

Pension Committee

7 October 2025

7.00 pm at the

Civic Offices, St Nicholas Way, Sutton SM1 1EA



To all members of the Pension Committee:-

Chair: Councillor Cryss Mennaceur

Vice-Chair: Councillor Sam Martin

Members: Councillor Richard Choi
Councillor Paul Cole
Councillor Jake Short
Councillor Tom Drummond
Councillor Patrick Magnus

This is a Council meeting held in public. Additional representations are at the invitation of the Chair of the Committee. If you are a relevant organisation and you wish to submit representations on a proposal contained within the reports to this agenda please submit a request via Committee Services three working days before the meeting date.

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PLEASE NOTE: Any decision taken at this meeting does not become definitive until 10am on the third working day after the meeting. Any four members of the Council may notify the Chief Executive by then if they require a decision to be reviewed by the appropriate committee at its next meeting. Please contact the Committee Services representative shown on the front page for further information.

Helen Bailey
Chief Executive
Friday, 26 September 2025

Enquiries to: Committee Services Tel: 020 8770 4990, Email: committee.services@sutton.gov.uk

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A G E N D A

- 1 **Welcome and introductions**
- 2 **Apologies for absence**
- 3 **Declarations of interest**
- 4 **Minutes of the previous meeting** 5 - 12

To approve as a correct record the minutes of the meeting held on 24 June 2025.
- 5 **Any urgent business**

To consider any items which, in the view of the Chair, should be dealt with as a matter of urgency because of special circumstances (*in accordance with S100B(4) of the Local Government Act 1972*).
- 6 **Triennial Valuation and Funding Strategy Statement Update** 13 - 104
- 7 **Pension Administration Performance Update** 105 - 116
- 8 **Pension Administration Projects Update** 117 - 142
- 9 **Annual Report and Accounts** 143 - 308
- 10 **Governance and Risk Update** 309 - 322
- 11 **Work Programme Update** 323 - 328
- 12 **Quarterly Investment and Manager Performance** 329 - 396
- 13 **Exclusion of the public and press**

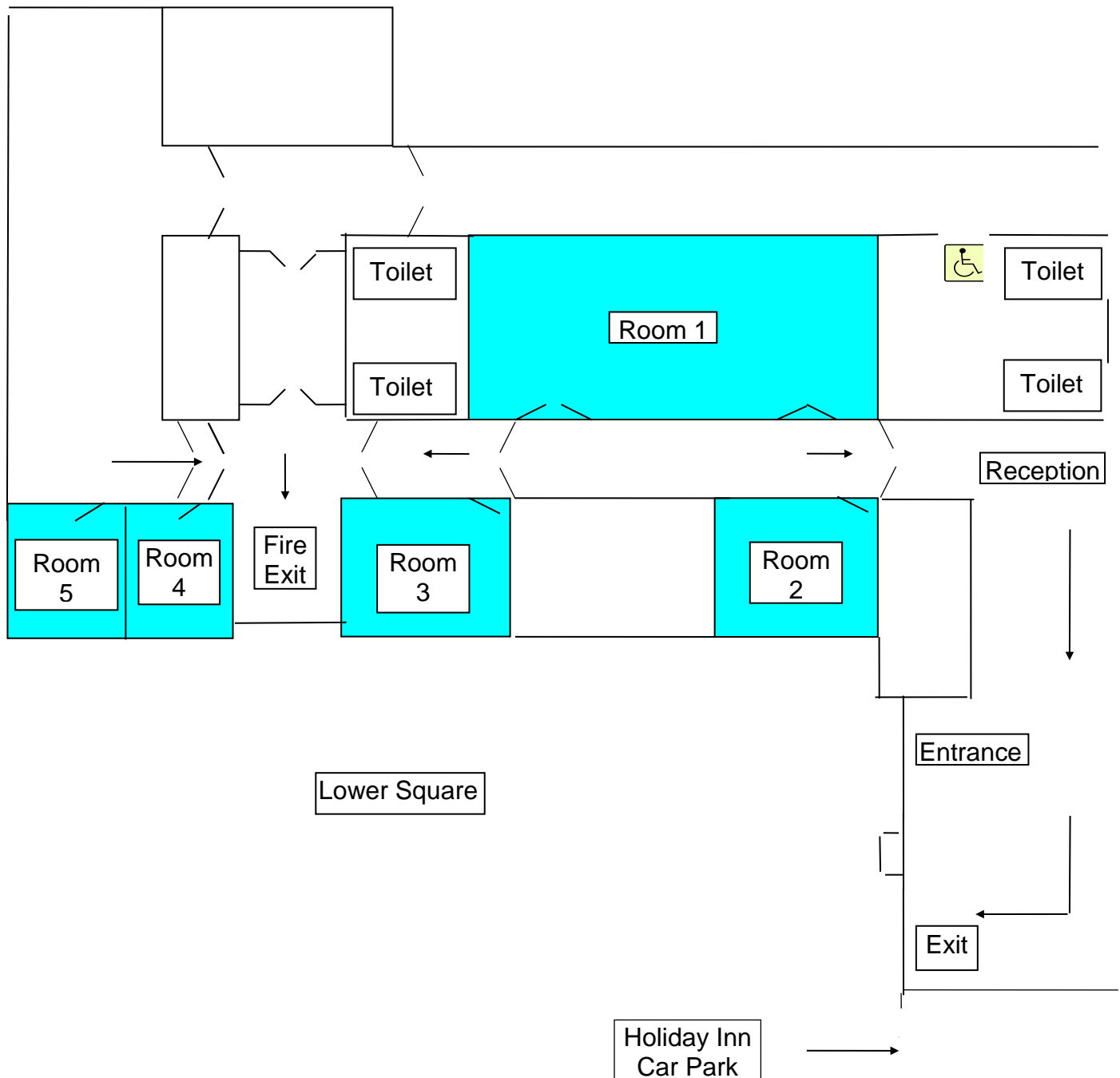
The following motion should be moved, seconded and approved if the committee wishes to exclude the public and press to deal with reports revealing exempt information:

“That the public and press be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph X Schedule 12A of the Local Government Act 1972.”

**CIVIC OFFICES, SUTTON
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Reminder – Declaration of Interests

Members should consider the following interests and whether they have any they should declare.

Disclosable Pecuniary Interests

Where you have a Disclosable Pecuniary Interest in any business of the Authority at this meeting and you have either declared it beforehand in the Register of Members' Interests or to the Monitoring Officer for entry in the Register you must state at this meeting that you have such an interest and then withdraw from the room or chamber where the meeting is being held whilst that business is considered.

Where you have a Disclosable Pecuniary Interest in any business of the Authority at this meeting and have not previously declared it you must declare the nature of that interest at this meeting and then withdraw from the room or chamber where the meeting is being held whilst that business is considered.

Other Pecuniary and Non-Pecuniary Interests

Where you have any other pecuniary or non-pecuniary interest in any business at this meeting you must declare that interest, but may continue to speak and vote on the matter. However, if the interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest then you should declare the interest and withdraw from the room or chamber where the meeting is being held whilst that business is considered.

Further information on these matters can be found in the Council's Code of Conduct and Constitution. If you are in any doubt as to whether you have an interest you should seek advice **before** the committee meeting from Alexa Coates.

If, during the course of the committee meeting, you consider you may have an interest you should always declare it.

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Pension Committee**24 June 2025****PENSION COMMITTEE****24 June 2025 at 7.00 pm**

MEMBERS: Councillor Cryss Mennaceur (Chair), Councillor Sam Martin (Vice-Chair) and Councillors Richard Choi, Paul Cole, Jake Short, Tom Drummond and Patrick Magnus

CO-OPTEE: Jeremy Randall

57. WELCOME AND INTRODUCTIONS

The Chair, Councillor Cryss Mennaceur, welcomed those present.

58. APOLOGIES FOR ABSENCE

No apologies for absence were received.

59. DECLARATIONS OF INTEREST

There were no declarations of interest.

60. MINUTES OF THE PREVIOUS MEETING

RESOLVED: that the minutes of the meeting held on 1 April 2025 be agreed as an accurate record.

61. ANY URGENT BUSINESS

There was no urgent business.

62. PETITION ON INVESTMENTS IN OCCUPIED PALESTINIAN TERRITORIES

The Strategic Director of Resources presented the report.

The petition had been referred to the Committee by Council

The Interim Chief Sustainability Officer at London Collective Investment Vehicle (LCIV) outlined how Sutton has invested through London CIV and how investments relate to Palestinian territories, Responsible Investment Policies and Environmental, Social and Governance matters.

The Head of Investments at Mercer provided further detail on the investments, fiduciary duties and strategic asset allocations.

The Committee discussed the fund's exposure to companies to companies listed on the American Friends Service Committee (AFSC) divestment list as outlined in the officers' report. Members asked Officers questions about the language used in the report. Officers explained that the report included the list of publicly traded companies identified by the

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AFSC and the intention was to make the Committee aware of the details of the petition. Officers noted that it is the Fund, not the Council's voice in the report.

Members discussed divestment in relation to the Equality Act 2010. Officers highlighted that the Committee was not being asked in the recommendations to divest but to consider its Responsible Investment (RI) Policy and reporting of stewardship activity of the fund. It was further noted that fiduciary duties are the most important consideration in terms of the Trustees duties and ESG factors can be a consideration only when it does not conflict with the overall principles of fiduciary duty.

Members asked about the responsible investment policy and a timeline for when changes would be implemented. Officers responded that the Committee had agreed a policy in October 2024 and have always considered Responsible Investment and ESG. It was noted that a timeline would be ascertained closer to the time when the Committee was aware of any changes to the Investment Strategy.

The LCIV provided further information about the approach taken to investment in all conflict zones. It was noted that divestment would generally be a last resort once other avenues had been considered.

Members asked about the LCIV's various RI policies and whether there are differences between asset classes. The LCIV explained that there is one central Responsible Investment Policy which sets out the overall approach, how they look at Human Rights, alongside subsidiary policies covering voting guidelines, engagement and climate action among others. The LCIV explained they would seek to understand what partner funds deem as important and gather consensus on those matters as a subset.

RESOLVED:

1. To agree to review the Fund's Responsible Investment Policy as part of the upcoming Triennial Valuation, Investment Strategy Review and outcome of the "fit for the future" government consultation, with the revised Responsible Investment Policy planned for approval at the March 2026 committee meeting.
2. To agree to provide annual reporting on the stewardship activity of the Fund, including outcomes of engagements the Fund has undertaken through the London CIV and underlying Fund Managers, and how the Fund's voting rights have been exercised, with the first report scheduled for publication in December 2025.

Councillors Tom Drummond and Patrick Magnus requested that their abstention from the vote be noted.

63. REPORT ON WORK OF PENSION BOARD 2024-25 (PENSION BOARD CHAIR)

The Independent Chair of the Pension Board introduced the report.

Members raised queries regarding the acceptable level of backlog. Officers clarified the various factors contributing to the backlog and detailed the available resources. They emphasised the importance of balancing value for money for Members with efficient resource allocation. Additionally, Officers noted that while overtime has been utilised to mitigate the backlog, it is not a sustainable long-term solution.

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Members discussed the long-term strategy for stabilising staffing within the service. Officers explained that secondments are currently being used to manage the backlog and provided insight into the potential structure of a permanent new arrangement.

RESOLVED:

1. To note the report

64. PENSION ADMINISTRATION PERFORMANCE UPDATE

The Head of Pensions Administration introduced the item

Members raised questions regarding the Ombudsman case where a death of a family member occurred. Officers confirmed a full response had been provided to the Ombudsman's inquiry. The Ombudsman has received the Fund's response and advised it could be a further 9 months before a formal response is received from the Ombudsman. Officers advised they would keep the Committee updated on the developments of this case.

RESOLVED:

1. To note the update.

65. PENSION ADMINISTRATION PROJECTS UPDATE

The Head of Pensions Administration introduced the item

Members raised questions about the McCloud Remedy, specifically regarding the statutory 31 August deadline. Officers explained that they had assessed the deadline and were exploring additional resources to meet it. Officers acknowledged existing challenges with the McCloud remedy but confirmed that testing on essential software releases had commenced. Officers indicated that if significant issues arose during testing, the project timeline would be revised to allow for fundamental problems to be resolved. Additionally, Officers stated that a revised project implementation plan, which includes options surrounding additional third-party resources, is expected by the end of July. Officers agreed to share this plan with the Committee in advance of the statutory deadline of 31 August.

