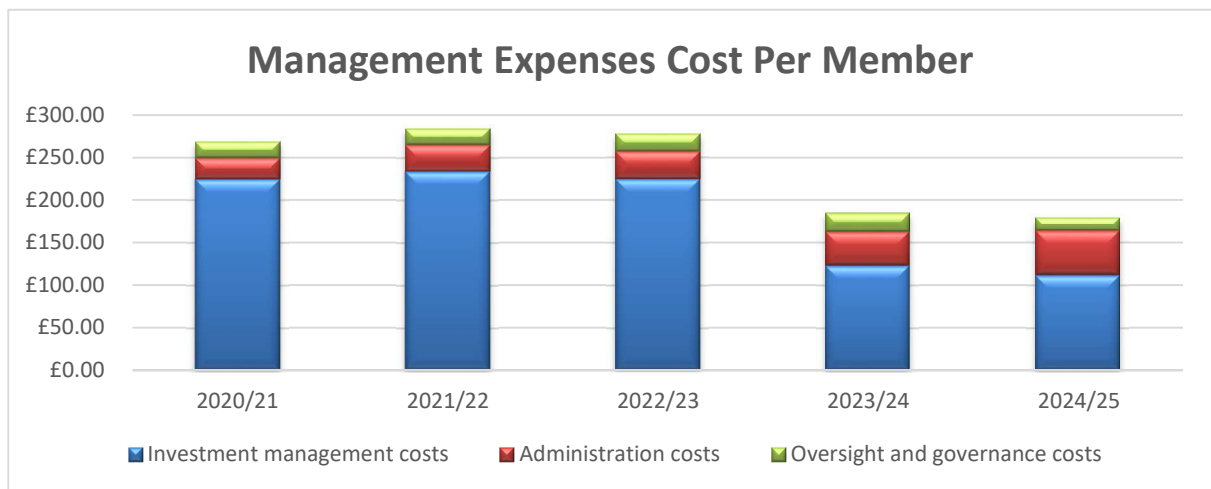
| | 2024/25 Budget | 2024/25 Actual | Variance |
|--------------------|-------------------|-------------------|------------|
| | £'000 | £'000 | £'000 |
| Management fees | (3,569) | (3,058) | 511 |
| Transactions costs | (411) | (599) | (148) |
| Custodian Fees | (85) | (69) | 16 |
| Total | (4,065) | (3,686) | 380 |

Income

| | 2024/25 Budget | 2024/25 Actual | Variance |
|--|-------------------|-------------------|----------------|
| | £'000 | £'000 | £'000 |
| Equities | 410 | (2) | 412 |
| Fixed interest securities | 3 | - | - |
| Pooled property | 8,315 | 6,351 | (1,964) |
| Pooled Fixed Income | 2,000 | 2,136 | 136 |
| Pooled Equity | 1,700 | 1,559 | (141) |
| Real assets | 763 | - | - |
| Diversified | 2,515 | 2,442 | (73) |
| Private debt | 9,547 | 12,180 | (2,449) |
| Private equity | 939 | 912 | (27) |
| Interest on Cash Deposits | 2,500 | 3,140 | 640 |
| Total | 28,692 | 28,718 | (3,470) |
| Taxes on income | (30) | (24) | (54) |
| Total | 28,662 | 28,694 | (3,524) |
| Net cash inflow during the year | 24,995 | 27,246 | (1,318) |

Management Expenses Cost per member

| Process | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---------------------------------------|---------|---------|---------|---------|---------|
| Total membership no. | 29,122 | 29,802 | 30,715 | 32,179 | 33,030 |
| Investment management costs | | | | | |
| Total cost (£'000) | 6,542 | 6,967 | 6,893 | 3,947 | 3,686 |
| Cost per member £ | 224.64 | 233.78 | 224.41 | 122.83 | 111.60 |
| Administration costs | | | | | |
| Total cost (£'000) | 724 | 939 | 994 | 1,286 | 1,721 |
| Cost per member £ | 24.86 | 31.51 | 32.38 | 40.02 | 52.10 |
| Oversight and governance costs | | | | | |
| Total cost (£'000) | 558 | 569 | 635 | 703 | 507 |
| Cost per member £ | 19.16 | 19.10 | 20.67 | 21.88 | 15.35 |



Analysis of asset pooling costs

| | 2024/25 | Cumulative |
|----------------------------|--------------|----------------|
| | £000 | £000 |
| Set up costs: | | |
| Share purchase | - | 150 |
| Annual charge | 25 | 145 |
| Development funding charge | 73 | 496 |
| Other | - | - |
| Total | 98 | 791 |
| Management fee | 42 | 162 |
| Savings | (524) | (2,342) |
| Total fees | (384) | (1,389) |

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Set up costs | 90 | 110 | 110 | 110 | 101 | 98 |
| Fees | 16 | 17 | 268 | 34 | 38 | 42 |
| Fee savings | (310) | (233) | (697) | (347) | (541) | (524) |
| Net savings realised | (204) | (106) | (319) | (203) | (402) | (384) |

Ongoing investment management costs

| | Asset Pool | | Non-asset Pool | | Fund total | |
|--------------------------------|-------------------------|----------------|-------------------------|---------------|--------------|---------------|
| | Indirect Costs £'000 | bps* | Indirect Costs £'000 | bps | £'000 | bps |
| Management fees | | | | | | |
| Ad valorem | 139 | 0.00007 | 3,326 | 0.0018 | 3,465 | 0.0019 |
| Asset pool shared costs | | | | | | |
| Transaction costs | - | - | 399 | 0.00021 | 399 | 0.0002 |
| Custody | | | | | | |
| | - | - | 83 | 0.00004 | 83 | 0.00004 |
| Total | 139 | 0.00007 | 3,808 | 0.0020 | 3,947 | 0.0021 |

Value of Fund 1,935,371

* 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 2025:

| Fund Manager | Signatory on SAB website | Template uploaded to Byhiras portal | CTI Main Account Template | CTI Private Equity Template |
|---------------------|--------------------------|-------------------------------------|---------------------------|-----------------------------|
| CBRE | ✓ | x | ✓ | - |
| Cheyne Capital | x | x | ✓ | - |
| KGAL * | x | x | x | - |
| LGIM | ✓ | ✓ | ✓ | - |
| London LGPS CIV Ltd | ✓ | x | x | - |
| Payden and Rygel | ✓ | x | ✓ | - |
| Schroders | ✓ | ✓ | ✓ | - |
| Arcmont | x | x | - | ✓ |
| Brightwood | x | x | - | x |
| Fiera | x | x | - | x |
| HarbourVest * | ✓ | ✓ | - | x |
| Permira | ✓ | x | - | ✓ |

* 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 | | Closing value | | Gross % | Performance over one year | |
|---|------------------|---------------|------------------|--------------|---------|--------------------------------------|----------------------|
| | £000 | % | £000 | % | | Local target % | Variance to Target % |
| Asset pool managed investments | | | | | | | |
| London CIV shareholding | 150 | 0.01% | 150 | 0 | - | N/A | |
| Fixed income | 45,807 | 2.45% | 48,364 | 2.5% | 6.39 | 4.87 | 1.52 |
| Hedge Funds | 0 | 0.0% | 0 | 0% | | Divested | |
| Global Equity value Fund(Wellington) | 0 | 0.0% | 145,037 | 7.5% | | | |
| Public Equities - New Fund 2021/22 | 1,010,178 | 54.3% | 883,158 | 45.6% | 23.22 | 22.93 | 0.29 |
| Global Equity Focus Fund(Longview) | 185,774 | 9.94% | 155,485 | 8.0% | 4.64 | 4.86 | -0.22 |
| Total pooled investments | 1,241,909 | 66.40% | 1,232,194 | 64% | | | |
| Non-asset pool managed investments | | | | | | | |
| Public Equities - Active | - | - | - | 0.0% | | Divested | |
| Equity Protection (cash and derivatives) | 33,337 | 1.78% | 43,540 | 2.2% | | Equity protection - not measured | |
| Fixed income | 390 | 0.02% | 414 | 0.0% | 5.20 | 5.17 | 0.03 |
| Private Debt | 130,493 | 6.98% | 140,993 | 7.3% | 9.49 | 7.00 | 2.49 |
| Commercial Property | 178,740 | 9.56% | 192,117 | 9.3% | (1.55) | 5.49 | (7.04) |
| Social Housing | 79,823 | 4.17% | 81,595 | 4.2% | 0.19 | 6.00 | (5.81) |
| Private Equity | 90,603 | 4.76% | 91,984 | 4.8% | (1.29) | 8.28 | (9.57) |
| Real assets | 109,973 | 5.18% | 112,599 | 5.8% | 0.89 | 7.00 | (6.11) |
| Cash | 20,692 | 1.11% | 39,937 | 2.1% | - | - | - |
| Diversified alternatives | 0 | 0.0% | 0 | 0.0% | | Divested | |
| Derivatives | 0 | 0.0% | 512 | 0.0% | | Equity protection - not measured | |
| Other | 0 | 0.0% | 411 | 0% | | Includes accruals etc - not measured | |
| Total non-pooled investments | 648,539 | 0.3 | 703,687 | 36.0% | | | |
| Total assets | 1,890,448 | 100% | 1,935,881 | 100% | | | |

Analysis of fund assets at the reporting date

| Asset type | UK £m | Non-UK £m | Total £m |
|---------------------------|------------------|----------------|------------------|
| Equities | - | - | - |
| Pooled investment vehicle | 931,522 | 300,570 | 1,232,092 |
| Alternatives/private debt | 228,281 | 328,469 | 556,751 |
| Cash and cash equivalents | 117,737 | 27,403 | 145,140 |
| Other | 1,238 | - | 1,238 |
| LCIV share holding | 150 | - | 150 |
| Total | 1,278,928 | 656,443 | 1,935,371 |

Performance Reviews

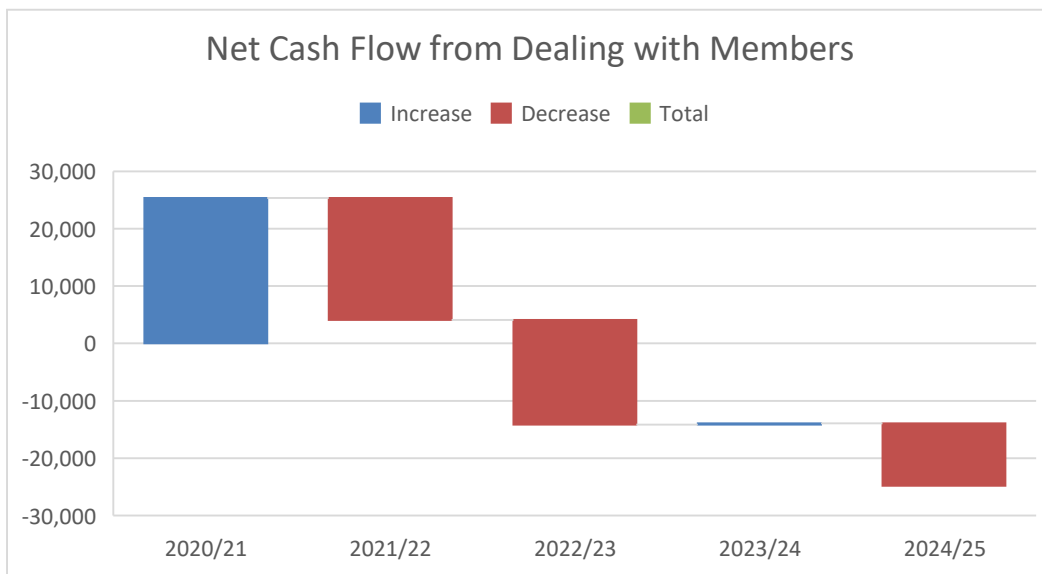
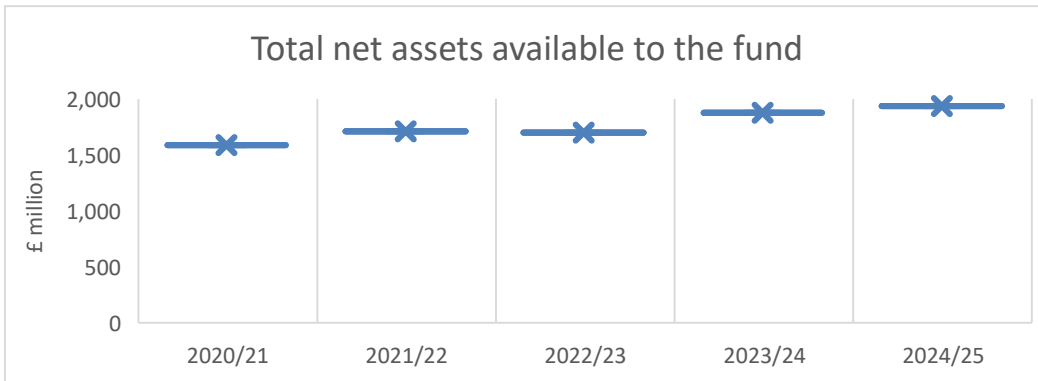
Budget 2025/28

The Pension Fund Outturn for 2024/25 and budget for the following 3 years in accordance with Regulation 34(3) of the Local Government Pension Scheme.

| Pension Fund Budget | 2024/25 Actual | 2025/26 Budget | 2026/27 Budget | 2027/28 Budget |
|---|-------------------|-------------------|-------------------|-------------------|
| | £000 | £000 | £000 | £000 |
| Employees contributions | 18,432 | 20,200 | 18,800 | 19,176 |
| Employers contributions | 53,834 | 59,000 | 54,900 | 55,998 |
| Transfers In | 11,739 | 11,700 | 11,700 | 11,934 |
| | 84,005 | 90,900 | 85,400 | 92,906 |
| Pensions | (63,471) | (68,200) | (69,600) | (71,000) |
| Retirement Benefit Lump Sums | (12,483) | (13,200) | (14,000) | (14,800) |
| Death Benefits | (2,143) | (2,000) | (2,100) | (2,200) |
| Transfer Out | (15,064) | (17,846) | (9,100) | (9,300) |
| | (92,904) | (101,246) | (94,800) | (96,700) |
| Net deductions from dealing with members | (8,899) | (10,346) | (9,400) | (3,794) |
| Administration | 1,723 | 1,327 | 1,300 | 1,337 |
| Investment Management Expenses | 3,755 | 3,530 | 3,318 | 3,119 |
| Oversight & Governance | 437 | 500 | 500 | 500 |
| Management expenses | 5,915 | 5,357 | 5,118 | 4,956 |
| Investment Income | 28,718 | 29,292 | 29,878 | 30,476 |
| Taxes on Income | 24 | 25 | 27 | 28 |
| Return on Investments | 28,742 | 29,318 | 29,905 | 30,504 |
| Net | 25,758 | 24,329 | 25,622 | 31,666 |
| Local pension board - within Oversight and Governance | 5 | 5 | 5 | 5 |

Fund Value

Overall, the Fund's net asset value has increased by £39m to £1.9Bn during the year.



When dealing with members the Fund is cash flow positive attributed to the prefunding strategy.

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

Pension Fund Cash Flow Forecast

| | 2024/25 Actual £000 | 2025/26 Forecast £000 | 2026/27 Forecast £000 | 2027/28 Forecast £000 |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| Opening cash / deposit balances | (6,553) | (17,727) | (13,808) | (10,950) |
| Contributions | 70,489 | 85,140 | 113,520 | 70,824 |
| Transfers in | 11,211 | - | - | 11,479 |
| Receipts from money market funds | - | 9,002 | 12,002 | - |
| Withdrawal from custodian | 7,500 | - | - | 869 |
| Treasury maturity | - | - | - | - |
| Other Inflow | 47 | 219 | 292 | 394 |
| Total inflow | 89,246 | 94,361 | 125,814 | 75,650 |
| Pension Benefits | (53,909) | (55,550) | (74,290) | (51,472) |
| Management expenses and other payments | (1,581) | (2,190) | (3,330) | (1,104) |
| Lump sums and refunds | (29,814) | (24,070) | (30,960) | (23,076) |
| Treasury deposit | - | - | - | - |
| Money market fund deposit | - | - | - | - |
| Custodian deposit | - | - | - | - |
| Total outflow | (85,304) | (81,810) | (108,580) | (75,652) |
| Net cash flow | 4 | 13 | 17 | 0 |

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 e.g. 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 16 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 October 2023 and the actual allocation of assets at year end.

| Asset Class | PC Approved SAA | Control Ranges |
|--|-----------------|----------------|
| | % | % |
| Growth | 65 | |
| Equities | 50 | 43 - 57 |
| <i>Public Active</i> | <i>16</i> | <i>13 - 19</i> |
| <i>Public Passive</i> | <i>34</i> | <i>30 - 38</i> |
| Private Equity | 10 | 3 - 12 |
| Infrastructure/Agriculture | 5 | 4 - 6 |
| Income | 35 | |
| Property | 10 | 8 - 12 |
| Social Housing | 5 | 4 - 6 |
| Private Credit | 7.5 | 5 - 9 |
| Corporate Bonds | 7.5 | 5 - 20 |
| Index-linked Bonds | 5 | |
| Protection and Cash | 0 | |
| Equity Protection and Currency Hedging | 0 | 0 - 5 |
| Cash | 0 | 0 - 3 |
| Total | 100 | |

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 |
| Pooled investment vehicle | 931,522 | 300,570 | 1,232,092 |
| Alternatives/private debt | 228,281 | 328,469 | 556,751 |
| Cash and cash equivalents | 117,737 | 27,403 | 145,140 |
| Other | 1,238 | - | 1,238 |
| LCIV share holding | 150 | - | 150 |
| Total | 1,278,928 | 656,443 | 1,935,371 |

Analysis of investment income accrued during the reporting period

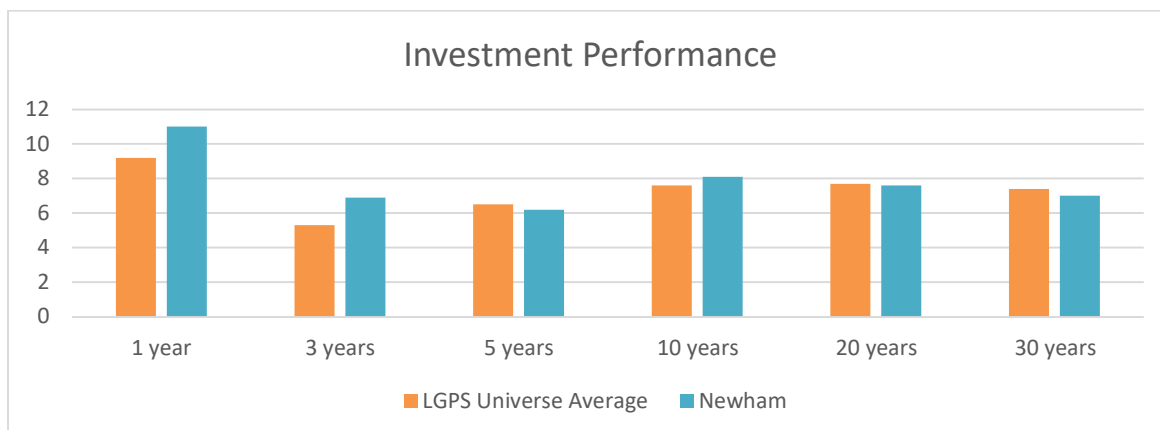
| Asset type | UK £m | Non-UK £m | Total £m |
|-----------------------------|---------------|--------------|---------------|
| Cash and cash equivalents | 3,140 | - | 3,140 |
| Fixed income | - | - | - |
| Equities | 1,557 | - | 1,557 |
| Private equity | - | 912 | 912 |
| Pooled fixed income | - | 2,136 | 2,136 |
| Pooled property investments | 6,351 | - | 6,351 |
| Private debt & Real assets | 12,180 | 2,442 | 12,180 |
| Total | 23,228 | 5,490 | 28,718 |

Investment Performance

The Fund's invested assets closed the year at £1.9Bn, the Fund's performance was at 2.9%. 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.

The Pensions & Investment Research Consultants (PIRC) Local Authority Fund Statistics annual league table on LGPS performance 2024-25 shows this Fund achieved 2.9% return in the 1 year which equates to the 36th percentile in the LGPS Fund universe. The Fund was the 10th highest performer in London. The focus on performance must however be on the long term where the Newham Fund came in the top quartile of investment performance over the last 10 year period.

The chart below shows the investment performance history



Investment Advisors Review 2024/25

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 2025, 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

In the 12-month period to 31 March 2025, market focus shifted from inflation, which moved closer to the 2% target over much of the period, to the pace of global interest rate cuts. However, towards the end of 2024 inflation rose back to 3% in the UK and US, and the election of Donald Trump as US President significantly raised global geopolitical uncertainty.

By April 2024, UK inflation had fallen to 2.3%, down from highs of over 11% in 2022. To bring inflation back under control the Bank of England (BoE), Federal Reserve (Fed) and European Central Bank (ECB) had raised rates to their highest levels since the Global Financial Crisis and rates remained at these levels until the second half of 2024 when central banks began to cut interest rates.