Members inquired about the current number of employers data sets loaded for the McCloud Remedy. Officers reported that 5% of employers data sets had been loaded and anticipated a higher percentage to be loaded onto the pension administration system by 31 August 2025. Officers emphasised that missing the August deadline would constitute a breach of law, necessitating self-reporting of the remaining cases. Officers noted that the Pension Regulator has shown leniency towards Funds that self-report and provide a clear plan for project completion.

RESOLVED:

1. To note the update

66. GOVERNANCE AND RISK UPDATE

The Head of Pensions Administration introduced the item

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Members asked questions regarding the ongoing performance issues relating to the pension administration provider, Civica, and enquired if there was a timeline for a performance improvement plan. Officers responded that overall performance with Civica has improved, with communications increasing since the last Committee update. Officers noted that Civica had now provided the McCloud Remedy software release for three test Funds, however some initial testing issues were identified. Officers noted Civica has recognised the issues and released a timeline and project plan for a McCloud 2.0 release to fix these initial issues in early August.

Members raised concerns about Civica taking the Fund's concerns seriously. Officers indicated the various ongoing conversations they have had with relevant product managers, directors and client managers. There have been many conversations with Client Service Desk Managers, among others to have had continuous conversations demonstrating that they are working and actively listening to the funds concerns.

Members asked about Civica's late delivery for the various deadlines. Officers responded that Civica is late as of 2023 and discussed the penalties and compensation for Civica missing the original 2023 deadline and the Fund is reflecting on this with legal advice.

RESOLVED:

1. To note the update and risk register

67. WORK PROGRAMME UPDATE

The Head of Pensions Investments and Treasury introduced the report.

Questions were raised about the contents of the work programme. Officers clarified that the Work Programme undergoes a review at each meeting, allowing it to remain flexible as needed. Further questions discussed the Responsible Investment Policy and when this will be discussed at Committee. Officers indicated that this discussion would span two sessions.

RESOLVED:

1. To note the updated Work Programme for the Committee

68. QUARTERLY INVESTMENT PERFORMANCE

The Head of Pensions Investments and Treasury introduced the report and Mercer added their comments on the Fund's performance and the current market environment.

Members commented on the high level of cash in the portfolio and asked if there is a plan to reduce this overweight position. Mercer responded that the cash is largely sitting in a money market fund and indicated the importance of holding cash so that the Fund can pay pensions. Officers indicated that cash has been an attractive asset class considering it has returned around 5%. However Officers agreed that this is an area for review when the Investment Strategy is looked at.

Members queried Mercer's confidence ratings, given there are differences between ratings assigned by them, as compared to the LCIV's views of the same funds. Mercer responded that they make their assessment on the ability of funds to achieve out performance and

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illustrated this point with examples. LCIV representatives responded with their views on how they have assessed the managers.

RESOLVED:

1. To note the performance of the Fund during the quarter ended 31 March 2025.
2. To note the Fund's actual asset allocation as at 31 March 2025.
3. To note the funding level as at 31 March 2025

69. EXCLUSION OF THE PUBLIC AND PRESS

The motion to exclude the public and press was moved by Councillor Cryss Mennaceur and seconded by Councillor Tom Drummond.

RESOLVED: That the public and press be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 2 Schedule 12A of the Local Government Act 1972.

70. LONDON CIV UPDATE

The minutes of this item are exempt.

RESOLVED:

1. To note the update on the London Collective Investment Vehicle

The meeting ended at 9.34 pm

Chair:


Date:

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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Report Title	Triennial Valuation and Funding Strategy Statement Update		
Committee	Pension Committee		
Meeting Date	7 October 2025		
Chair	Councillor Cryss Mennaceur		
Report From	Richard Simpson, Strategic Director of Resources		
Report Author	Victoria Goddard, Director of Finance		
Wards Affected	Council Business		
Ambitious for Sutton priorities	An efficient and well run Council		
Open/Exempt	Open, with the exception of Appendix C, by virtue of paragraph 3, Schedule 12A of the Local Government Act 1972.		
Signed		Date	22 September 2025

1 Summary

- 1.1 This report presents the initial results of the 31 March 2025 triennial valuation, summarises the underlying actuarial assumptions, and seeks the Committee's approval for the resulting draft Funding Strategy Statement.

2 Recommendations

- 2.1 To approve the draft Funding Strategy Statement (Appendix B).
- 2.2 To note:
- the initial whole Fund results;
 - the proposed valuation assumptions;
 - Prudence level of (at least) 85% is adopted, which results in a future investment return assumption ('discount rate') of at least 5.3% per annum (pa);
 - CPI inflation assumption is set using best estimate inflation projections from the Actuary's model, resulting in a CPI assumption of 2.3% pa
 - Longevity assumptions are set in line with the Fund Actuary's best estimate assumptions, as supported by Club VITA analysis
 - All other demographic and financial assumptions are set in line with Actuary's best estimate assumptions.

- the potential impact of post 31 March market volatility and that the proposed assumptions and employer funding plans remain appropriate for the 2025 valuation.

3 Background and Key Information

Triennial Valuation Assumptions

- 3.1 Every three years each LGPS administering authority has a statutory obligation to have an actuarial valuation (the “valuation”) of the pension scheme. The London Borough of Sutton Pension Fund’s (the “Fund”) assets and liabilities are assessed using market conditions on the 31 March 2025 and the overall funding position calculated.
- 3.2 The main aim of the valuation is to set contribution rates for each employer for a three-year period that commences one year after the valuation date (i.e. for the period 1 April 2026 to 31 March 2029).
- 3.3 Whilst the assumptions applied do not impact the ultimate cost of paying benefits, they do allow the Actuary to calculate an estimate of the liability derived from these benefits, which in turn impacts the level of employer contributions set, particularly for shorter term employers who are closer to exit.
- 3.4 There is a requirement within the LGPS Regulations that there is an element of prudence built into the actuarial assumptions, and that the Actuary sets contributions in line with these prudent assumptions while maintaining contribution stability for employers, where possible.
- 3.5 In practice, being prudent means that the Fund is retaining a ‘buffer’ against the many risks and sources of uncertainty within the funding of its LGPS benefits. This buffer helps to protect the Fund (and its members) in the event of adverse future experience e.g. if future returns from its investments are worse than expected and is set via the future investment return assumptions (‘discount rate’).
- 3.6 The assumptions required for the valuation are:
- Discount rate (assumed future investment return)
 - CPI inflation (benefit revaluation)
 - Longevity
 - Others
- 3.7 Further details are set out in Appendix A.
- 3.8 The discount rate (the assumed future investment return) and CPI inflation (benefit revaluation) generally have the greatest influence on the value placed on earned pension benefits (liabilities) and employer contribution rates.

Discount Rate Assumption

- 3.9 Benefits accrued in the Fund will be payable for many years into the future. To compare their value against the Fund's assets, the Fund Actuary needs to express this value in today's money. This is achieved by discounting the future benefits payable.
- 3.10 The Pension Fund's Strategy has been to use the annual returns over the next 20 years on the Fund's investment portfolio to determine the discount rate. The annual returns are based on 5,000 different future economic scenarios (using a model known as the Economic Scenario Service, ESS).
- 3.11 The discount rate used as at 31 March 2022 was 4.3% pa based on a 70% prudence margin (i.e. the average return over 20 years in 3,500 of the 5,000 scenarios modelled was at least 4.3% pa).
- 3.12 The funding environment in which the Fund operates continues to be challenging. Financial markets have become more uncertain amid increasing geo-political risks, which may adversely affect future inflation and investment returns. Officers therefore recommend increasing prudence from (at least) 70% to (at least) 85% at the 2025 valuation, for calculating liabilities and contribution rates – which means that based on modelling, the discount rate has an 85% chance of being achieved by the Fund portfolio of assets over the next 20 years, or there is a 15% chance that returns could be lower than the discount rate.
- 3.13 Considering the returns over the next 20 years on the Fund's investment portfolio and an 85% prudence level, the modelling indicates a 5.3% p.a. discount rate for the Fund.
- 3.14 Whilst this is recommended as the central assumption applied to most employers, the discount rate will vary for some employers in the Fund to reflect covenant strength or future participation.

CPI Inflation (benefit revaluation) Assumption

- 3.15 Members' pension benefits in the LGPS are linked to Consumer Price Inflation (CPI). This is for pensions in payment and deferment, but also for the element of active members' pensions linked to the career average revalued earnings (CARE) scheme.
- 3.16 Each of the 5,000 simulations of the future economic environment generated by the ESS model allow for varied CPI inflation.
- 3.17 At the 2022 valuation the Fund adopted a best estimate (median projection from the 5,000 simulations modelled) CPI assumption of 2.7% pa - which allowed for the expected short-term spike in inflation projected at that time.

- 3.18 In the period since the last valuation, inflation was 10.1% in 2023 and 6.7% in 2024 but has continued to fall since 2024 - with the general view that inflation will trend towards the Bank of England's target of 2% pa over the longer term.
- 3.19 Officers recommend that the Fund continues to adopt the median (best estimate) projection for CPI inflation using the ESS model. This results in a CPI inflation assumption of 2.3% pa at March 2025.
- 3.20 Officers remain cautious about levels of future inflation given current levels of political and economic uncertainty, however they remain comfortable that a sufficient level of prudence is included within the discount rate to capture this uncertainty.

Longevity Assumption

- 3.21 The Fund uses Club Vita analytics to set the life expectancy assumption with the assumptions tailored to fit the Fund's specific membership.
- 3.22 Longevity assumptions are based upon two components:
- Baseline
 - Future improvements
- 3.23 Baseline longevity assumption is an estimate of how long people are expected to live based on current levels of observed mortality.
- 3.24 Future improvements in longevity are more subjective, and there has been increased uncertainty in recent years caused by the COVID-19 pandemic and the period thereafter.
- 3.25 There are many other uncertainties that could impact future improvements in life expectancy such as the potential impact of climate change and changes to healthcare services.
- 3.26 Officers have considered various aspects that could impact future longevity (alongside advice from the Actuary) and have concluded that there is not significant evidence to depart from the current assumption on future improvements.
- 3.27 Officers recommend that the latest available industry-wide mortality improvement model (CMI) is adopted, and the key parameters of this model remain unchanged from 2022.

Other Assumptions

- 3.28 There are several other demographic and financial assumptions. These are:
- Withdrawals from the scheme (excluding ill-health)
 - Ill health retirements

- Promotional salary scale
- Inflationary salary increases
- Guaranteed Minimum Pension increases
- Deaths in service
- 50/50 scheme take up
- Retirement age
- Cash commutation

- 3.29 These assumptions have been modelled using the London Borough of Sutton's Fund data, using Club Vita analysis (where applicable) or based on market data and are best estimate.
- 3.30 Officers recommend that these assumptions are set in a consistent manner as at 2022 but updated to reflect the latest membership experience data and salary outlook.

Post 31 March 2025 market volatility

- 3.31 The valuation is carried out on 31 March using asset values and assumptions about the future set at that date.
- 3.32 Since the valuation date, there has been significant disruption to markets with global trade tariffs and other geo-political events contributing to this volatility.
- 3.33 Current levels of volatility in markets and varied opinion about the future economic outlook supports the need to remain cautious about the current strong funding position, noting the Fund is already proposing to marginally increase prudence margins to reflect uncertainty in markets.
- 3.34 The risk-based model used to set the Fund's financial assumptions allows for market volatility, and officers and the actuary are comfortable that the current levels of market performance fall within the range of potential outcomes over the short term.
- 3.35 Officers are comfortable that the proposed assumptions are appropriate for the 2025 valuation.

Draft Funding Strategy Statement (FSS)

- 3.36 The Funding Strategy Statement (FSS) is a statutory document that sets out the Fund's approach to ensuring it can meet its long-term pension liabilities. It connects the actuarial valuation to the practical funding policies of the Fund, particularly how contribution rates are set and reviewed for all scheme employers. A copy of the draft FSS can be found at Appendix B.
- 3.37 Following the 31 March 2025 triennial valuation, the FSS has been reviewed. The main reason for this update has been to align the document with new guidance issued by the

Chartered Institute of Public Finance and Accountancy (CIPFA) and the Scheme Advisory Board (SAB), which aims to create more consistency across the LGPS.