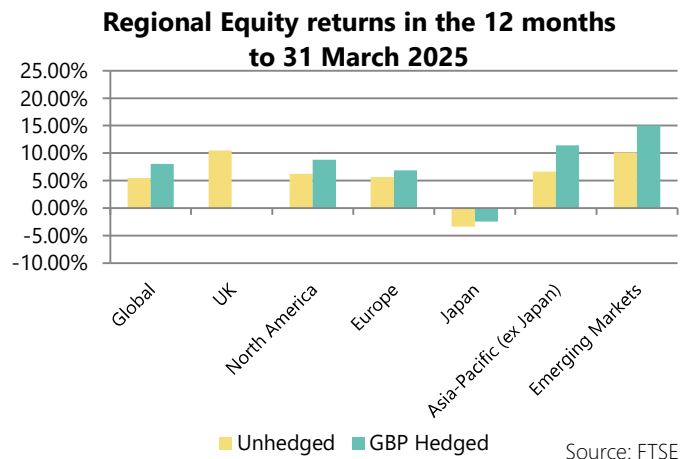
Over the year to 31 March 2025, all major central banks loosened monetary policy in response to falling inflation.

- The Bank of England reduced the base rate from 5.25% to 4.50%. In September 2024, the Bank announced that it would continue to reduce its stock of gilts by £100 billion per year.
- The European Central Bank reduced its deposit rate from 4.00% to 2.50%.
- The Federal Reserve reduced the Federal Funds Rate range from 5.25%-5.50% to 4.25%-4.50%. However, faced with rising inflation and political uncertainty, the Fed paused rate cuts after December 2024 and in March 2025 announced that it would decrease the pace at which it reduced the stock of treasuries held on its balance sheet from a cap of \$25bn to \$5bn per month.

Close to target inflation, coupled with strong economic growth in the US and falling interest rates helped global equities to rise by 8.0% over the period. The US market, which makes up approximately 65% of the global index, drove most of these gains, with financials and utilities performing particularly well. Over the first quarter of 2025, global markets began to focus on rising geopolitical uncertainty as President Trump announced significant import tariffs on key US trading partners China, Canada and Mexico. The potential for higher prices because of these tariffs led to rising inflation expectations and a reduction in the market pricing of the number of Fed interest rate cuts over 2025. As a result, global yields rose and global equities fell 1.9% over the quarter, led by the US. In contrast, European equities rose 6.4% after the announcement of a significant fiscal package, focused on defence spending, was announced in Germany.

Equities

The 12 months to 31 March 2025 saw positive returns for equities and negative returns for most bonds as government bond yields rose in the second half of the year. Global equities produced positive returns across nearly all major regions. The FTSE All World rose by 8.0% over the year to 31 March 2025. The best performing region, in local currency terms, was Emerging Markets (+15.0%), and the worst performing region was Japan (-2.4%).



Legal & General passive ESG equity

The Fund currently invests its passive equity holdings in the L&G ESG Paris Aligned equity fund and the L&G Future World Emerging Markets equity fund. Both funds are index-tracking (i.e. not actively managed).

The L&G 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 returned 6.8% over the year to 31 March 2025, underperforming the LGIM Future World Emerging Market by 0.6%.

Similarly, the L&G 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 year to 31 March 2025 the fund has returned 3.0% outperforming the benchmark by 0.4%.

LCIV Global Equity Focus Fund (Longview)

The Fund invests in the Longview Global Equities Focus Fund via the LCIV platform.

This fund is actively managed and seeks to generate returns in excess of its benchmark (MSCI World - GBP). Longview delivered a return of -1.5% over the year to 31 March 2025 underperforming the benchmark by 6.2%. The fund is now 5.0% p.a. behind its benchmark since the fund's inception on the platform in 2022.

LCIV Global Equity Value Fund (Wellington)

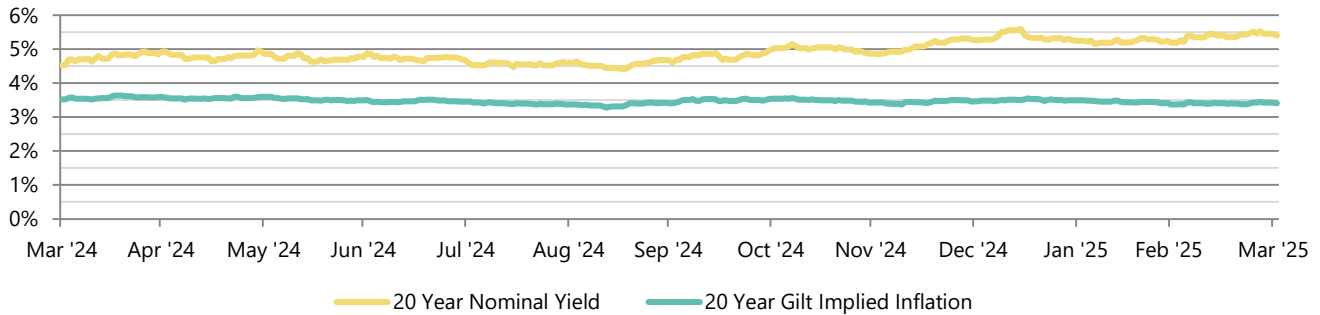
In February 2025 the Fund made an initial investment in the Wellington Global Equity Value Fund via the LCIV Platform.

This fund is actively managed and seeks to generate returns in excess of its benchmark (MSCI All Country World Index - GBP). Wellington produced a return of 1.1% over the period from 20 February 2025 to 31 March 2025, underperforming the benchmark by 8.1%.

Bonds

Over the year to 31 March 2025, UK gilt yields rose at all but the shortest terms. UK fixed interest gilts (all stocks) produced negative returns (-1.2%). UK Index-Linked gilts (all stocks) also produced negative returns (-8.0%). UK corporate bond spreads (all stocks) tightened (-0.1%) over the year.

20 Year Gilt Yields over the 12 Months to 31 March 2025



LCIV Global Bond Fund (PIMCO)

The Fund invests in the PIMCO Global Bond Fund via the LCIV platform.

The PIMCO fund is actively managed and aims to generate a return above its benchmark, the Barclays Aggregate Credit Index (GBP Hedged) over a three-year rolling period. Over the year to 31 March 2025, the fund returned 5.6%, outperforming its benchmark by 0.7%.

Legal & General index linked gilts

Around 10% 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 -1.0% over the period.

Payden & Rygel Absolute Return Bonds

The Payden & Rygel Absolute Return Bond Fund produced positive returns of 5.8% over the 12-month period, broadly in line with its benchmark. Since the inception date in 2019, the fund has returned 2.2%, this is an underperformance of 0.2% where the benchmark is based on the one-month cash rate (SONIA).

Alternatives

CBRE property

The MSCI UK All Property Index rose by 8.1% over the year to 31 March 2025.

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. (net of fees) 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 1.9% over the 12 months to 31 March 2025.

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 4.6% over the 12-month period to 31 March 2025. Since the inception date the fund has returned 1.3% p.a.

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 2025 was 1.8%, underperforming its benchmark return by 5.4% (Retail Price Index Inflation + 4%). The long-term return has been strong with the fund returning 10.7% p.a. since inception, around 2.7% p.a. ahead of the benchmark.

Private debt (Permira, Arcmont & Brightwood)

The private debt portfolio is split between Permira, Arcmont and Brightwood. Each manager takes a different approach and accesses 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).

All three funds are assessed against a benchmark of 7% p.a. over the lifetime of the funds. All three funds outperformed this benchmark over the year. Performance over the 12 months to 31 March 2025 was 9.3% for the Arcmont holding, 8.7% for the Brightwood holding and 10.3% for the Permira holding.

Real alternatives (Fiera & KGAL)

The real alternatives portfolio is split between the Fiera Real Assets Fund and KGAL. The funds have a target return of 8% p.a. and 7% p.a. net of fees, respectively.

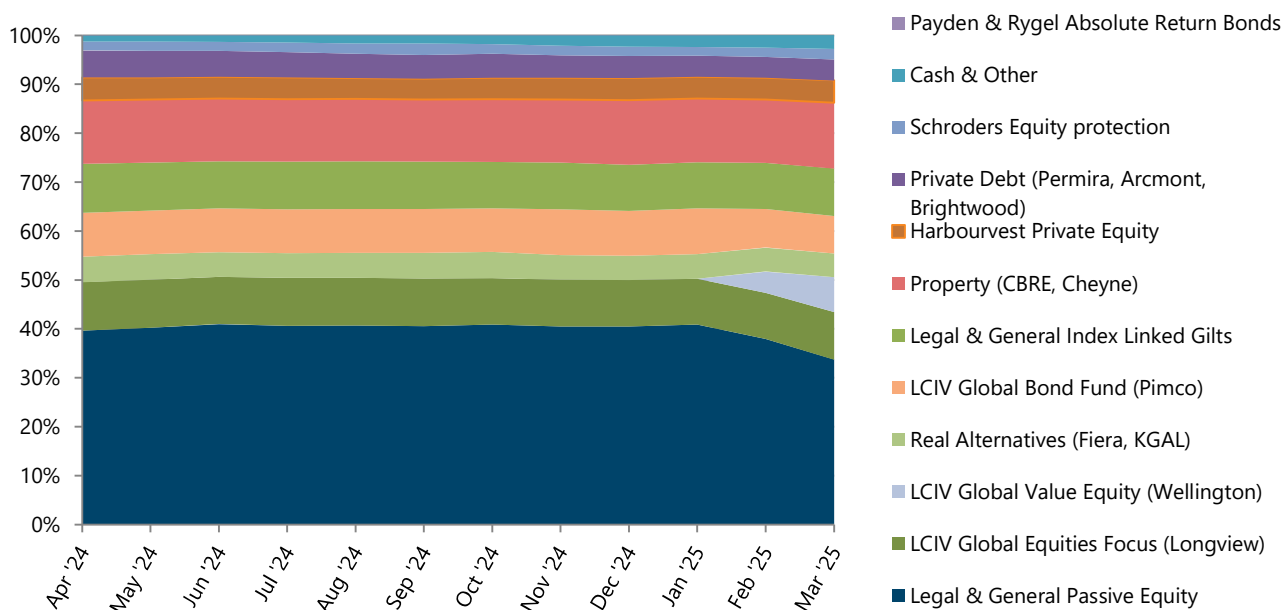
The Fiera Real Assets Fund consists of three underlying funds: infrastructure, agriculture and long lease property. Performance for the portfolio over the year to 31 March 2025 was 6.2%, underperforming the fund’s benchmark by 1.8%.

The KGAL capital fund underperformed its 7% target by 4.0%, returning 3.0% over the year. Though performance since the fund’s inception in 2018 is strong, with a return of 8.6%.