3.38 The key changes made to the FSS are summarised as follows:

- **Structural Alignment:** The document has been restructured into two main parts (Key Funding Principles and Employer Events) to align with the format prescribed in the new guidance.
- **Standardised Terminology:** New, consistent language (e.g., 'resolution bodies', 'SAB Tiers') has been adopted. This is in line with guidance to make it easier for employers who participate in multiple LGPS funds to compare funding policies.
- **Enhanced Governance:** The FSS now includes a formal commitment to a regular review, as recommended by the new guidance.
- **Updated Assumptions:** The appendices will be updated to reflect the assumptions outlined earlier in this report.

3.39 The Committee should note that a small number of sections, such as those relating to contribution stability and pooling, will be finalised following ongoing discussions before the FSS becomes effective on 1 April 2026.

3.40 As required by LGPS Regulations, the next step is to carry out a formal consultation on the draft FSS with all scheme employers. Any feedback will be reviewed before presenting the final FSS to the Committee for approval.

Initial Whole Fund Results

3.41 The initial results of the 31 March 2025 triennial valuation have been received from the Fund Actuary, Hymans Robertson. The results show an improvement in the Fund's funding position since the last valuation in 2022. The Fund is now in a strong surplus position, meaning the value of its assets is comfortably higher than the estimated value of its long-term pension liabilities.

3.42 The improvement in the funding level is primarily due to changes in long-term economic assumptions, particularly higher expected future investment returns. This has the effect of reducing the present-day value of the Fund's future liabilities. While actual investment returns over the last three years were slightly lower than assumed, and high inflation increased the value of benefits, these factors were more than offset by the positive impact of the revised future outlook.

3.43 The next stage of the valuation process will involve detailed analysis at the individual employer level to set individual employer contribution rates from 1 April 2026.

4 Benefits to Sutton and its Residents

4.1 Not applicable.

5 Implications

- 5.1 There are no material implications resulting from the recommendation of this report.

Equalities Implications

- 5.2 There are no material equalities implications resulting from the recommendation of this report.

Climate Implications

- 5.3 There are no material climate implications resulting from the recommendation of this report.

6 Finance and Legal Commentary

Finance Comment

- 6.1 The funding strategy statement sets out how the fund will meet its long term liabilities in light of financial risks and uncertainties. The report details the proposed funding strategy statement for Members to be formally consulted on and the amendments made since the last version.

Financial Risks

- 6.2 The valuation process makes a number of assumptions in calculating the long term financial position of the fund. In light of the financial and economic risks facing the fund the level of prudence assumed for investment returns has been increased to 85%, to provide increased mitigation against the risk of future returns falling below expectations.

Legal Comment

- 6.3 The legal context is dealt with in the body of this report and within Appendix B. There are no material legal implications resulting from the recommendation of this report.

Legal Risks

- 6.4 There are none resulting from the recommendation of this report.

7 Appendices and Background Documents

- 7.1 Appendices

Appendix Letter	Appendix Title
A	Triennial Valuation (assumptions and market volatility)
B	Draft Funding Strategy Statement
C	EXEMPT: Triennial Valuation (initial results)

7.2 Background Documents

Date of Expiry	Background Document
N/A	N/A

8 Consultations

Consultees	Yes/No	Officer	Date of Comments
Finance	Yes	Victoria Goddard Director of Finance	04/09/25
Legal	Yes	Tracy Swan Head of Law, Property, Planning and Employment, South London Legal Partnership	04/09/2025
Commercial and Procurement	No	N/A	N/A
Others	No	N/A	N/A
Equalities Impact Assessment (EQIA)	No	N/A	N/A
Climate Impact Assessment (CIA)	No	N/A	N/A

This summary document has been prepared solely for the purpose of presenting the proposed 2025 valuation assumptions of the London Borough of Sutton Pension Fund to the Administering Authority of the Fund, and to the Pensions Committee. It should not be used for any other purpose and third parties should not place reliance on these results. Full details of the advice which was prepared for fund officers supporting these decisions is contained in the report entitled London Borough of Sutton Pension Fund – 2025 Valuation Assumptions Advice paper (dated 11/06/2025).

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London Borough of Sutton Pension Fund

Actuarial valuation at 31 March 2025

Final assumptions and market volatility

Jamie Baxter FFA

Steven Law FFA

08 August 2025

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Addressee & Purpose

Addressee

This report has been requested by, and is addressed to, London Borough of Sutton in its capacity as Administering Authority to the London Borough of Sutton Pension Fund (“the Fund”).

Purpose

As part of the 2025 formal valuation, the Fund carried out a review of the actuarial assumptions used by the Fund for funding purposes in June 2025.

The results of this review were documented within the report titled London Borough of Sutton Pension Fund – 2025 Valuation Assumptions Advice paper.

The purpose of this paper is to provide an update on the provisionally agreed assumptions to reflect the decisions made and to allow for market conditions as at the valuation date of 31 March 2025.

Further, this paper also provides commentary on volatility experienced since the valuation date with markets reacting to proposed trade tariffs. Given the timing of the market disruption, i.e. immediately after the valuation date of 31 March 2025, this paper seeks to provide the Pensions Committee with assurance that the agreed assumptions remain appropriate.

We accept no liability to third parties and/or for any other purpose than above, unless expressly accepted in writing.

Final assumptions at 31 March 2025

Key decisions on assumptions

As part of the assumptions setting process carried out in June 2025, the following key decisions were made. The following pages summarise the final assumptions that will be used for the 2025 formal valuation based on the key decisions made and market conditions as at the valuation date of 31 March 2025.

Assumption	Description of assumption	Key decision	Rationale
Financial assumptions			
Discount rate	Average annual rate of future investment return that will be earned on the Fund's assets.	Continue use of Hymans' ESS model. Increase the level of prudence in ongoing funding basis from 70% to 85%.	Higher prudence recognises increased uncertainty in the markets
CPI inflation (Benefit increases and CARE revaluation)	Average annual rate of future benefit increases and CARE revaluation (which are based on CPI inflation in the LGPS).	Continue use of Hymans' ESS model.	Model reflects medium-to-long-term consensus expectations for UK headline inflation to stay slightly above the BoE's target of 2% pa, with higher inflation expected in the short-term.
Salary increases	Average annual rate of future inflationary salary awards.	Update assumption to 3% in 2025/26 and 2% in following years	Reflects actual budgeted salary increases from the Council.
Demographic assumptions			
Baseline longevity	How long we expect members to live based on current observed death rates.	Adopt latest Club Vita analysis, updated to reflect non-Covid related experience (as per 2022 valuation).	Ensures longevity assumptions are tailored to Fund's membership profile to reduce risk of actual experience being materially different from expectations.
Future improvements in longevity	How death rates are expected to change in the future.	Adopt latest available CMI model with parameters adjusted in line with the default approach to reflect the Fund's membership.	Latest version of CMI model is best practice. Officer beliefs about future longevity drivers align with the default assumption.
All other demographic assumptions	Events such as retirement age, rate of ill health retirement, proportion leaving a dependant, level of commutation and 50:50 take up.	Assumptions to be based on LGPS-wide analysis, adjusted for Fund specific experience where required.	Ensures demographic assumptions reflect the Fund's membership experience.

Prudence level for the discount rate assumption

The discount rate assumption (i.e. the assumption about future investment returns) includes a prudence margin to meet the regulatory requirement for a 'prudent' valuation (i.e. there is a greater than 50% chance that the assumed level of future investment returns will be achieved). Note that all other valuation assumptions are "best estimate."

The Fund have decided to adopt a **prudence level of 85%** at the 2025 valuation, which is higher than the level of prudence adopted at the 2022 valuation of 70%.

This increase in prudence is in recognition of increased volatility in the markets and increased uncertainty in various other risks (such as inflation and climate risk).

Based on market conditions at 31 March 2025, this results in a reported discount rate assumption of 5.3% pa and an estimate funding level of 115% (at whole fund level). As shown in Table 1, using a higher prudence level will result in a lower discount rate assumption and hence a lower reported funding level (and vice versa).

Based on the same 85% prudence level, we estimate Primary rates to be around 19.3% (using a single Fund employer that is representative of the whole Fund average primary rate). As shown in Table 2, adopting a higher prudence level increases the Primary rate i.e. the contributions payable towards future benefits (and vice versa).

Please note the funding levels and Primary rates provided here are estimates and the actual figures will only be known once the full valuation has been completed (and will vary by individual employer). Further details on the calculation of these estimates can be found in the [Appendix 1](#).

*Indicative Primary rates include an allowance for expenses of 1.1% of pay in line with the 2022 valuation assumption

Indicative funding level		
Table 1	31 March 2025	
Prudence level	Reported discount rate (% pa)	Indicative funding level
70%	6.8%	144%
75%	6.3%	134%
80%	5.8%	124%
85%	5.3%	115%

Indicative Primary rate	
Table 2	31 March 2025
Prudence level	Indicative Primary rate* (% of pay pa)
70%	14.3%
75%	15.5%
80%	17.1%
85%	19.3%

Summary of financial assumptions

The following table summarises the financial assumptions that will be used to calculate the funding level at 31 March 2025, along with a comparison at the last valuation.

Assumption	2025 assumption (31 March 2025)	2022 assumption (31 March 2022)	Decision
Financial assumptions			
Discount rate	5.3% p.a. (85% prudence)	4.3% p.a. (70% prudence)	Increase prudence in the ongoing basis from 70% to 85% to recognise increased uncertainty in the markets and other risks
Benefit increases / CARE revaluation	2.3% p.a.	2.7% p.a.	No change to current approach (median CPI), but updated to reflect current market conditions
Salary increases	3% in 2025/26 and 2% p.a. in following years	2.7% p.a. (CPI + 0.0%)	Update to reflect actual budgeted salary increases from the Council.

Summary of longevity assumptions

The following table shows a summary of the longevity assumptions, along with a comparison at the last valuation. The same longevity assumptions are used in setting contribution rates and assessing the current funding level.

Assumption	2025 assumption (31 March 2025)	2022 assumption (31 March 2022)	Decision
Longevity assumptions			
Baseline longevity	VitaCurves based on member level lifestyle factors	VitaCurves based on member level lifestyle factors	No change to current approach, but updated to reflect the latest available Club Vita base tables.
Future improvements in longevity	CMI 2023 model* Initial addition = 0.25% (Male & Female) Smoothing factor = 7.0 1.5% pa long-term rate of improvement 0% weight placed on 2020 and 2021 experience 15% weight placed on 2022 and 2023 experience	CMI 2021 model Initial addition = 0.25% (Male & Female) Smoothing factor = 7.0 1.5% pa long-term rate of improvement 0% weight placed on 2020 and 2021 experience	Adopt latest CMI model with no change to the parameters used to better reflect the Fund's membership. Further weightings placed on post-2022 experience to avoid long-term projections being unduly affected by short-term Covid-19 experience.

*At the 2025 valuation, we recommend using the latest available CMI model. This is currently CMI_2023, however this will likely be updated to CMI_2024 provided it becomes available before the valuation results are calculated. When CMI_2024 model becomes available, we will review and confirm the parameters that will be used for the 2025 valuation.