Asset allocation

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

Asset Allocation over the 12 months to 31 March 2025



Actuarial Statement 2024/25

Introduction

The last full triennial valuation of the London Borough of Newham Pension Fund (the Fund) was carried out as at 31 March 2022 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 31 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £1,675m.
- The Fund had a funding level of 100% i.e. the value of assets for funding purposes was 100% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £4m.

Contribution rates

The employer 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.

The primary rate of contribution on a whole Fund level was 18.4% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

| Assumptions | Assumptions used for the 2022 valuation |
|---|---|
| Financial assumptions | |
| Market date | 31 March 2022 |
| CPI inflation | 2.9% p.a. |
| Long-term salary increases | 3.9% p.a. |
| Discount rate | 4.7% p.a. |
| Demographic assumptions | |
| Post-retirement mortality | |
| <i>Base tables – members (M/F)</i> | 100% / 100% of S3 heavy tables |
| <i>Base tables – dependants (M/F)</i> | 120% / 95% of S3DA tables |
| <i>Projection model</i> | CMI 2021 |
| <i>Long-term rate of improvement</i> | 1.25% p.a. |
| <i>Smoothing parameter</i> | 7.0 |
| <i>Initial addition to improvements</i> | 0% p.a. |
| <i>2020/21 weighting parameter</i> | 5% |

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

Updated position since the 2022 valuation

Assets

Investment returns on the Fund's assets over the three years to 31 March 2025 have been higher than assumed at the previous actuarial valuation.

Liabilities

Inflation over the three years to 31 March 2025 has been higher than the long-term average assumed at the 2022 valuation, which has increased the value of liabilities. However, this has been partially offset by changes in financial assumptions underlying the valuation funding model. The value of liabilities has also increased due to the accrual of interest.

Overall position

Both the value of assets and the value of liabilities are estimated to have increased by similar amounts and so the funding level is estimated to be similar to that at the last formal valuation.

The 2025 valuation of the Fund is now underway, which will set revised contributions for all employers due over the period from 1 April 2026 to 31 March 2029.

Dr Barry McKay FFA
Partner, Barnett Waddingham LLP

Scheme Administration Report 2024/25

Overview

LPPA has made considerable progress in ensuring that monthly casework performance is consistently delivered against the 95% target, and in line with contractual obligations.

Helpdesk and Retirement satisfaction scores have been reported at client level to provide a more specific view of satisfaction scores for members. To improve the service provided to clients, employers and members, a key focus has been on delivering more functionality through the online self-service portals, and enabling more automation across the casework processes that are integral to our administration responsibilities. This will remain a priority as we move forwards into 2025-26, to ensure that the quality of casework continues to improve, and that this is reflected in both the member and employer experience.

Helpdesk performance has continued to trend in the right direction in 2024-25, with average call wait times below the non-contractual 4-minute target.

McCloud has been a significant project in the year and will continue to be a key focus in 2025-26, as LPPA follows the national guidelines and timescales relating to the implementation of the remedy.

All regulatory and statutory deadlines in the year were successfully met..

Casework SLA Performance

The following table is created by identifying all reportable casework within UPM, and includes those that have subsequently Completed / Aborted / Remain Outstanding within the quarter. The figures in this table cannot be compared to those in the previous slide for a number of reasons including: the table includes aborted cases, but the horizontal bar graph does not; the SLA 'stop trigger' can be actioned before the process has been completed.

| | Brought forward at 01/04/24 | Received (Inbound) | Completed (Outbound) | Outstanding as of 31/03/25 |
|------------------------|-----------------------------|--------------------|----------------------|----------------------------|
| New Starters | 5 | 310 | 314 | 1 |
| Transfers In | 250 | 561 | 507 | 304 |
| Transfers Out | 318 | 836 | 762 | 392 |
| Estimates | 44 | 357 | 359 | 42 |
| Deferred Benefits | 340 | 1,817 | 1,556 | 601 |
| Retirements - Deferred | 144 | 691 | 736 | 99 |
| Retirements - Active | 153 | 1,062 | 963 | 252 |
| Refunds | 138 | 1,339 | 1,225 | 252 |
| Deaths | 446 | 1,446 | 1,485 | 407 |
| Correspondence | 96 | 741 | 725 | 112 |
| Aggregation | 252 | 941 | 855 | 338 |
| Other | 133 | 2,552 | 2,584 | 101 |
| Total | 2,319 | 12,653 | 12,071 | 2,901 |

Employer engagement & communication activity

Member training sessions were delivered throughout 2024/25, including Making Sense of Your (LGPS) Pension - to support new joiners in understanding their LGPS pension - and Making Sense of Your Retirement - to prepare members in their plans for retirement.

- As part of LPPA's ongoing strategy to support employers and improve administration performance, training sessions were successfully delivered throughout the year. These online training sessions included:
 - Monthly Returns (successfully submitting files and resolving data queries)
 - LGPS Scheme Essentials (support with calculating final pay, CARE pay and assumed pensionable pay)
 - Employer Responsibilities (support with ongoing pension administration responsibilities)
 - Scheme Leavers (support with submitting leaver details using the employer portal, and reinforcing the importance of providing LPPA with a minimum of 30 days' notice, prior to the members retirement date)
 - Absence and Ill Health (support with managing distinct types of absence in the LGPS)
- In addition to our regular employer newsletter (Pension Pulse, distributed every two months), ongoing email communications were issued to all LGPS employers. These included:
 - “Help Us to Improve the Retirement Process for your Employees” - communicating the leaver process, and the impact that timeliness and accuracy of data submission can have on the member experience.
 - “Monthly Returns” – reminders on deadlines for submission, including details of the 2025 valuation, the importance of accurate and up-to-date data files, and the possible impact on employer contributions of non-submission.
- Statutory communications were issued on-time to members throughout the year including:
 - P60 notification communications to retired members in April/May.
 - The 2024 LPPA retiree's online newsletter was issued to members. This included updates on 2024 pension increases, 'understanding your P60' and pension pay dates (2024/25)
 - The 2024 active and deferred online newsletter to members, communicating how they can access their 2024 ABS through PensionPoint.
 - Annual Allowance and Pension Saving Statement communications were also issued to eligible members in Q2.
- The annual LPPA client forum took place in November, which was attended by representatives from all LG clients. This session was well received by clients, and included presentations on
 - The 2024 client survey, following interviews with clients undertaken in August and September.
 - The benefits of LPPA's participation in the annual CEM Benchmarking activity.
 - Customer satisfaction, and how this is measured throughout the year, including how the data is used to inform improvements to both LPPA's operational performance and the member experience.

- The LPPA Efficiency and Service Improvement Programme (ESIP), and the drive towards leveraging the benefits of process and system automation.
- The rise of Artificial Intelligence, and how LPPA is embedding the associated benefits into the business.
- Ongoing updates and information which reflected national guidance around McCloud remedy, were made to the LPPA website for LGPS members through the year.
- The LPPA website was updated throughout 2024/25, with improved self-service information being made available to employers and members. This included the use of Ai generated videos which were used to translate detailed and technical pension information, into a format that was summarised and easier to understand for members. Most noticeable, following feedback from clients and employers, was the improvement made to the Retirement section of the LPPA website.
- Throughout the year, the LPPA member letters project was ongoing, with key letters reviewed, updated and improved (focusing on retirements, bereavements, early leavers and complaints communications). Retirement letters were reviewed by the Plain English Campaign and awarded their 'Crystal Mark' (their seal of approval for the clarity of a document). The aim of the project is to ensure that our letters are technically accurate, but also easy to understand and jargon free ... ultimately to improve the member experience.
- And finally, LPPA were shortlisted in the LAPF Investment Awards (2024), as a finalist in the Pensions Administration Award, which celebrates achievements within the administration sector of the Local Government Pension Scheme. Furthermore, LPPA are shortlisted finalists in two categories – Third-Party Administrator of the Year, and Pension Communication Strategy of Year – at the Professional Pensions (UK Pension 2025) awards in June 2025.

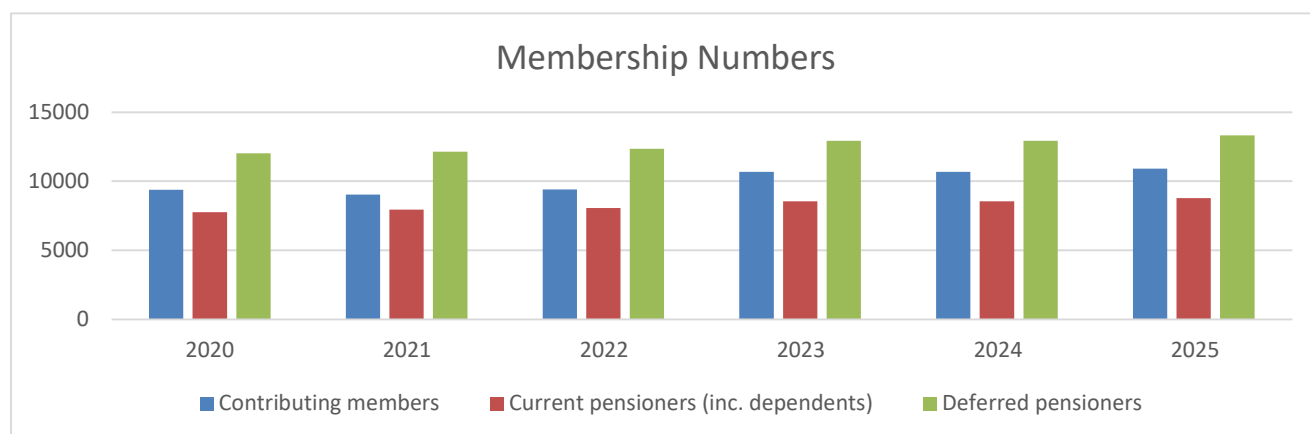
Fund Membership

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 2020 – 2025

| Membership Numbers as at 31 March | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contributing members | 9,374 | 9,035 | 9,397 | 9,760 | 10,677 | 10,922 |
| Current pensioners (inc. dependents) | 7,760 | 7,949 | 8,061 | 8,314 | 8,559 | 8,784 |
| Deferred pensioners | 12,034 | 12,138 | 12,344 | 12,641 | 12,943 | 13,325 |
| Total | 29,168 | 29,122 | 29,802 | 30,715 | 32,179 | 33,030 |

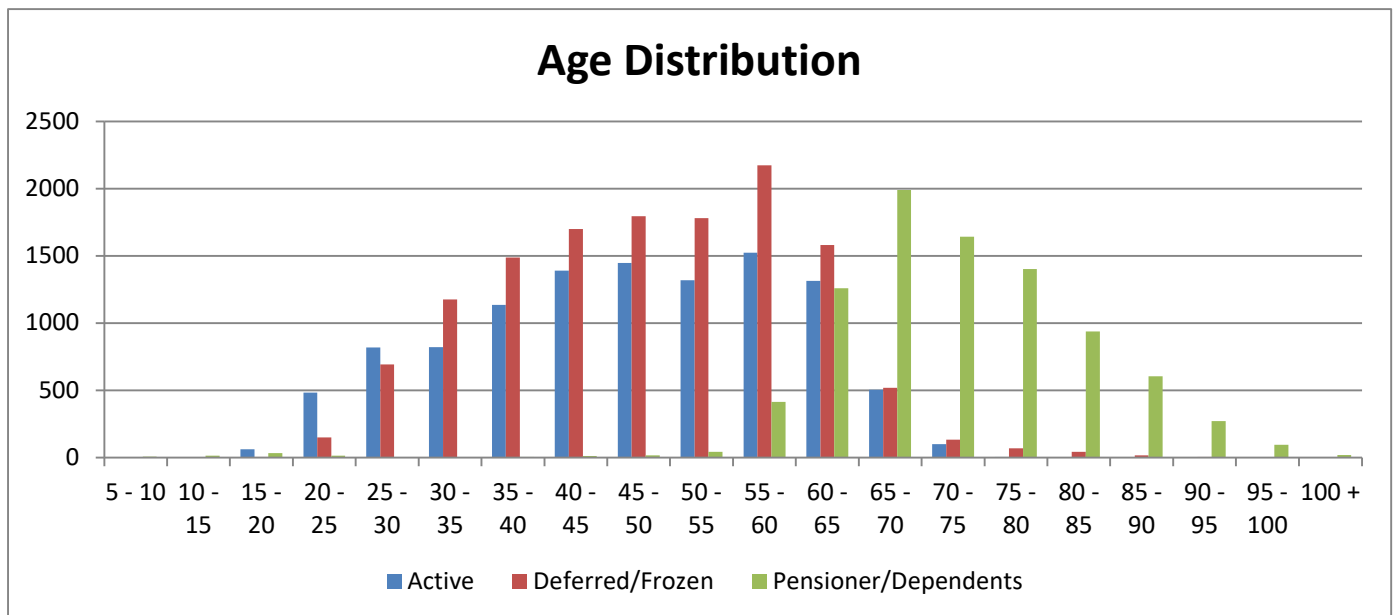


Membership Age Profile at 31 March 2025

| Bands | Active | Deferred/Frozen | Pensioner/Dependents |
|---------|--------|-----------------|----------------------|
| 0 - 5 | - | - | - |
| 5 - 10 | - | - | 7 |
| 10 - 15 | - | - | 14 |
| 15 - 20 | 62 | 4 | 33 |
| 20 - 25 | 482 | 151 | 14 |
| 25 - 30 | 818 | 692 | 2 |
| 30 - 35 | 820 | 1,176 | 2 |
| 35 - 40 | 1,136 | 1,487 | 5 |
| 40 - 45 | 1,391 | 1,700 | 12 |
| 45 - 50 | 1,448 | 1,795 | 17 |
| 50 - 55 | 1,318 | 1,780 | 43 |
| 55 - 60 | 1,524 | 2,173 | 414 |
| 60 - 65 | 1,313 | 1,580 | 1,259 |

| | | | |
|--------------|---------------|---------------|--------------|
| 65 - 70 | 504 | 518 | 1,989 |
| 70 - 75 | 100 | 134 | 1,642 |
| 75 - 80 | 5 | 68 | 1,403 |
| 80 - 85 | 1 | 42 | 938 |
| 85 - 90 | - | 16 | 604 |
| 90 - 95 | - | 4 | 272 |
| 95 - 100 | - | 3 | 95 |
| 100 + | - | 1 | 19 |
| Total | 10,922 | 13,324 | 8,784 |

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 | 23 | 2 | 25 |
| Scheduled body | 25 | 0 | 25 |
| Total | 49 | 2 | 51 |

Active Employer Analysis

| Employer | No of Active Members | Employee Contributions £'000 | Employer Contributions £'000 |
|-----------------------------------|----------------------|---------------------------------|---------------------------------|
| Administering authority | | | |
| LBN | 6,293 | 13,347 | 36,172 |
| Admitted bodies | | | |
| Active Newham | 1 | - | - |
| Better Together | 7 | 20 | 62 |
| Birkin | 4 | - | - |
| Caterlink (Boleyn Trust) | 35 | 16 | 64 |
| Churchill | 3 | 0.4 | 1.1 |
| Compass | 3 | - | - |
| Early Start | 18 | 29 | 68 |
| Enabled Living | 38 | 111 | 294 |
| Juniper Pursuits | 329 | 191 | 822 |
| Juniper Ventures | 487 | 453 | 1,788 |
| Language Shop | 46 | 98 | 223 |
| London Network for Pest Solutions | 22 | 61 | 170 |
| Newham Partnership Working | 53 | 83 | 229 |
| Olive Dining – Cumberland | 2 | 0.9 | 3.8 |
| Olive Dining - Britannia | - | 0.047 | 0.2 |
| Olive Dining - Forest Gate | 3 | 2 | 7 |
| Olive Dining - St. Angela's | 2 | - | - |
| Olive Dining - St Anthony's* | - | 2 | 7 |
| Olive Dining - St Edward's* | - | 2 | 7 |
| Olive Dining - St Francis* | - | 0.7 | 3.4 |
| Olive Dining - St Joachim's* | - | 1.1 | 7.5 |
| Olive Dining - St Michael's* | - | 1.4 | 8.9 |
| Olive Dining - Star* | - | 2 | 12 |
| Olive Dining – Royal Wharf | - | - | - |
| Wilson Jones | 2 | 0.8 | 2.4 |
| Admitted bodies total | 7,348 | 14,422 | 39,952 |
| Agate Momentum Trust | 45 | 53 | 163 |
| Big Education Trust | 114 | 128 | 317 |
| Bobby Moore Academy | 80 | 83 | 196 |
| Boleyn Trust | 315 | 419 | 1,646 |
| Brampton Manor School | 74 | 93 | 384 |
| Britannia Education Trust | 45 | 53 | 142 |
| Burnt Mill Academy Trust | 46 | 42 | 169 |
| Chobham | 171 | 158 | 414 |
| Community Schools Trust | 98 | 137 | 474 |
| East London Science School | 36 | 34 | 1190 |
| Education Links | 11 | 21 | 47 |
| EKO Trust | 237 | 170 | 545 |
| Langdon School | 186 | 129 | 539 |
| Leading Learning Trust | 20 | 38 | 130 |
| Learning in Harmony | 220 | 300 | 969 |
| London Academy of Excellence | 54 | 31 | 86 |
| London Design and Engineering | 68 | 67 | 167 |

| Employer | No of Active Members | Employee Contributions £'000 | Employer Contributions £'000 |
|-------------------------------------|-----------------------------|---|---|
| New Vision Trust | 312 | 266 | 906 |
| Newham College of Further Education | 375 | 476 | 1,128 |
| Newham Collegiate | 33 | 34 | 96 |
| Newham Community Schools Trust | 347 | 426 | 1,398 |
| Newvic College | 99 | 235 | 514 |
| Oasis Academy | 26 | 29 | 70 |
| Our Lady of Grace | 286 | 289 | 1,219 |
| Stratford School | 86 | 97 | 159 |
| Tapscott Leading Trust | 190 | 235 | 779 |
| Scheduled bodies total | 3,574 | 4,043 | 13,847 |
| TOTAL | 10,922 | 18,465 | 53,799 |

* Admission agreement 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 | 1/60 th | 1/49 th |
| Revaluation Rate | Based on Final Salary | Consumer Prices Index (CPI) |
| Pensionable Pay | Pay <u>excluding</u> non-contractual overtime and non-pensionable additional hours | Pay <u>including</u> 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 2024/25

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 – 17,600 | 5.5% | 2.75% |
| 17,601 – 27,600 | 5.8% | 2.90% |
| 27,601 – 44,900 | 6.5% | 3.25% |
| 44,901 – 56,800 | 6.8% | 3.40% |
| 56,801 – 79,700 | 8.5% | 4.25% |
| 79,701 – 112,900 | 9.9% | 4.95% |
| 112,901 – 133,100 | 10.5% | 5.25% |
| 133,101 – 199,700 | 11.4% | 5.70% |
| 199,701 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 Section 151 Officer.
- 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 Section 151 Officer

The Section 151 Officer 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 2025.

In preparing the Pension Fund Accounts, the Section 151 Officer 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 Section 151 Officer 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.

The financial transactions reported on within these 2024/25 financial statements were under the responsibility of the previous Section 151 officer Conrad Hall, who was in post during all of 2024/25 and left on secondment from London Borough of Newham on 4 January 2026. Maria G. Christofi, was appointed to the Interim Assistant Chief Executive – Change & Improvement took on the role of Corporate Director of Resources (Section 151 Officer) undertaking Section 151 duties from 5 January 2026.

I therefore certify that to the best of my knowledge and belief so far as is possible in the circumstances, that this statement of accounts presents a true and fair view of the overall financial position of the authority and the income and expenditure for the year ended 31 March 2025. Within this overall position there may be material errors on a line-by-line basis.

Signature:

Date:

Maria G. Christofi, BA (Hons), FCCA, CPFA
Interim Assistant Chief Executive – Change & Improvement &
Corporate Director of Resources (Section 151 Officer)

Auditors Report

2024/25 Pension Fund Accounts

| 2023/24 | | 2024/25 |
|---|---|------------------|
| £'000 | Notes | £'000 |
| Dealings with members, employers and others directly involved in the fund: | | |
| 70,866 | Contributions | 72,265 |
| 8,370 | Transfers in from other pension funds | 11,739 |
| 79,236 | Sub-totals | 84,004 |
| (69,921) | Benefits | (79,254) |
| (9,091) | Payments to and on account of leavers | (15,639) |
| (79,012) | Sub-totals | (94,893) |
| 224 | Net additions/(withdrawals) from dealing with members | (10,890) |
| (5,936) | Management expenses | (5,914) |
| (5,712) | Net additions/(deductions) including fund management expenses | (16,804) |
| Returns on investments | | |
| 29,205 | Investment income | 28,719 |
| (54) | Taxes on income | (24) |
| 173,475 | Profit and losses on disposal of investments and changes in the Market value of investments | 26,728 |
| 202,626 | Net return on investments | 55,423 |
| 196,914 | Net increase/decrease in the assets available for benefits during the year | 38,620 |
| 1,699,987 | Opening net assets of the Fund | 1,896,901 |
| 1,896,901 | Closing net assets of the Fund | 1,935,521 |

Net Asset Statement

| 2023/24 | | 2024/25 |
|------------------|--|------------------|
| £'000 | Notes | £'000 |
| 1,832,356 | Investment assets | 1,790,380 |
| (31,812) | Investment liabilities | (148) |
| 89,903 | Cash & Cash Equivalent | 145,140 |
| 1,890,447 | Total invested assets | 1,935,371 |
| 7,763 | Current assets | 13,522 |
| (1,309) | Current liabilities | (13,373) |
| 6,454 | Net current assets | 149 |
| 1,896,901 | Net assets of the Fund available to fund benefits at 31 March | 1,935,521 |

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 2024/25.