Summary of all other demographic assumptions

Assumption	2025 assumption (31 March 2025)	2022 assumption (31 March 2022)	Decision
Demographic assumptions			
Withdrawals	Default assumption scaled by 70% for full-time males, part-time males and full-time females, and 80% for part-time females. See sample rates in Appendix 4	See sample rates in 2022 valuation report	Rate of withdrawal updated to reflect recent experience of Fund's membership
Retirements in ill-health	Default assumption adopted. See sample rates in Appendix 4	See sample rates in 2022 valuation report	No change to current approach
Death in service	Default assumption adopted. See sample rates in Appendix 4	See sample rates in 2022 valuation report	No change to current approach
Promotional salary increases	Default assumption adopted for males, removed default salary scale assumption for females. See sample rates in Appendix 4	See sample rates in 2022 valuation report	Updated to reflect the Fund's specific experience
Members leaving dependants	A varying proportion of members are assumed to have a dependant at death (e.g. at age 65 this is assumed to be 55% for males and 54% for females).	A varying proportion of members are assumed to have a dependant at retirement or on earlier death (e.g. at age 60 this is assumed to be 90% for males and 85% for females).	Updated to reflect Club Vita's LGPS-wide analysis
Age difference with dependant	The dependant of a male member is assumed to be 3.5 years younger than him and the dependent of a female member is assumed to be 0.6 years older than her.	The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.	Updated to reflect Club Vita's LGPS-wide analysis
Commutation	Retirements elect to take 55% of the maximum tax-free cash available in exchange for pension (for all tranches of benefit).	Retirements elect to take 45% of the maximum tax-free cash available in exchange for pension (for all tranches of benefit).	Updated to reflect the Fund's specific experience
50:50 assumption	Members will remain in their current scheme as at 31 March 2025.	1.0% of members will opt into the 50:50 scheme.	Updated to reflect the Fund's specific experience

Post 31 March 2025 market volatility

Post 31 March 2025 market volatility

The final assumptions proposed for use at the 2025 valuation are based on market conditions at 31 March 2025. The impact of market conditions after this date are therefore not included in the setting of valuation assumptions. However, where there is significant disruption to markets, it is important to consider this impact as a post valuation date event and to understand whether it is appropriate to make any allowance within the valuation process.

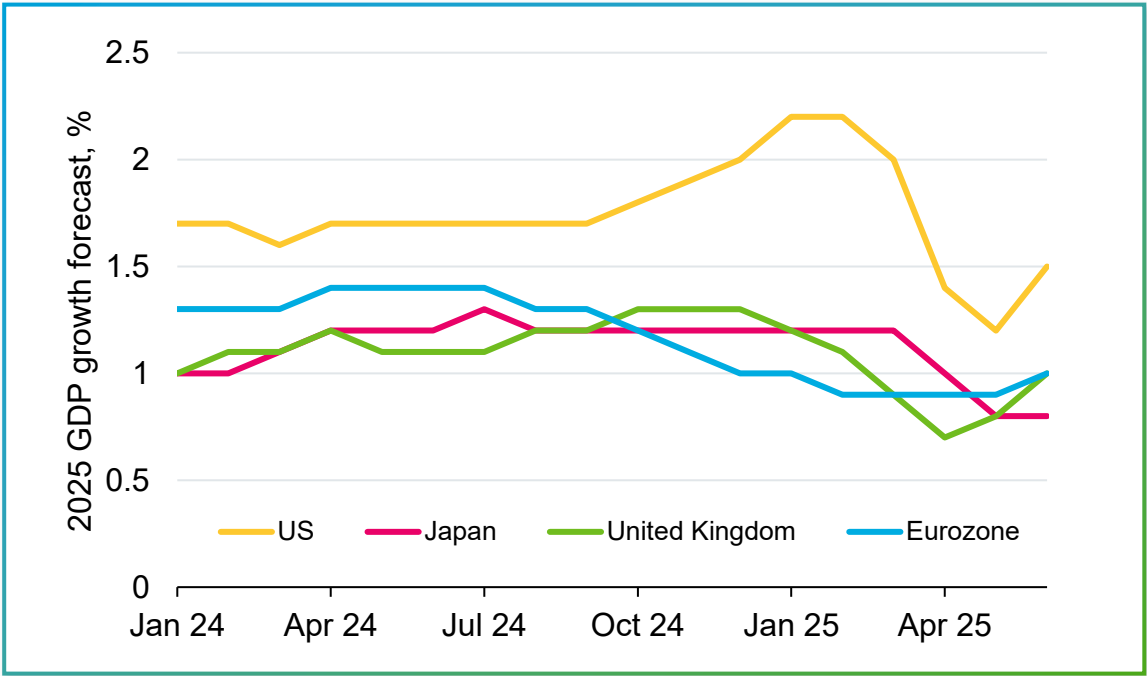
What has caused the recent market volatility?

The trade tariffs announced by the US on the 2 April 2025 (dubbed as 'Liberation Day') were more severe than forecasters expected and has contributed to significant volatility in financial markets throughout April, particularly shortly after the valuation date of 31 March 2025.

The US has postponed the implementation of additional reciprocal tariffs for all countries and, crucially, reached a trade deal with China which will lower the much higher duties imposed on China. However, the newly proposed tariffs, expected to come into force in August, may cause further disruption and indicates US trade policy remains unstable.

Consensus forecasts for global growth have trended downwards since the start of the year, and the growth outlook is worse than expected before the "Liberation Day" tariff announcement in early April. The impact will extend beyond US imports as global supply chains are further disrupted. Despite the delays and recent trade deals, growth is likely to remain weaker than previously anticipated.

Given this volatility has occurred since the 2025 valuation date, we have set out our current views on the following pages to provide some insight into how this may impact the Fund and the 2025 valuation (from an actuarial perspective).



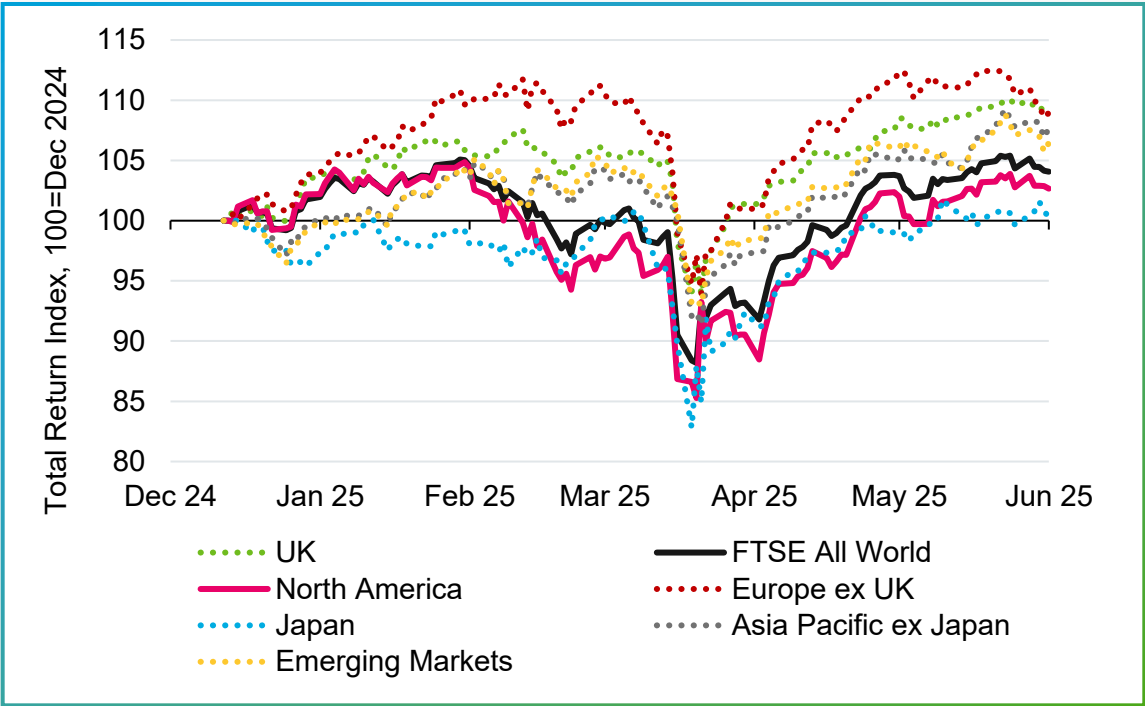
Source: Consensus Economics

Impact on equity markets

As seen in the chart, equities fell sharply in the wake of the 'Liberation Day' tariff announcements.

However, all the lost ground has since been recovered as the US delayed the implementation of the tariffs and then reached trade deals with the UK and, more importantly, China. The UK trade deal will see cuts to tariffs on car and steel imports. The more recent tariff announcements rattled markets, but not as materially as the 'Liberation Day' tariffs.

As of 9 July, the FTSE All World was up over 10% year-to-date, having experienced a decline of 16% between February and April.



Source: LSEG DataStream

Equity markets sold off sharply following the “Liberation Day” tariff announcements but have since regained all their lost ground

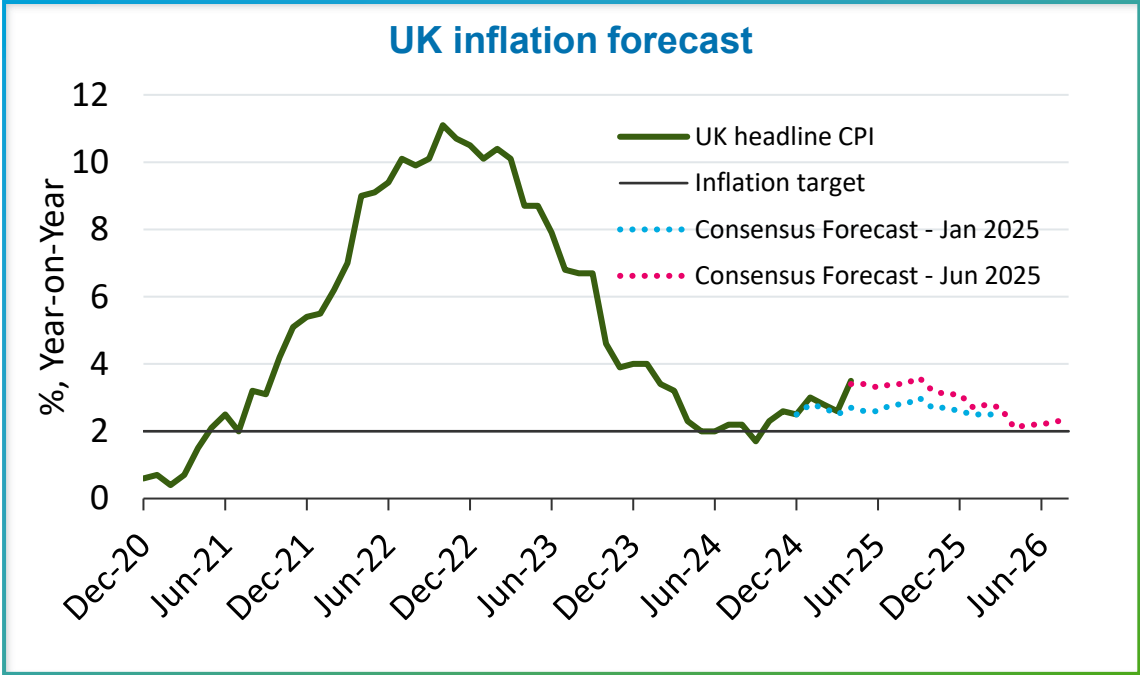
Inflation forecast

Inflation forecasts have been drifting up, with at least some of that potentially owing to anticipated trade disruption. The heightened tensions in the Middle East also poses a threat to global supply chains. The potential closure of trade routes has opened the possibility of inflation surprises.

The US is being hit with both supply and demand shocks, which will raise near-term inflation, but the impact on inflation elsewhere is more ambiguous. In addition, the 'Big Beautiful Bill', immigration policies and US trade policies are adding pressure onto US inflation which could impact wider economies.

The Federal Reserve chair will step down in a few month's time. It is questionable as to the impact a new chair, who may be more aligned to the US Executive Branch's ideals, will have on US debt and inflation.

There are other reasons the Bank of England might still be cautious with regards to rate cuts. UK year-on-year headline CPI inflation is forecast to rise to close to 4% this year. While much of this is due to energy prices, and so expected to be temporary, strong wage and service-sector inflation point to some persistence in underlying domestic inflation pressures.



Source: LSEG DataStream and Consensus Economics

Future inflation remains uncertain

May 2025 market conditions

The chart on the right summarises how the expected future investment returns in our ESS model have changed between 31 March 2025 and 31 May 2025 for major asset classes.