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 2024 Membership | 31 March 2025 |
|--|----------------------|
| 49 Number of employers with active members | 60 |
| Number of employees in scheme | |
| 6,166 London Borough of Newham | 6,336 |
| 4,511 Other employers | 4,586 |
| 10,677 Total | 10,922 |
| Number of pensioners | |
| 7,773 London Borough of Newham | 7,859 |
| 786 Other employers | 925 |
| 8,559 Total | 8,784 |
| Number of deferred members | |
| 10,227 London Borough of Newham | 10,334 |
| 2,716 Other employers | 2,990 |
| 12,943 Total | 13,324 |
| 32,179 | 33,030 |

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 2025. 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 2022, employer contribution rates range from 10% to 26.2% of pensionable pay, the average employer primary rate is 18.4%. The Council's current contribution rate is 18.2%.

<https://www.newham.gov.uk/downloads/file/5992/newh-2022-valuation-report-v1>

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

d) Benefits

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

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

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is 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 2024/25 financial year and its year-end position as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ("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 2024/25 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 (The Fund has adopted the latter, see Note 18).

Going Concern Statement

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

1.1 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 period covered by this going concern until 31 March 2027

1.2 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.

1.3 The Committee reviewed its Environmental, Social and Governance Policy (ESG) in March 2024, strengthening the Fund's commitment to invest responsibly and manage climate risk. The Committee has taken the view that well run companies perform better over the long term.

1.4 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.

1.5 The IAS21 and IFRS17 standards have been issued but not yet adopted in this year's financial statement.

1.6 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.

2. What is the process management followed to make its assessment?

2.1 The one year investment returns for 2024/25 was 2.93%. Asset values have increased by £39m over the year to 31 March 2025, however from time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. There is sufficient flexibility in the investment strategy to be able to respond to short term market fluctuations. The Fund is comparatively low risk with smaller proportion of its assets held in volatile equities.

| % | 1Yr | 3Yr | 5Yr |
|------|------|------|------|
| Fund | 3.85 | 5.02 | 7.76 |

Source: Northern Trust report on Fund performance.

2.2 The Fund holds cash deposits with the Custodian of £145m at the Balance Sheet date, equivalent to 7% of the Fund Assets. In addition, the Fund holds £1.6b in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments.

2.3 In line with statutory requirements the Fund undertakes a valuation every three years to determine the ratio of the Fund's 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 2022 reported that the Fund had sufficient assets to cover 100% of the accrued liabilities as it is fully funded.

2.4 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.

2.5 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.

2.6 The Fund's Investment Strategy Statement (ISS) sets out its strategic asset allocation in order to deliver the investment returns and to monitor the changes in funding level over the longer term. The ISS is continually developed and updated at each quarterly Committee. The Committee last reviewed the investment strategy in March 2025.

2.7 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 and at March 2022 the employer risk review revealed no material risk to the Fund.

2.8 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.

2.9 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.

3. 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?

3.1 Details on the assumptions used in the valuation are contained within the actuary's 2022-25 triennial valuation report which are reflected in the Funding Strategy Statement 2022. The next triennial valuation is currently in process and will be effective from 2025-27.

3.2 The Fund monitors budgets and cash flow on a monthly basis and the Committee review these on a quarterly 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.

3.3 However, this has been forecast for a number of years and the Committee took steps to 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.

3.4 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.

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. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10a and grossed up to increase the change in value of 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.

Lifetime Allowances

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

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.

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

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.

o) Accounting Policies

There have been no changes to accounting policies.

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 financial statements. 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. | <p>The effects on the present value of total pension obligation in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £24m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £2m, and • a one year increase in assumed life expectancy would increase the liability by approximately £62m. |
| Level 3 Investments (Note 14) | Private equity, pooled investment and pooled property investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines 2012</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | Level 3 investments total £366m, which represents 19% of the total Fund value of £1,935m. |

Note 6: Events after the Reporting Date

"There have been no events since 31 March 2025, and up to the date when these accounts were authorised, which require any adjustments to these accounts."

Note 7: Contributions Receivable

| 2023/24 By Category £'000 | 2024/25 £'000 |
|--|------------------|
| <u>17,739</u> Employees' contributions | <u>18,432</u> |
| <i>Employers' contributions:</i> | |
| 51,171 Normal contributions | 52,622 |
| 25 Deficit recovery contributions | 3 |
| 1,931 Augmentation contributions | 1,208 |
| <u>53,127</u> Total Employers' contributions | <u>53,833</u> |
| <u>70,866</u> Total | <u>72,265</u> |

| 2023/24 By Authority £'000 | 2024/25 £'000 |
|--------------------------------|------------------|
| 50,109 Administering Authority | 50,727 |
| 5,028 Admitted Body | 4,967 |
| 15,729 Scheduled Body | 16,572 |
| <u>70,866</u> Total | <u>72,266</u> |

Note 8: Benefits Payable

| 2023/24 By Category £'000 | 2024/25 £'000 |
|---|------------------|
| (57,999) Pensions | (63,471) |
| (10,346) Commutation and lump sum retirement benefits | (13,641) |
| (1,576) Lump sum death benefits | (2,143) |
| <u>(69,921)</u> Total | <u>(79,254)</u> |

| £'000 By Authority | £'000 |
|----------------------------------|-----------------|
| (63,380) Administering Authority | (69,073) |
| (2,552) Admitted bodies | (2,898) |
| (3,989) Scheduled bodies | (7,283) |
| <u>(69,921)</u> Total | <u>(79,254)</u> |

Note 9: Payments to and on account of leavers

| 2023/24 £'000 | 2024/25 £'000 |
|--|------------------|
| (175) Refunds to members leaving service | (161) |
| (8,916) Individual transfers | (15,478) |
| <u>(9,091)</u> Total | <u>(15,639)</u> |

Note 10: Management Expenses

| 2023/24 | 2024/25 |
|--|----------------|
| £'000 | £'000 |
| (1,286) Administrative costs | (1,721) |
| (3,947) Investment management expenses | (3,686) |
| (703) Oversight and governance costs | (507) |
| (5,936) Total | (5,914) |

Note 10a: Investment Management Expenses

| 2024/25 | Management Fees £'000 | Transaction Costs £'000 | Total £'000 |
|-----------------------------|-----------------------------|-------------------------------|----------------|
| Asset pool | (140) | - | (140) |
| Equity | (74) | - | (74) |
| Fixed income | (2) | (2) | (4) |
| Pooled equity | (267) | (557) | (824) |
| Pooled fixed income | - | - | - |
| Pooled property Investments | (784) | - | (1,143) |
| Private debt | (194) | - | (194) |
| Private equity | (681) | - | (681) |
| Real assets | (558) | - | (558) |
| | (2,699) | (559) | (3,617) |
| Custody Fees | | | (69) |
| Total | | | (3,686) |

| 2023/24 | Management Fees £'000 | Transaction Costs £'000 | Total £'000 |
|-----------------------------|-----------------------------|-------------------------------|----------------|
| Asset pool | (139) | | (139) |
| Equity | (204) | | (204) |
| Fixed income | (1) | (1) | (3) |
| Pooled equity | (129) | (398) | (527) |
| Pooled fixed income | (390) | | (390) |
| Pooled property Investments | (967) | | (967) |
| Private debt | (234) | | (234) |
| Private equity | (634) | | (634) |
| Real assets | (766) | | (766) |
| | (3,465) | (399) | (3,864) |
| Custody Fees | | | (83) |
| Total | | | (3,947) |

Note 10b: External Audit Costs

| 2023/24 | 2024/25 |
|--------------------------------|-------------|
| £'000 | £'000 |
| (79) Payable in External audit | (89) |
| (79) Total | (89) |

Note 11: Investment Income

| 2023/24 £'000 | 2024/25 £'000 |
|-----------------------------------|------------------|
| 3 Fixed interest securities | - |
| 398 Equity | (2) |
| 57 Pooled equity | 1,559 |
| 3,581 Pooled property Investments | 6,351 |
| 4,435 Pooled fixed income | 2,136 |
| 14,203 Private debt | 12,180 |
| 1,454 Private equity | 912 |
| 741 Real assets | - |
| - Diversified Alternatives | 2,442 |
| 4,333 Interest on cash deposits | 3,140 |
| 29,205 Total | 28,718 |

Note 12: Investments

| Market Value as at 31 March 2024 £'000 | Analysis of Investments | Market Value as at 31 March 2025 £'000 |
|--|---------------------------------|---|
| | Investment assets | |
| | Pooled funds: | |
| 46,197 | Fixed income unit trust | 48,778 |
| 1,196,041 | Equity unit trust | 1,183,728 |
| 472 | Managed alternatives | 210 |
| 1,242,710 | | 1,232,716 |
| | Other Investments: | |
| 89,801 | Private equity | 86,682 |
| 95,700 | Real assets | 110,324 |
| 109,243 | Private debt | 87,259 |
| 77,998 | Social Housing | 81,617 |
| 191,151 | Pooled property investments | 190,711 |
| 563,893 | | 556,591 |
| - | Diversified Alternatives | - |
| 150 | Shares in London CIV | 150 |
| | Other investment assets: | |
| 424 | Investment income due | 411 |
| 69 | Derivative assets | 512 |
| 25,110 | Other Investment assets | - |
| 25,603 | | 923 |
| 89,903 | Cash deposits | 145,140 |
| | Investment liabilities: | |
| (25,812) | Derivative liabilities | (148) |
| (6,000) | Amounts payable for purchases | - |
| (31,812) | | (148) |
| 1,890,447 | Total investment assets | 1,935,371 |