Any decrease in the expected future investment returns caused by the recent disruption to the markets would generally have the following impact:

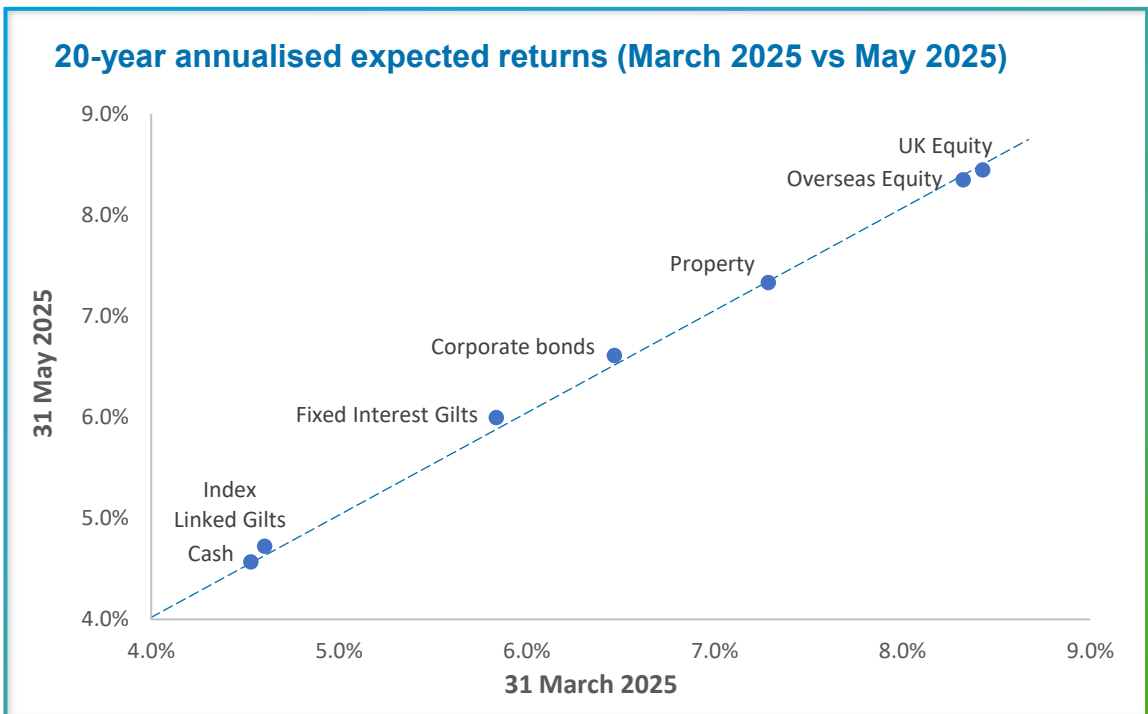
- A lower funding level because a higher value is placed on the Fund's liabilities
- Higher required employer contributions (all other things being equal)

However, as seen in the chart, there is very little difference in the expected future investment returns in our ESS model between March 2025 and May 2025. This may appear surprising given the market volatility experienced, however this is due to the following reasons:

- Our ESS model already allows for market volatility, with the current levels of market performance falling within the range of potential outcomes over the short term; and
- Our model reflects the long-term nature of the LGPS as an open scheme, meaning a longer-term view can be taken on market volatility.

We therefore do not believe the recent market volatility has caused a significant shift in the future investment returns expected to be achieved by the Fund.

Further details on the ESS model calibration at 31 March 2025 and how that compares to 31 May 2025 are set out in [Appendix 3](#).



The May 2025 calibration of our ESS model is broadly in line with the March 2025 calibration

Impact on the 2025 valuation

Are the assumptions set for the 2025 valuation still suitable?

Given the timing of the market shock (i.e. immediately after the 31 March 2025 valuation date), the impact of the volatility will continue to be monitored, however we do not propose any changes to the assumptions set for the 2025 valuation. This is due to the following reasons:

- the Fund's assumptions are constructed to reflect the long-term nature of the LGPS as an open scheme, meaning a longer-term view can be taken on currently heightened levels of market volatility (which may be temporary);
- the risk-based model used to set the Fund's financial assumptions allows for market volatility, with the current levels of market performance falling within the range of potential outcomes over the short term;
- there is no clear consensus or agreement about what these tariffs will mean for the economy in the longer-term, including future investment returns and inflation (the two main LGPS funding factors that may be affected by this announcement); and
- the Fund includes a margin of prudence within its discount rate assumption to help navigate periods of uncertainty – **noting the Fund has already proposed to adopt a higher margin of prudence at the 2025 valuation in recognition of increased uncertainty in markets.**

We therefore do not believe it would be appropriate to take any immediate action regarding the assumptions set for the 2025 valuation in light of the current activity in financial markets. At the time of writing, the proposed assumptions remain fit for purpose.

Impact on funding levels

Funding levels fell shortly after the valuation date due to a fall in asset values following the 'Liberation Day' tariff announcement. Since then, asset values have recovered and indeed returns have been positive. This coupled with a slight reduction in long term CPI expectations implies funding levels have increased since the 31 March 2025. However, significant uncertainty remains.

Proposed assumptions for the 2025 valuation remain appropriate

Appendices

APPENDIX 1

Technical detail for funding positions and Primary rates

In the 'Prudence level for the discount rate assumption' section of this report we set out an estimated funding level as at 31 March 2025 for the Fund. The funding levels were extracted from our Funding Risk Monitoring (FRM) tool. The data, methodology and assumptions used are as set out below.

Data

Funding updates are based on the membership data provided for the 2022 valuation. Details on the quality of this data and a data summary can be found in the documentation provided for that valuation.

Methodology

Liability calculations are based on a roll forward of the liability calculated at the last valuation. The roll forward allows for experience based on the demographic assumptions made at the valuation, plus an allowance for actual pension increases vs the assumption made at the valuation. It also allows for changes in financial assumptions over time as market conditions change. Finally, it will allow for any change to the Fund's strategic asset allocation.

The model allows for actual pension increases based on the value of the UK CPI inflation measure at end of September. This measure is typically used to set the annual pension increases which come into force the following April. The model makes allowance for each actual pension increase once the inflation measure is available (instead of waiting until it comes into force in the following April).

Assets are projected from the last valuation date allowing for daily benchmark index returns and estimated cashflows. Where available, index returns are adjusted based on known actual returns to give the equivalent result over the same period.

Financial assumptions as at 31 March 2025

- Salary increases: 3.0% in year one then 2.0% thereafter.
- Benefit increases: 2.3% p.a.

Notes on roll-forward approach

In projecting forward the valuation results, a number of assumptions are made with regard to actual experience. The accuracy of the projection will likely decline over time as actual experience diverges ever more from assumed experience. Significant membership changes will exacerbate this issue and could have a significant effect on the accuracy of the projection. It is not possible fully to assess the accuracy of the projection without carrying out a full actuarial valuation.

Primary rates

The indicative Primary rates have been calculated using the membership data supplied for the purposes of the 2022 valuation (updated as appropriate for known benefit revaluation) and ESS assumptions as at 31 March 2025.

London Borough of Sutton have been modelled as representative of the whole Fund average Primary rate. The Primary rate is the future service rate required to be 100% funded on the ongoing basis at the end of a 20-year funding time horizon with a chosen likelihood.

APPENDIX 2

Investment strategy modelled

The Fund’s current strategic benchmark investment strategy has been used for the analysis set out in the Section entitled ‘*Prudence level for discount rate assumption*’. The investment strategy to be modelled was agreed with the Fund.

Whilst we are not aware of any significant changes to the investment strategy, the analysis in this paper can be updated when any strategy decisions are made to understand what the impact may be.

		Current
Equities	Overseas equity	50.0%
Bonds	Index-linked gilts	6.0%
	Multi-asset credit	9.0%
Alternatives	Infrastructure equity	10.0%
	Property	20.0%
	Private lending	5.0%

APPENDIX 3

Economic Scenario Service (ESS)

The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class e.g. UK equities. This approach is also used to generate future levels of inflation (both realised and expected). The ESS is also designed to reflect the correlations between different asset classes and wider economic variables (e.g. inflation). In the short-term (first few years), the models in the ESS are fitted with current financial market expectations. Over the longer-term, the models are built around our long-term views of fundamental economic parameters e.g. equity risk premium, credit-spreads, long-term inflation etc. The ESS is calibrated every month with updated current market expectations (a minor calibration). Every so often (annually at most), the ESS is updated to reflect any changes in the fundamental economic parameters as a result of change in macro-level long-term expectations (a major calibration).

The following table shows the calibration at 31 March 2025.

Annualised total returns													
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Developed World ex UK Equity	Property	Corp Medium A	Inflation (RPI)	17 year real yield (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16th %'ile	3.5%	1.7%	2.2%	0.1%	-0.5%	0.2%	2.5%	2.2%	1.4%	1.2%	1.5%	4.8%
	50th %'ile	4.3%	4.5%	4.3%	8.2%	8.2%	6.8%	4.9%	3.8%	2.4%	2.8%	2.4%	5.8%
	84th %'ile	5.1%	7.5%	6.2%	16.4%	16.9%	14.1%	7.1%	5.3%	3.3%	4.3%	3.3%	7.1%
10 years	16th %'ile	3.6%	2.7%	4.2%	2.5%	2.1%	2.3%	4.5%	1.3%	0.8%	0.8%	0.8%	3.9%
	50th %'ile	4.6%	4.7%	5.4%	8.6%	8.5%	7.3%	6.0%	3.0%	2.1%	2.5%	2.1%	5.3%
	84th %'ile	5.8%	6.9%	6.5%	14.6%	14.8%	12.7%	7.3%	4.6%	3.3%	4.1%	3.3%	7.1%
20 years	16th %'ile	3.1%	2.9%	5.0%	3.8%	3.7%	3.5%	5.5%	1.0%	-0.5%	0.7%	-0.5%	1.6%
	50th %'ile	4.5%	4.6%	5.8%	8.4%	8.3%	7.3%	6.5%	2.5%	1.2%	2.3%	1.3%	3.6%
	84th %'ile	6.3%	6.4%	6.5%	12.9%	13.1%	11.3%	7.4%	4.2%	3.0%	3.9%	3.0%	6.2%
Volatility (Disp) (1 yr)		0.3%	6.7%	5.5%	16.3%	18.6%	15.2%	6.5%	1.4%		1.4%		

APPENDIX 3

Economic Scenario Service (ESS)

For the purposes of comparison, the following table shows the calibration at 31 May 2025.

Annualised total returns													
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Developed World ex UK Equity	Property	Corp Medium A	Inflation (RPI)	17 year real yield (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16th %'ile	3.4%	1.6%	2.2%	0.0%	-0.6%	0.1%	2.4%	1.8%	1.6%	0.8%	1.7%	5.0%
	50th %'ile	4.2%	4.4%	4.2%	8.1%	8.1%	6.8%	4.8%	3.4%	2.6%	2.4%	2.6%	6.0%
	84th %'ile	5.0%	7.4%	6.1%	16.3%	16.6%	14.1%	7.0%	4.9%	3.5%	4.0%	3.5%	7.3%
10 years	16th %'ile	3.6%	2.7%	4.3%	2.5%	2.1%	2.2%	4.6%	1.1%	1.0%	0.6%	1.0%	4.1%
	50th %'ile	4.6%	4.7%	5.5%	8.6%	8.4%	7.3%	6.0%	2.7%	2.2%	2.2%	2.2%	5.5%
	84th %'ile	5.8%	7.0%	6.5%	14.5%	14.8%	12.7%	7.4%	4.3%	3.4%	3.9%	3.4%	7.2%
20 years	16th %'ile	3.2%	3.0%	5.2%	3.8%	3.7%	3.6%	5.6%	0.9%	-0.5%	0.6%	-0.5%	1.7%
	50th %'ile	4.6%	4.7%	6.0%	8.4%	8.3%	7.3%	6.6%	2.4%	1.3%	2.2%	1.3%	3.6%
	84th %'ile	6.3%	6.5%	6.7%	13.0%	13.2%	11.4%	7.5%	4.0%	3.0%	3.8%	3.0%	6.2%
	Volatility (Disp) (1 yr)	0.3%	6.7%	5.4%	16.0%	18.1%	15.7%	6.5%	1.4%		1.4%		

APPENDIX 4

Further detail on demographic assumptions

The following tables show the default sample rates of male and female demographic assumptions. The Fund's specific demographic assumptions will be scaled accordingly in line with the decisions summarised on Page 9 of this paper and the final figures will be documented within the Fund's Funding Strategy Statement and 2025 formal valuation report.

Males

Age	Salary scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	100	0.17	323.45	426.83	0.00	0.00	0.00	0.00
25	100	0.17	213.65	281.94	0.00	0.00	0.00	0.00
30	100	0.20	151.59	200.01	0.00	0.00	0.00	0.00
35	100	0.24	118.44	156.25	0.10	0.07	0.02	0.01
40	100	0.41	95.36	125.76	0.16	0.12	0.03	0.02
45	100	0.68	89.57	118.10	0.35	0.27	0.07	0.05
50	100	1.09	73.83	97.24	0.90	0.68	0.23	0.17
55	100	1.70	58.14	76.62	3.54	2.65	0.51	0.38
60	100	3.06	51.82	68.26	6.23	4.67	0.44	0.33
65	100	5.10	31.81	41.90	11.83	8.87	0.00	0.00

Females

Age	Salary scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	100	0.10	197.36	299.12	0.00	0.00	0.00	0.00
25	100	0.10	132.80	201.24	0.10	0.07	0.02	0.01
30	100	0.14	111.32	168.67	0.13	0.10	0.03	0.02
35	100	0.24	96.08	145.52	0.26	0.19	0.05	0.04
40	100	0.38	79.96	121.07	0.39	0.29	0.08	0.06
45	100	0.62	74.62	112.97	0.52	0.39	0.10	0.08
50	100	0.90	62.91	95.14	0.97	0.73	0.24	0.18
55	100	1.19	46.94	71.06	3.59	2.69	0.52	0.39
60	100	1.52	37.83	57.20	5.71	4.28	0.54	0.40
65	100	1.95	18.03	27.25	10.26	7.69	0.00	0.00

Figures are incidence rates per 1,000 members except salary scale. FT and PT denoted full-time and part-time members respectively

APPENDIX 5

Reliances and limitations

This paper is addressed to London Borough of Sutton as Administering Authority to the London Borough of Sutton Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of summarising the final assumptions for the 2025 formal valuation and providing commentary on the impact of recent market volatility. It has not been prepared for any other purpose and should not be used for any other purpose.

The Administering Authority is the only user of this advice. This paper has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:

- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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London Borough of Sutton Pension Fund - Funding Strategy Statement

April 2026

Effective date	1 April 2026
Previous valuation date	31 March 2025
Date approved	
Next review	March 2029
Prepared in accordance with SAB / CIPFA / MHCLG guidance dated	January 2025

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1. Purpose of the London Borough of Sutton Pension Fund and the funding strategy statement

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

The London Borough of Sutton Pension Fund is administered by Sutton Council, known as the administering authority. Sutton Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026.

There's a regulatory requirement for Sutton Council to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact skemployers@sutton.gov.uk.

1.1 What is the London Borough of Sutton Pension Fund?

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

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- Take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- Use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- Where appropriate, ensure stable employer contribution rates
- Reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- Use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- Engage with employers when developing funding strategy in a way which balances the risk appetite of stakeholders.

1.3 Who is the FSS for?

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

Different types of employers participate in the fund:

Scheduled bodies

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

Designating employers (otherwise known as Resolution bodies)

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

Admission bodies

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

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

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts and Further Education Institutions (Colleges).
- Tier 3 – Standalone employers with no local or national taxpayer backing. Include universities, housing associations and charities.

1.4 How is the funding strategy specific to the London Borough of Sutton Pension Fund?

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

1.5 How often is the Funding Strategy Statement reviewed?

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation and an annual check is carried out in the intervening years.

Amendments to the FSS may be in the following circumstances:

- Material changes to the scheme benefit structure (e.g. HM Treasury-led).
- On the advice of the fund actuary.
- Significant changes to investment strategy or if there has been significant market volatility which impacts the FSS or goes beyond FSS expectation.
- If there have been significant changes to the fund membership and/or fund maturity profile.
- If there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure) which could materially impact cashflow and/or maturity profile and/or covenant).
- If there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS.
- Recommendations from MHCLG/GAD.

In undertaking such reviews, the administering authority should consider:

- Looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contributions income) and consequences of actions taken by employers (e.g. pay awards and early retirements).
- The implications for the funding strategy and, if significant, determine what action should be taken to review the FSS.
- The implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS.
- Consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process and ensuring any communication regarding a review won't necessarily lead to rate changes for individual employers but could impact admissions, terminations, approach to managing risk and employer risk assessment.

Any amendments will be consulted on, approved by the Pensions Committee and included in the Committee meeting minutes.

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This Funding Strategy Statement is effective from 1 April 2026 and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then.

1.6 Links to Administration Strategy

The fund maintains an Administration Strategy which outlines the responsibilities, standards and procedures for employers and the fund. A copy of this can be found [here](#).

Adherence with the requirements of the Administration Strategy is crucial to ensure the well-running of the pension fund and any failure to do so may lead to uncertainty around the value of an employer's liabilities and the need for prudent assumptions to fill any data gaps.

1.7 Actuarial valuation report

[LGPS Regulations](#) (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This Funding Strategy Statement sets out the assumptions and methodology underpinning the 2025 actuarial valuation exercise. The actuarial valuation report sets out 1) the actuary's assessment of the past service funding position, and 2) the contributions required to ensure full funding by the end of the time horizon. The Rates and Adjustments certificate shows the contribution rates payable by each employer (which may be expressed as a percentage of payroll and/or monetary amounts).

PART A – Key Funding Principles

2. How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contribution rates are determined by a mandatory actuarial valuation exercise and are made up of the following elements:

- **The primary contribution rate** – contributions payable towards future benefit accrual
- **The secondary contribution rate** – the difference between the primary rate and the total employer contribution required

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

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

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

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

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

2.2 The contribution rate calculation

Certain Fund employers (such as academies and admission bodies with pass-through arrangements) participate within funding pools, as described in Sections 2.5 and 2.6. Where this applies the contribution rate will be calculated for the pool as a whole using the parameters in Table 2. This results in each employer in their respective pool paying the same contribution rate (in % of pay terms).

Table 1: contribution rate calculation for individual or pooled employers.

Type of employer	Scheduled bodies		CABs and designating employers		TABs*
Sub-type	Local authorities	Academies and colleges	Open to new entrants	Closed to new entrants	(all)
SAB Tier	Tier 1	Tier 2	Tier 3	Tier 3	Tier 1
Funding target**	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
Minimum likelihood of success	70%	70%	80%	80%	50%-75%
Maximum time horizon	20 years	20 years	20 years		Same as the letting employer

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Type of employer	Scheduled bodies		CABs and designating employers		TABs*
Sub-type	Local authorities	Academies and colleges	Open to new entrants	Closed to new entrants	(all)
SAB Tier	Tier 1	Tier 2	Tier 3	Tier 3	Tier 1
Primary rate approach***	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon, expressed as a percentage of pensionable pay				
Secondary rate	The difference between the total contribution rate payable (determined as per 2.1) and the primary rate. Negative adjustments are expressed as a percentage of payroll and positive adjustments can be expressed as a percentage of payroll or monetary amounts (for mature closed employers)				
Stabilised contribution rate?	Yes	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Contributions kept at primary rate. Reductions may be permitted by the administering authority		Reduce contributions by spreading the surplus over the remaining contract term	
Recognising covenant	Stabilisation parameters	Adjust likelihood of success			
Maximum phasing of contribution changes	Covered by stabilisation arrangement	Phased over a period to be agreed with the administering authority			None

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

** See [Appendix E](#) for further information on funding targets

*** The Primary Rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

The fund manages funding risk as part of the wider risk management framework, as documented in the fund's risk register. The funding-specific risks identified and managed by the fund are set out in [Appendix D](#) – Risks and Controls.

2.3 Making contribution rates stable

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for local authority employers. Contribution rate changes for these employers is constrained to an increase or decrease of 1.0% of pay per annum.

2.4 Links to investment strategy

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

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

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The investment strategy is designed allowing for the funding position determined on an appropriate and prudent basis, with the objective of achieving the funding objective for each employer group of the specific time horizon.

The fund's current strategic investment strategy as at 31 March 2025 is summarised in the table, with full details available [Local Government Pension Scheme \(LGPS\) - sutton.gov.uk](https://www.sutton.gov.uk/local-government-pension-scheme-lgps/).

Asset class	Allocation
Global Equities	50%
Property	20%
Infrastructure	10%
Private lending	5%
Index linked gilts	6%
Multi-asset credit	9%

2.5 Does the funding strategy reflect the investment strategy?

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

2.6 Reviewing contributions between valuations

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

2.7 What is pooling?

The administering authority operates funding pools for employers who are closely related to one another. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement, employers do not target full funding at exit (the pool as a whole targets full funding). While the fund receives the contributions required, the risk that employers will be entitled to a surplus payment on exit increases.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate.

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

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

2.8 Administering authority discretion

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

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

The fund permits the prepayment of employer contributions in specific circumstances. This is at the ultimate discretion of the administering authority.

2.9 Non-cash funding

The Fund will not accept any form of non-cash assets in lieu of contributions.

2.10 Managing surpluses and deficits

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergence of deficits and surpluses from time to time, and lead to changes in employer contribution rates.

Table 1 sets out the Fund's approach to setting contribution rates for each employer group.

3. What additional contributions may be payable?

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

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

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

Employers typically make strain payments as a single lump sum, though strain payment invoices may be spread using a payment plan if the administering authority agrees:

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, additional liabilities will arise due to the member's pension being enhanced and coming into payment early. Unlike non-ill-health early retirements, the administering authority does not usually seek to recover these costs via immediate additional employer contributions. Instead, the additional liability would be accounted for when carrying out subsequent formal valuations (or exit valuations), increasing the impacted employer's contribution requirements in future.

It should be noted that strains from ill-health early retirements can be substantial causing material increases in contribution rates for impacted employers. To mitigate this risk, employers may choose to use external insurance.

4. How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

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

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

If an employee moves from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring.

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix E](#), the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns. Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

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

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

PART B – Employer Events

5. What happens when an employer joins the fund?

5.1 When can an employer join the fund

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

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

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

5.2 New academies

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

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

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The ceding council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a multi-academy trust (MAT) in which case the other MAT schools in the Fund may be pooled such that all academies within a MAT pay the same rate.

The new academy's contribution rate is based on the current funding strategy (set out in section 2) and the transferring membership. Where a new academy joins an existing MAT who has elected to pay a pooled rate, the new academy will pay the pooled MAT rate.

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

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

5.3 New admission bodies as a result of outsourcing services

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

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

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New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is no flexibility for letting employers when it comes to pension risk potentially taken on by the contractor. The fund's policy is to require all new admission bodies to be set up with a pass-through arrangement. The fund's policy on pass through is detailed in Appendix F.

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

New designated employers may also join the fund. These are rare and will be considered on a case-by-case basis.

5.4 Risk assessment for new admission bodies

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

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

This must cover some or all of the:

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

The level and type of security given must also be to the satisfaction of the administering authority.

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

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

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

The bulk transfer policy is in Appendix H.

7. What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- The last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- Insolvency, winding up or liquidation of the admission body
- A breach of the agreement obligations that isn't remedied to the fund's satisfaction
- Failure to pay any sums due within the period required
- Failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- Termination of a deferred debt arrangement (DDA).

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

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The funding target adopted for the cessation calculation is below. These are defined in [Appendix E](#).

- a. Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix E](#).
- b. Where there is a guarantor, the guarantee will be considered before the cessation valuation.
 - Where the guarantor is a guarantor of last resort (i.e. where the guarantee will cease to have effect after the cessation event and final settlement), this will have no effect on the cessation valuation.
 - If this isn't the case (i.e. if the guarantee continues to apply in respect of the former employer's obligations post cessation), cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.
- c. Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms. This is known as 'subsumption' of the assets and liabilities.

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

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

The cessation policy is in Appendix I.

7.3 What happens if there is a surplus?

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

- The surplus amount.

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

Further information on the fund's approach to exit credits can be found in the cessation policy in Appendix I.

7.4 How do employers repay cessation debts?

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

- Spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- If an existing employer enters into a DDA, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

Further information on the use of employer flexibilities can be found in the cessation policy in Appendix I.

7.5 What if an employer has no active members?

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

- Their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at formal valuations.
- The last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers at formal valuations.

8. What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report includes advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

8.2 Solvency

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

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

or

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

8.3 Long-term cost efficiency

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

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

Relative factors include:

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

Absolute factors include:

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

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

Standard information about the fund's approach to solvency of the pension fund and long-term cost efficiency will be provided in a uniform dashboard format in the valuation report to facilitate comparisons between funds.