Note 12a: Reconciliation of Movements in Investments and Derivatives

| | Market value as at 31 March 2024 | 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 2025 |
|---|--|--|--|---|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Equities (active) | - | - | (171) | 171 | - |
| Pooled funds | 1,242,710 | 153,523 | (187,317) | 23,800 | 1,232,715 |
| Pooled property investments | 191,151 | 84,528 | (69,636) | (15,331) | 190,711 |
| Other investments | 372,742 | 17,020 | (33,326) | 9,445 | 365,881 |
| Diversified alternatives | - | - | - | - | - |
| Shareholding in London CIV | 150 | - | - | - | 150 |
| | 1,806,753 | 255,071 | (290,450) | 18,083 | 1,789,457 |
| Derivative contracts: | | | | | |
| Purchased/written options | (24,276) | 20,876 | - | 3,400 | - |
| Forward currency contracts | (1,467) | 9,895 | (14,074) | 6,010 | 364 |
| | 1,781,010 | 285,842 | (304,524) | 27,493 | 1,789,821 |
| Other Investment balances | 25,110 | - | - | - | - |
| Cash deposits | 89,903 | - | - | (648) | 145,140 |
| Investment income due | - | - | - | - | 411 |
| Amount receivable for sales of investments | 424 | - | - | - | - |
| Amounts payable for purchases of investments | (6,000) | - | - | - | - |
| Spot FX Contracts | - | - | - | (117) | - |
| | 1,890,447 | | | 26,728 | 1,935,371 |
| | | | | | |
| | Market value as at 31 March 2023 | 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 2024 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Equities (active) | - | - | (6) | 6 | - |
| Pooled funds | 1,063,441 | 74,299 | (84,344) | 189,314 | 1,242,710 |
| Pooled property investments | 186,343 | 15,483 | (12,862) | 2,187 | 191,151 |
| Other investments | 363,747 | 28,570 | (22,585) | 3,010 | 372,742 |
| Diversified alternatives | 543 | - | (18) | (525) | - |
| Shareholding in London CIV | 150 | - | - | - | 150 |
| | 1,614,224 | 118,352 | (119,815) | 193,992 | 1,806,753 |
| Derivative contracts: | | | | | |
| Purchased/written options | (95) | 11,060 | (11,060) | (24,181) | (24,276) |
| Forward currency contracts | 2,092 | 3,117 | (10,803) | 4,127 | (1,467) |
| | 1,616,221 | 132,529 | (141,678) | 173,938 | 1,781,010 |
| Other Investment balances | - | - | - | - | 25,110 |
| Cash deposits | 61,317 | - | - | (243) | 89,903 |
| Investment income due | 313 | - | - | - | 424 |
| Amount receivable for sales of investments | - | - | - | - | - |
| Amounts payable for purchases of investments | (516) | - | - | - | (6,000) |
| Spot FX Contracts | - | - | - | (220) | - |
| | 1,677,335 | | | 173,475 | 1,890,447 |

Note 12b: Investments analysed by Fund manager

| Market value as at 31 March 2024 £'000 | Fund manager % | | Market value as at 31 March 2025 £'000 |
|---|----------------|--|---|
| Investments managed by the London CIV asset pool | | | |
| 150 | - | LCIV Shareholding | 150 |
| 45,807 | 2.45% | LCIV Global Bond Fund (PIMCO) | 48,364 |
| 185,774 | 9.94% | LCIV Global Equity Focus Fund (Longview) | 155,485 |
| | | LCIV Global Equity Value Fund (Wellington) | 145,037 |
| Investments aligned with London CIV asset pool | | | |
| 1,010,178 | 54.03% | Legal and General Investment Management (LGIM) | 883,158 |
| 1,241,909 | | | 1,232,194 |
| Investments managed outside of the London CIV asset pool | | | |
| 50,072 | 2.61% | Arcmont | 52,647 |
| 46,245 | 2.40% | Brightwood | 47,824 |
| 11,945 | 0.64% | Brockton | 12,889 |
| 166,790 | 8.92% | CBRE | 179,228 |
| 79,828 | 4.17% | Cheyne | 81,595 |
| 90,739 | 4.16% | Fiera Capital | 92,766 |
| 90,603 | 4.76% | HarbourVest | 91,984 |
| 19,234 | 1.02% | KGAL Capital | 19,833 |
| 20,692 | 1.11% | Northern Trust cash deposits | 39,937 |
| 390 | 0.02% | Payden & Rygel | 414 |
| 38,664 | 2.00% | Permira | 40,522 |
| 33,337 | 1.78% | Schroders | 43,540 |
| 648,539 | | | 703,178 |
| 1,890,448 | 100% | Total investment assets | 1,935,371 |

Individual investments exceeding 5% of net assets

| Market value as at 31 March 2024 £'000 | % of total fund | | % of total fund | Market value as at 31 March 2025 £'000 |
|---|-----------------|---------------------------------|-----------------|---|
| 781,677 | 41.81% | LGIM – Paris Aligned | 33.8% | 654,654 |
| 199,713 | 10.68% | LCIV Global Equity Focus Fund | 8.0% | 155,485 |
| 45,807 | 2.45% | LCIV Global Bond Fund* | - | - |
| 185,774 | 9.94% | LGIM - <15YR Index-linked gilts | 10.2% | 197,764 |
| - | - | LCIV Global Equity Value Fund | 7.5% | 145,012 |
| 92,502 | 4.95% | CBRE | 9.9% | 192,117 |
| 1,305,473 | 70% | | 70% | 1,345,032 |

*Market value of the asset is below 5%

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 2025, the value of quoted equities on loan was £47m (2023/24: £29m). 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 Schrodgers. A breakdown of forward contracts held by the Fund as at 31 March 2025 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 | 81,755 | USD | (96,639) | 512 | - |
| One to six months | GBP | 136,838 | EUR | (176,802) | - | (148) |
| Open forward currency contracts at 31 March 2025 | | | | | 512 | (148) |
| Net forward currency contracts at 31 March 2025 | | | | | | 364 |
| Prior year comparative | | | | | | |
| Open forward currency contracts at 31 March 2024 | | | | | 65 | (1,532) |
| Net forward currency contracts at 31 March 2024 | | | | | | (1,467) |

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 March 2024 | Notional Holdings | Market Value as at 31 March 2025 |
|---------------------------------------|---------------------|-----------|-------------------|----------------------------------|-------------------|----------------------------------|
| | | | £'000 | £'000 | £'000 | £'000 |
| Assets | | | | | | |
| Overseas equity purchased | One to three months | Put | 71 | 4 | | - |
| | | | | | 4 | - |
| Liabilities | | | | | | |
| Overseas equity written | One to three months | Put | (88) | - | | - |
| Overseas equity written | One to three months | Call | (71) | (24,279) | | - |
| | | | | (24,279) | | - |
| Net purchased/written options | | | | (24,275) | - | - |

* A **Put** option gives the holder the right to sell the underlying asset at a specified price, while a **Call** option gives the holder the right to buy it.

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 <i>International Private Equity and Venture Capital Valuation Guidelines (2012)</i> | <ul style="list-style-type: none"> · 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. |

| Values at 31 March 2025 | Quoted | Using observable | With significant | Total |
|--|----------------|------------------|-------------------|------------------|
| | market price | inputs | observable inputs | |
| | Level 1 | Level 2 | Level 3 | |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets at fair value through profit and loss | | | | |
| Pooled investments | 145,012 | 1,087,493 | 210 | 1,232,716 |
| Pooled property investments | 16,263 | 21,870 | 152,577 | 190,711 |
| Private equity | - | - | 365,881 | 365,881 |
| Derivative assets | - | 512 | - | 512 |
| Cash deposits | 145,140 | - | - | 145,140 |
| Investment income due | 411 | - | - | 411 |
| London collective investment vehicle | 150 | - | - | 150 |
| Other investment balances | - | - | - | - |
| Net investment assets | 306,976 | 1,109,876 | 518,668 | 1,935,520 |
| Financial liabilities at fair value through profit and loss | | | | |
| Payable for investment purchases | - | - | - | - |
| Derivative liabilities | - | (148) | - | (148) |
| Total | 306,976 | 1,109,728 | 518,668 | 1,935,371 |

| Values at 31 March 2024 | Quoted | Using observable | With significant | Total |
|--|----------------|------------------|-------------------|------------------|
| | market price | inputs | observable inputs | |
| | Level 1 | Level 2 | Level 3 | |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets at fair value through profit and loss | | | | |
| Pooled investments | - | 1,242,238 | 472 | 1,242,710 |
| Pooled property investments | 13,217 | 123,378 | 54,556 | 191,151 |
| Private equity | - | - | 372,742 | 372,742 |
| Derivative assets | - | 69 | - | 69 |
| Cash deposits | 89,903 | - | - | 89,903 |
| Other investment assets | 150 | - | - | 150 |
| Investment income due | 25,534 | - | - | 25,534 |
| Net investment assets | 128,804 | 1,365,685 | 427,770 | 1,922,259 |
| Financial liabilities at fair value through profit and loss | | | | |
| Payable for investment purchases | - | (6,000) | - | (6,000) |
| Derivative liabilities | - | (25,812) | - | (25,812) |
| Total | 128,804 | 1,333,873 | 427,770 | 1,890,447 |

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 2025.

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

| Description of asset | Assessed | Value as 31 March 2025 | Value on increase | Value on decrease |
|----------------------|-----------------------|------------------------|-------------------|-------------------|
| | valuation range (+/-) | | | |
| | % | £'000 | £'000 | £'000 |
| Private debt* | 10% | 87,259 | 95,984 | 78,533 |
| Private equity | 25% | 101,564.28 | 126,955.34 | 76,173.21 |
| Real assets** | 10% | 51,013.06 | 56,114.37 | 45,911.76 |
| Social Housing | 10% | 81,617 | 89,778 | 73,455 |
| Subtotal | | 321,452 | 368,832 | 274,073 |
| Overseas Hedge Funds | 15% | 210 | 231 | 179 |
| Property funds | 10% | 197,005 | 216,706 | 177,305 |
| Total | | 518,667 | 585,769 | 451,556 |

*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.