London Borough of Sutton Pension Fund - Funding Strategy Statement

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

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

- *Establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward.*
- *Support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013.*
- *Ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the fund are met.*
- *Explain how the fund balances the interests of different employers.*
- *Explain how the fund deals with conflicts of interest and references other policies/strategies.*

To prepare this FSS, the administering authority has used guidance jointly prepared by the Scheme Advisory Board (SAB), MHCLG, and by the Chartered Institute of Public Finance and Accountancy (CIPFA) dated January 2025.

The fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The funding strategy statement sets out how the fund meets these responsibilities.

A2 Consultation

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

The consultation process included issuing a draft version to participating employers and inviting employers the opportunity to discuss the FSS and how it applies to their part of the fund as part of the valuation process.

A3 How is the FSS published?

The FSS is distributed by:

- Publishing on the administering authority's website.
- Sending copies to each employer.
- Including the full statement or summary in the fund's annual report and accounts.
- Sending copies to members of the local pension board.
- Sending copies to the fund's investment advisers.
- Making copies freely available on request.

The FSS is published at <https://www.sutton.gov.uk/-/local-government-pension-scheme-lgps>.

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A4 How does the FSS fit into the overall fund documentation?

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

You can see all fund documentation at <https://www.sutton.gov.uk/-/local-government-pension-scheme-lgps>.

Appendix B – Roles and responsibilities

B1 The administering authority is required to:

1. Operate a pension fund.
2. Collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations.
3. Have an escalation policy in situations where employers fail to meet their obligations.
4. Pay from the pension fund the relevant entitlements as stipulated in LGPS Regulations.
5. Invest surplus monies in accordance with the relevant regulations.
6. Ensure that cash is available to meet liabilities as and when they fall due.
7. Ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments.
8. Take measures as set out in the regulations to safeguard the fund against the consequences of employer default.
9. Manage the valuation process in consultation with the fund's actuary.
10. Prepare and maintain an FSS and associated funding policies and SIP/ISS, after proper consultation with interested parties.
11. Monitor all aspects of the fund's performance and funding, and amend the FSS/ISS accordingly.
12. Establish a policy around exit payments and payment of exit credits/debits in relation to employer exits.
13. Effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer.
14. Enable the local pension board to review the valuation and FSS review process and as set out in their terms of reference.
15. Support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

B2 Individual employers are required to:

1. Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations).
2. Provide the fund with accurate data and understand that the quality of the data provided to the fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality.
3. Pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, promptly by the due date.
4. Develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework.
5. Make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain.
6. Notify the administering authority promptly of all changes to active membership that affect future funding.
7. Pay any exit payments on ceasing participation in the fund timely
8. Provide the fund with accurate data and understand that the quality of the data provided to the fund will directly impact on the assessment of their liabilities and their contributions. In particular, any inaccuracies in

London Borough of Sutton Pension Fund - Funding Strategy Statement

data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality.

B3 The fund actuary should:

1. Prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency based on the assumptions set by the administering authority and having regard to the FSS and the LGPS Regulations.
9. Provide advice so the fund can set the necessary assumptions for the valuation.
10. Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc.
11. Provide advice and valuations to the fund so that it can make decisions on the exit of employers from the fund.
12. Provide advice to the fund on bonds or other forms of security against the financial effect on the fund of employer default.
13. Assist the fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations.
14. Ensure that the fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the fund.
15. Identify and manage any potential conflicts of interest that may arise in the delivery of the contractual arrangements to the fund and other clients.

B4 Local Pension Boards (LPB):

Local Pension Boards have responsibility to assist the administering authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each fund to determine the input into the development of the FSS (as appropriate within fund's own governance arrangements) however this may include:

1. Assist with the development and review the FSS.
16. Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation.

B5 Employer guarantors

1. Department for Education - To pay cessation debts in the case of academy or college cessations (where the obligations are not being transferred to another MAT / body) and to consider using intervention powers if an academy is deemed to be in breach of the regulations.
17. Other bodies with a financial interest (outsourcing employers).

B6 Other parties:

1. Internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement.
18. Investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS.
19. Auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements.
20. Governance advisers may be asked to advise the administering authority on processes and working methods.
21. Internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures.
22. The Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Glossary

Actuarial certificates

A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

Administering Authority (referred to as ‘the fund’)

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer.

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns.

Code of Practice

The Pensions Regulator’s General Code of Practice.

Debt spreading arrangement

The ability to spread an exit payment over a period of time.

Deferred debt agreement

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members.

Employer covenant

The extent of the employer’s legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compared with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

Fund valuation date

The effective date of the triennial fund valuation.

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer’s covenant to be as strong as its guarantor’s.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each fund.

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents.

Notifiable events

Events which the employer should make the Administering Authority aware of.

Past service liabilities

The cost of pensions already built up or in payment.

Pension committee

A committee or sub-committee to which an administering authority has delegated its pension function.

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and Administering Authorities to ensure the effective management of the scheme.

Primary and secondary employer contributions

Primary employer contributions meet the future costs of the scheme and Secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a fund.

Rates and adjustments certificate

A statement of the contributions payable by each scheme employer (see actuarial certificates).

Scheme Manager

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each fund has a Scheme Manager which is the Administering Authority.

Appendix D – Risks and controls

D1 Managing risks

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

The role of the local pension board is to assist the fund in complying with regulations and the requirements of The Pensions Regulator. The local pension board's terms of reference are set out on moderngov.

Details of the key fund-specific risks and controls are kept under constant review. An updated risk register is a standing item at the Pension Fund Committee and can be found in the public papers from those meetings. Agenda packs including papers can be found on moderngov.

D2 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund included climate scenario stress testing in the contribution modelling exercise for the local authority employers at the 2025 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

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

Further details on the fund's approach to climate change risks can be found in the Investment Strategy Statement and the fund's annual report and accounts. These documents are available at <https://www.sutton.gov.uk/-/local-government-pension-scheme-lgps>.

Appendix E – Actuarial assumptions

The key outputs from an employer's funding valuation are its contribution rate requirement (see Section 2 for further details) and its funding level (see Section 4). For both calculations the fund actuary requires actuarial assumptions.

The fund typically reviews and sets the actuarial assumptions used for funding purposes as part of the triennial valuation. Those assumptions are then used until the next triennial valuation (updated for current market conditions where appropriate).

The fund has reviewed the actuarial assumptions used for funding purposes as part of the 2025 valuation. These are set out below.

E1 What are actuarial assumptions?

Actuarial assumptions are required to value the fund's liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can't be known until the final payment is made). Therefore, to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments.
- The assets allowed to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the fund are uncertain. An assumption is needed about what those future investment returns will be.

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

E3 What financial assumptions are used by the fund?

Discount rate

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date.

The fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the Fund's investment strategy.

The discount rate is determined by the prudence level. Specifically, the discount rate is calculated to the average annual level of future investment return that can be achieved on the Fund's assets over a 20 year period with a 85% likelihood.

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The prudence level is the likelihood. The prudence levels used by the fund are as follows:

Funding basis	Prudence level
Ongoing	85% (minimum level of 70%)
Low-risk exit	TBC

CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions').

The CPI inflation assumption is calculated to be:

The average annual level of future CPI inflation that will be observed over a 20 year period with a 50% likelihood

Salary growth

The salary growth assumption has been aligned with the Council's projection, namely 3% p.a. in 2025/26 and 2% p.a. each year thereafter.

E4 Further detail on the calculation of financial assumptions

The discount rates and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson's propriety economic scenario generator; the Economic Scenario Service (or ESS). The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

		Annualised total returns											
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Developed World ex UK Equity	Property	CorpMedium A					
5 years	16th %ile	3.5%	1.7%	2.2%	0.1%	-0.5%	0.2%	2.5%	2.2%	1.4%	1.2%	1.5%	4.8%
	50th %ile	4.3%	4.5%	4.3%	8.2%	8.2%	6.8%	4.9%	3.8%	2.4%	2.8%	2.4%	5.8%
	84th %ile	5.1%	7.5%	6.2%	16.4%	16.9%	14.1%	7.1%	5.3%	3.3%	4.3%	3.3%	7.1%
10 years	16th %ile	3.6%	2.7%	4.2%	2.5%	2.1%	2.3%	4.5%	1.3%	0.8%	0.8%	0.8%	3.9%
	50th %ile	4.6%	4.7%	5.4%	8.6%	8.5%	7.3%	6.0%	3.0%	2.1%	2.5%	2.1%	5.3%
	84th %ile	5.8%	6.9%	6.5%	14.6%	14.8%	12.7%	7.3%	4.6%	3.3%	4.1%	3.3%	7.1%
20 years	16th %ile	3.1%	2.9%	5.0%	3.8%	3.7%	3.5%	5.5%	1.0%	-0.5%	0.7%	-0.5%	1.6%
	50th %ile	4.5%	4.6%	5.8%	8.4%	8.3%	7.3%	6.5%	2.5%	1.2%	2.3%	1.3%	3.6%
	84th %ile	6.3%	6.4%	6.5%	12.9%	13.1%	11.3%	7.4%	4.2%	3.0%	3.9%	3.0%	6.2%
Volatility (Disp) (1 yr)		0.3%	6.7%	5.5%	16.3%	18.6%	15.2%	6.5%	1.4%		1.4%		

The ESS model is recalibrated monthly. The fund actuary uses the most recent calibration of the model (prior to the valuation date) to set financial assumptions for each funding valuation.

E5 What demographic assumptions are used by the fund?

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

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

Life expectancy

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

<https://www.clubvita.net/uk/services-overview/vitacurves>.

Allowance has been made for future improvements to mortality, in line with the 2023 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recent mortality experience on long-term assumptions, a 0% weighting has been applied to 2020 and 2021 data and a 15% weighting has been applied to 2022 and 2023 data. This is in line with the core CMI model.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	55% of maximum tax-free cash
50:50 option	0% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	323.45	426.83	0.00	0.00	0.00	0.00
25	117	0.17	213.65	281.94	0.00	0.00	0.00	0.00
30	131	0.20	151.59	200.01	0.00	0.00	0.00	0.00
35	144	0.24	118.44	156.25	0.10	0.07	0.02	0.01
40	151	0.41	95.36	125.76	0.16	0.12	0.03	0.02
45	159	0.68	89.57	118.10	0.35	0.27	0.07	0.05
50	167	1.09	73.83	97.24	0.90	0.68	0.23	0.17
55	173	1.70	58.14	76.62	3.54	2.65	0.51	0.38
60	174	3.06	51.852	68.26	6.23	4.67	0.44	0.33
65	174	5.10	31.81	41.90	11.83	8.87	-	-

Females

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Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		III-health tier 1		III-health tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	100	0.10	197.36	299.12	0.00	0.00	0.00	0.00
25	100	0.10	132.8	201.24	0.10	0.07	0.02	0.01
30	100	0.14	111.32	168.67	0.13	0.10	0.03	0.02
35	100	0.24	96.08	145.52	0.26	0.19	0.05	0.04
40	100	0.38	79.96	121.07	0.39	0.29	0.08	0.06
45	100	0.62	74.62	112.97	0.52	0.39	0.10	0.08
50	100	0.90	46.94	95.14	0.97	0.73	0.24	0.18
55	100	1.19	46.94	71.06	3.59	2.69	0.52	0.39
60	100	1.52	37.83	57.20	5.71	4.28	0.54	0.40
65	100	1.95	18.03	27.25	10.26	7.69	-	-

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Report Title	Pension Administration Performance Update		
Committee	Pension Committee		
Meeting Date	7 October 2025		
Chair	Councillor Cryss Mennaceur		
Report From	Richard Simpson, Strategic Director of Resources		
Report Author	Victoria Goddard, Director of Finance		
Wards Affected	Council Business		
Ambitious for Sutton priorities	An efficient and well run Council		
Open/Exempt	Open		
Signed		Date	22 September 2025

1 Summary

- 1.1 To provide an update on the key administration performance of the Shared Pensions Administration Service.

2 Recommendation

- 2.1 To note the update.