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

| | Market Value as 31/03/2024 | Transfers in/out of level 3 | Purchases | Sales | Unrealised gains (losses) | Realised gains (losses) | Market Value as 31/03/2025 |
|---|----------------------------------|-----------------------------------|---------------|-----------------|------------------------------|----------------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Pooled investments-hedge funds | - | - | - | - | - | 1 | 1 |
| Private equity (Overseas property funds) | 55,924 | - | - | - | 94,070 | (48,430) | 101,564 |
| Property funds (Overseas venture capital) | 118,389 | - | 72,780 | (69,730) | 79,438 | (3,871) | 197,005 |
| Private debt (Private Debt) | 109,243 | - | 6,071 | (25,427) | (3,576) | 947 | 87,259 |
| Real assets (UK Property funds) | 65,765 | - | - | - | (14,576) | (176) | 51,013 |
| Social Housing (UK venture capital) | 77,976 | - | - | - | 3,619 | - | 81,617 |
| Overseas Hedge Fund | 472 | - | - | (237) | (75) | 49 | 210 |
| Total | 427,770 | - | 78,851 | (95,394) | 158,901 | (51,480) | 518,667 |

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 15a: Net Gains and Losses on Financial Instruments

| 31st March 2024 | | 31st March 2025 |
|-----------------|---|-----------------|
| | £'000 Financial Assets | £'000 |
| | 193,505 Fair value through profit and loss | 18,083 |
| | 244 Other investment balances | - |
| | Financial Liabilities | |
| | (20,054) Fair value through profit and loss | 9,410 |
| | (220) Other investment balances | (765) |
| | 173,475 Total | 26,728 |

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 2024/25, 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 2025 | Movement on increased value | Movement on decreased value |
|--------------------------------|----------|-------------------------------------|--------------------------------|-----------------------------------|
| | % | £'000 | £'000 | £'000 |
| Pooled investments | 10 | 1,232,716 | 1,355,987 | 1,109,444 |
| Pooled Property Investments | 10 | 190,711 | 209,782 | 171,640 |
| Private Equity | 25 | 365,881 | 457,351 | 274,411 |
| Derivative Assets | 10 | 511 | 563 | 461 |
| Cash deposits | 5 | 145,140 | 152,397 | 137,883 |
| Other investment assets | - | - | - | - |
| Investment income due | - | 411 | 411 | 411 |
| London CIV | 15 | 150 | 173 | 128 |
| Investment liabilities | - | (148) | (148) | (148) |
| Total Investment assets | | 1,935,371 | 2,176,516 | 1,694,229 |

| Asset type | Movement | Market value as at 31 March 2024 | Movement on increased value | Movement on decreased value |
|--------------------------------|----------|-------------------------------------|--------------------------------|-----------------------------------|
| | % | £'000 | £'000 | £'000 |
| Pooled investments | 10 | 1,242,710 | 1,366,981 | 1,118,439 |
| Pooled Property Investments | 10 | 191,151 | 210,266 | 172,036 |
| Private Equity | 25 | 372,742 | 456,298 | 279,557 |
| Derivative Assets | 10 | 69 | 76 | 62 |
| Cash deposits | 5 | 89,903 | 94,398 | 85,408 |
| Other investment assets | - | 25,110 | 25,110 | 25,110 |
| Investment income due | - | 424 | 424 | 424 |
| London CIV | 15 | 150 | 173 | 128 |
| Investment liabilities | - | (31,812) | (31,812) | (31,812) |
| Total Investment assets | | 1,890,447 | 2,121,914 | 1,649,352 |

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 2025 and 31 March 2024 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 will move less by more than 100 basis points (1%) from one year to the next.

| | Market value as at 31 March 2025 | Value on 1% price increase | Value on 1% price decrease |
|---------------------------|---|-----------------------------------|-----------------------------------|
| | £'000 | £'000 | £'000 |
| Asset type | | | |
| Cash and Cash equivalents | 145,140 | 146,591 | 143,688 |
| Cash balances | 2,173 | 2,195 | 2,151 |
| Total | 147,313 | 148,786 | 145,840 |

| | Market value as at 31 March 2024 | Value on 1% price increase | Value on 1% price decrease |
|---------------------------|---|-----------------------------------|-----------------------------------|
| | £'000 | £'000 | £'000 |
| Asset type | | | |
| Cash and Cash equivalents | 89,903 | 90,802 | 89,004 |
| Cash balances | 150 | 152 | 149 |
| Total | 90,053 | 90,954 | 89,153 |

Interest Receivable

| | Market value as at 31 March 2025 £'000 | Value on 1% price increase £'000 | Value on 1% price decrease £'000 |
|---------------------------|---|---|---|
| Asset type | | | |
| Cash and Cash equivalents | 3,140 | 3,171 | 3,108 |
| Total | 3,140 | 3,171 | 3,108 |

| | Market value as at 31 March 2024 £'000 | Value on 1% price increase £'000 | Value on 1% price decrease £'000 |
|---------------------------|---|---|---|
| Asset type | | | |
| Cash and Cash equivalents | 4,333 | 4,376 | 4,290 |
| Total | 4,333 | 4,376 | 4,290 |

This analysis demonstrates that a 1% increase in interest rates will not materially 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 2025 £'000 | Value on 10% price increase £'000 | Value on 10% price decrease £'000 |
|--------------------------------------|---|--|--|
| Overseas fixed interest unit trusts | 414 | 455 | 373 |
| Overseas pooled property investments | 101,564 | 111,720 | 91,408 |
| Overseas venture capital | 197,005 | 216,706 | 177,305 |
| Overseas Equity Funds | 300,570 | 330,627 | 270,513 |
| Overseas Hedge Fund | 210 | 231 | 189 |
| Total | 599,763 | 659,739 | 539,787 |

| Asset type | Market value as at 31 March 2024 | Value on 10% price increase | Value on 10% price decrease |
|--------------------------------------|---|------------------------------------|------------------------------------|
| | £'000 | £'000 | £'000 |
| Overseas fixed interest unit trusts | 390 | 429 | 351 |
| Overseas pooled property investments | 99,997 | 109,997 | 89,997 |
| Overseas venture capital | 180,091 | 195,544 | 159,990 |
| Overseas Equity Funds | 185,864 | 204,450 | 167,278 |
| Overseas Hedge Fund | 472 | 519 | 425 |
| Total | 466,814 | 510,939 | 418,041 |

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. Money market funds chosen all have AAA rating from a leading ratings agency, as shown below.

| Summary | Rating | Asset value as at 31 March 2024 | Asset value as at 31 March 2025 |
|--------------------------------------|---------------|--|--|
| | | £'000 | £'000 |
| Held with Custodian | | | |
| Northern Trust custody cash accounts | AAA | 89,903 | 145,140 |
| Other investment balances | | | 411 |
| Money market funds | | | |
| BNP Paribas | AAA | - | - |
| Federated Prime Rate | AAA | - | - |
| Bank current accounts | | | |
| Lloyds | A+ | 150 | 2 |
| Total | | 90,053 | 145,553 |

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 2025 and 31 March 2024 (£6.0m and £5.6m 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 2025 was £42m (31 March 2024: £21m).

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 2025 the balance on this facility stood at £0 (31 March 2024: £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 2025 the value of liquid assets represented 81% of the total Fund value (31 March 2024: 78% 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 2022 and the next valuation is due to take place as at 31 March 2025.

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.

At the 2022 actuarial valuation, the Fund was assessed as 100% funded (96% at the March 2019 valuation). This corresponded to a surplus of £4m (2019 valuation: £58m deficit) at that time.

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.

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 2022 Actuarial Valuation Report and the Funding Strategy Statement on the Fund's website: www.newham.gov.uk/council/pension-fund

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 | 31st March 2022 | 31st March 2019 | 31st March 2016 |
|--------------------|-----------------|-----------------|-----------------|
| | % | % | % |
| Discount rate | 4.7 | 5 | 5.4 |
| CPI Inflation | 2.9 | 2.6 | 2.4 |
| Pension increases | 2.9 | 2.6 | 2.4 |
| Salary increases | 3.9 | 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 | 31st March 2022 | 31st March 2019 | 31st March 2016 |
|------------------------------------|------------------------|------------------------|------------------------|
| | Years | Years | Years |
| Males retiring today | 19.51 | 21.2 | 21.6 |
| Females retiring today | 22.88 | 23.8 | 24 |
| Males retiring in 20 years | 20.87 | 22.7 | 23.3 |
| Females retiring in 20 years | 24.43 | 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. "In June 2023, the UK High Court (*Virgin Media Limited v NTL Pension Trustees II Limited*) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result, Newham Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements."

| 31st March 2024 | 31st March 2025 |
|---|--------------------------------|
| £'m | £'m |
| (1,910) Present value of promised retirement benefits | (1,701) |
| 1,870 Fair value of scheme assets (bid value) | 1,935 |
| (40) Net Liability | 234 |

| Financial Assumptions | 31st March 2025 | 31st March 2024 |
|------------------------------|--------------------------------|--------------------------------|
| | % | % |
| Discount rate | 5.8 | 4.9 |
| Pension increases (CPI) | 2.9 | 2.9 |
| RPI Inflation | 3.2 | 3.25 |
| Salary increases | 3.9 | 3.9 |

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 2022 triennial funding valuation (see Note 17) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Note 19: Current Assets

| 31st March 2024 | | 31st March 2025 |
|----------------------------|-------------------------------|--------------------------------|
| £'000 | | £'000 |
| 1,383 | Contributions due – employees | 1,569 |
| 4,168 | Contributions due – employers | 4,394 |
| 342 | Receivables | 353 |
| 1,720 | Debtors | 5,033 |
| 150 | Cash balances | 2,173 |
| 7,763 | Total Current Assets | 13,522 |

Note 19a: Current Liabilities

| 31st March 2024 | | 31st March 2025 |
|----------------------------|----------------------------------|--------------------------------|
| £'000 | | £'000 |
| (1,309) | Current Liabilities | (13,373) |
| (1,309) | Total Current Liabilities | (13,373) |

Note 20: Additional Voluntary Contributions

| Market value at 31 March 2024 | | Market value at 31 March 2025 |
|--|--------------------------|--|
| £'000 | | £'000 |
| 1,071 | Clerical Medical | 1,091 |
| 134 | Utmost Life and Pensions | 140 |
| 1,205 | Total | 1,231 |

AVC contributions of £0.042m were paid directly to Clerical Medical during the year (£0.056m 2023/24). 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.

| 2023/24 | | 2024/25 |
|----------------|--|----------------|
| £'000 | | £'000 |
| 341 | Payments on behalf of London Borough of Newham | 340 |
| 341 | Total | 340 |

Note 22: Related Parties

The Fund is administered by LBN. During the reporting period, the Council incurred costs of £0.58m (2023/24: £1.6m) in relation to the administration the Fund and was subsequently reimbursed by the Fund for these expenses. As at 31 March 2025 the Council owed the Fund £6.6m (2023/24 £0.58m).

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.

Of the Committee members there are two active members of the LGPS and one deferred member; Councillor John Gray. The Members of the Committee do not receive fees in relation to their specific responsibilities as Members of the Committee.

The Council is also the largest employer in the Fund and in 2024/25 contributed £36.2m (2023/24 £35.4m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

The Fund is a minority shareholder in London LGPS CIV Ltd. Shares valued at £0.15m at 31 March 2025 (£0.15m at 31 March 2024) 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 2024/25 a total of £0.14m was charged to the pension fund by London CIV in respect of investment management services (£0.14m in 2023/24).

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 (OneSource) and the Head of Pensions & Treasury. Total remuneration payable to key management personnel which is recharged to the Fund is set out below:

| 2023/24 | 2024/25 |
|--------------------------------|----------------|
| £'000 | £'000 |
| 37 Short-term benefits | 46 |
| 1,910 Post-employment benefits | 16 |
| 1,947 Total | 62 |

Note 23: Contingent Liabilities and Contractual Commitments

Outstanding capital commitments for private debt, property, private equity, real assets and social housing at 31 March 2025 totalled £110m (31 March 2024: £96m). There are no contingent liabilities to report.

6 admitted body employers in the Fund hold insurance bonds and 8 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 proportionate share of costs.