3 Background and Key Information

Benefits processing performance

- 3.1 The benefits processing performance statistics up to Aug 2025 can be found in Appendix A.
- 3.2 The number of outstanding processes has seen a significant reduction, falling from 962 to 820 since the last report. This positive downward trend is highlighted in the process tracker within Appendix A.
- 3.3 The revised way of work allocation continues to have positive results in clearing the backlog of outstanding processes. The number of cases overdue by more than three months fell from 18 to 0 at the end of August. Consequently, there are currently no

outstanding cases aged 90 days or more and the backlog (defined as cases more than 90 days overdue) is therefore now cleared.

- 3.4 As the backlog is now cleared the temporary staffing structure put in place to address the historic backlog is being reviewed to transition to a permanent structure that provides sufficient support to maintain the current level of performance going forward. Officers have developed two new Key Performance Indicators (KPIs) to help provide oversight over the overall performance of the team in managing casework, and to provide early indication if overdue cases are building up to an unacceptable level in future that may lead to a new backlog situation. This is intended to help provide increased visibility and transparency of performance in managing casework, and to provide early warning if overdue cases are increasing so that interventions can be put in place to avoid a new backlog arising in future.
- 3.5 Going forwards, officers will monitor performance against two clear targets:
- No more than 10% of all cases will be overdue
 - No more than 10% of overdue cases will be more than a month overdue
- 3.6 A backlog threshold will also be set for each target. If performance is worse than the KPI but below the backlog threshold, it is considered to be normal business as usual variance in performance against our KPI's. So whilst we may wish to prioritise resources to bring us back to target levels, we have not yet reached a level of cases that is considered "a backlog" needing a dedicated recovery plan.
- 3.7 If performance reaches the backlog threshold, this will be considered a backlog of cases that requires a dedicated recovery plan to be implemented to bring performance back into line with the performance targets. This may include for example changes to resources or prioritisation of team tasks, and will be reported to the Committee and Board as a backlog recovery plan (similar to how the backlog has been managed over the past year). This enables the Committee and Board to scrutinise performance and ensure casework is being managed appropriately to keep overdue tasks within acceptable limits, whilst providing early indication if there is a risk of a new backlog building up and providing assurance that early interventions and recovery plans will be put in place to address this.
- 3.8 The new performance targets and backlog threshold to be monitored against are summarised in the table below. Performance against these targets will be rated green if performance is at or below target, amber if performance is above target but below the backlog threshold, and red if the performance has breached the backlog threshold. A backlog recovery plan will be provided if performance is rated red for either indicator, to ensure backlogs are dealt with early and that overdue cases are kept within acceptable limits.

Key Performance Indicator	Key Performance Indicator Target	Backlog Threshold	Position as at end of Aug 25
Total Cases Overdue	<= 10% of all outstanding cases	> 15% of all outstanding cases	2.1% - Below Target
Cases Overdue by 31+ Days	<= 10% of all overdue cases	> 50% of all overdue Cases	35.3% - Over target but below backlog threshold

- 3.9 The table shows the position as at the end of August. The total number of overdue cases is below 10% meaning we are on target for the first indicator. The number of cases overdue by 31+ days is higher than 10% of all overdue cases meaning we are not yet meeting the target we would like to achieve, but are below the threshold where we believe a recovery plan is needed. As a result, the team's immediate priority over the next quarter is to resolve all cases currently in the 31+ categories to meet the new performance target and to prevent a backlog building up in future.
- 3.10 Overall, performance against the Service Level Agreements (SLAs) remains positive, as detailed on page 4 of Appendix A. In particular SLA performance against Pension Regulator (tPR) priority cases such as retirements continues to exceed the previous 12-month average target performance.
- 3.11 Whilst there are some areas where the team are not yet meeting the SLA targets, this can be explained by the team's progress against the historic backlog of cases that were already overdue. As the number of cases overdue by 31 days or more continues to fall, Officers are targeting improved SLA performance over the next quarter.
- 3.12 To facilitate this progress, the team has had a temporary structure in place since May 2024. This is now being reviewed to ensure service delivery can be managed effectively once the backlog has been cleared.
- 3.13 The Committee should note that an increase in leaver and starter processes is anticipated in the coming months due to the end of the academic year and start of the new one. This will be managed effectively through clear resource allocation to ensure that SLAs are met.

Breaches of law, internal dispute resolution procedure ("IDRP") and complaints

- 3.14 One breach of law has been reported relating to the McCloud Remedy. This has also been reported to the Pension Regulator. Further information on this can be found within the Pension Administration Projects Update.
- 3.15 At the time of writing this report, there are no open IDRP cases currently being investigated by officers.

4 Benefits to Sutton and its Residents

4.1 Not applicable.

5 Implications

5.1 There are no material implications resulting from the recommendation of this report.

Equalities Implications

5.2 There are no material equalities implications resulting from the recommendation of this report.

Climate Implications

5.3 There are no material climate implications resulting from the recommendation of this report.

6 Finance and Legal CommentaryFinance Comment

6.1 There are no material financial implications resulting from the recommendation of this report.

Financial Risks

6.2 There are none resulting from the recommendation of this report.

Legal Comment

6.3 There are no material legal implications resulting from the recommendation of this report.

Legal Risks

6.4 There are none resulting from the recommendation of this report.

7 Appendices and Background Documents

7.1 Appendices

Appendix Letter	Appendix Title
A	Benefits processing performance data (to 31 August 2025)

7.2 Background Documents

Date of Expiry	Background Document
N/A	N/A

8 **Consultations**

Consultees	Yes/No	Officer	Date of Comments
Finance	Yes	Victoria Goddard Director of Finance	04/09/2025
Legal	Yes	Tracy Swan Head of Law, Property, Planning and Employment, South London Legal Partnership	04/09/2025
Commercial and Procurement	No	N/A	N/A
Others	No	N/A	N/A
Equalities Impact Assessment (EQIA)	No	N/A	N/A
Climate Impact Assessment (CIA)	No	N/A	N/A

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Appendix A - Benefits Processing Performance Data (to 31 August 2025)

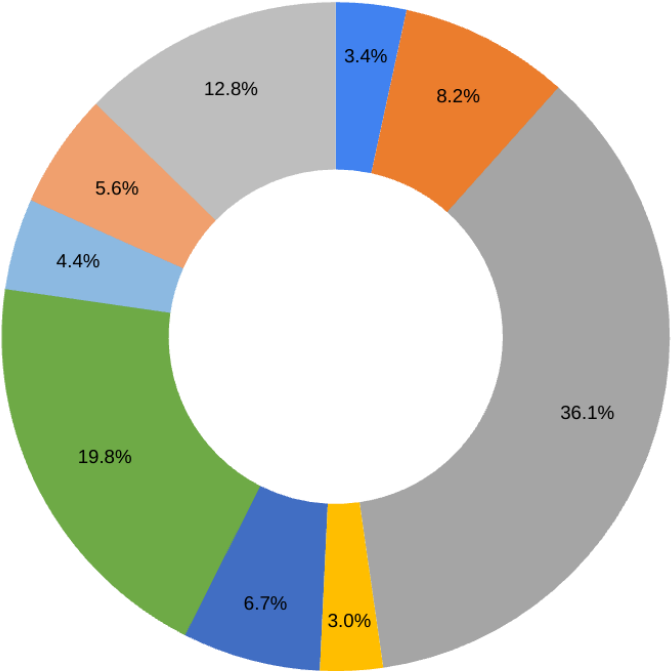
Aged Processes at 31 August 2025

Process Type	Not Overdue	Overdue by 1 - 10 days	Overdue by 11 - 20 days	Overdue by 21 - 30 days	Overdue by 31 - 90 days	Overdue by 3 - 6 months	Overdue by 6 - 12 months	Overdue by > 12 months	Total	
Change of Circumstances	27		1						28	↓
General Enquiry	63	1			1				65	↑
Leaver	286								286	↓
Death	27								27	↑
Retirement Actual	24								24	↑
Retirement Quote	51	1		1					53	↔
Transfer In Actual	152	5							157	↓
Transfer In Quote	35								35	↑
Transfer Out Actual	39			1	4				44	↓
Transfer Out Quote	99	1			1				101	↓
Total	803	8	1	2	6	0	0	0	820	↓
	↓	↓	↓	↓	↓	↓	↓	↓	↓	

Aged Processes at 30 April 2025

Process Type	Not Overdue	Overdue by 1 - 10 days	Overdue by 11 - 20 days	Overdue by 21 - 40 days	Overdue by 41 - 90 days	Overdue by 3 - 6 months	Overdue by 6 - 12 months	Overdue by > 12 months	Total
Change of Circumstances	24	2		7	3	2			38
General Enquiry	41	2	1		1	2			47
Leaver	374	4	4	6	26	1	11	1	427
Deaths	22			1					23
Retirement Actual	14		1						15
Retirement Quote	52			1					53
Transfer In Actual	115	14	12	12	17	1			171
Transfer In Quote	19	5	2	5	2				33
Transfer Out Actual	43	4		2	4				53
Transfer Out Quote	80	9	5	6	2				102
Total	784	40	25	40	55	6	11	1	962

Processes by Type - Sutton PF



- Death Actual
- General Enquiry
- Leaver
- Retirement Actual
- Retirement Quote
- Transfer In Actual
- Transfer In Quote
- Transfer Out Actual
- Transfer Out Quote


SLA Service Target Tracker - Sutton PF

Process - Sutton PF	Service target	Target	Total	Met	Total	Met	Trend	Total	Met	Trend	Total	Met	Total	Met	Comments
			June 2025	July 2025			August 2025			25/26 to Date		12 mo rolling			
Inform leaving scheme member of their deferred benefits or contribution refund	30 working days from receipt of all information	90%	110	87%	39	100 %	↖	159	57%	↘	650	84%	1528	89%	Exceeding targets in June and July, Officers are further investigating the SLA performance for August 2025.
Provide transfer in quote to scheme member	15 working days from receipt of all information	90%	51	100 %	15	100 %	↔	7	86%	↘	164	96%	387	96%	Exceeding target in June and July, on the cusp of meeting performance targets in August 2025.
Provide transfer value for transfer out or divorce proceedings	20 working days from receipt of all information	90%	41	59%	48	81 %	↖	12	83%	↖	143	69%	358	73%	As part of the ongoing work to tackle the backlog, the Fund will not be at 100% SLA performance for certain cases. The reason for this is because the team continues to complete leaver processes that were already outside of the SLA target.
Notify scheme member of their final retirement benefits	10 working days from receipt of all information	95%	35	91%	28	100 %	↖	25	64%	↘	154	96%	383	97%	Exceeding targets in June and July, Officers are further investigating the SLA performance for August 2025.
Provide retirement quotation to scheme member	20 working days from receipt of all information	90%	68	99%	72	100 %	↖	46	100%	↔	274	100 %	662	100 %	Exceeding Target.
Notify dependants of their death benefits	10 working days from receipt of all information	95%	2	100 %	5	100 %	↔	5	100%	↔	17	100 %	34	100 %	Exceeding Target.
Answer general query correspondence	10 working days from receipt of correspondence	90%	89	80%	63	95 %	↖	41	88%	↘	400	85%	1074	81%	Performance over the quarter continues to improve against the 12-month average.

Process Tracker - Sutton PF



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Report Title	Pension Administration Projects Update		
Committee	Pension Committee		
Meeting Date	7 October 2025		
Chair	Councillor Cryss Mennaceur		
Report From	Richard Simpson, Strategic Director of Resources		
Report Author	Victoria Goddard, Director of Finance		
Wards Affected	Council Business		
Ambitious for Sutton priorities	An efficient and well run Council		
Open/Exempt	Open		
Signed		Date	22 September 2025

1 Summary

- 1.1 To provide an update on the key administration projects of the Shared Pensions Administration Service.

2 Recommendation

- 2.1 To approve the Pensions Dashboard Matching Policy and note the update.

3 Background and Key Information

Annual Benefit Statements update

- 3.1 The Fund is required to issue Annual Benefit Statements (ABS) to all active and deferred members by the statutory deadline of 31 August. Once the annual data returns from scheme employers have been loaded and the Career Average Revalued Earnings (CARE) increase applied, the statements are bulk processed and made available to members on the Fund's Pensions Online member portal.
- 3.2 As of the date of writing this report, the production of the 2025 statements is complete:
- Deferred Members: 100% (7,739) of statements have been successfully produced and published to the member portal.

- Active Members: 89.09% (5,621) of statements have been produced and published to the member portal. The remainder relate to members with unprocessed leaver processes, which require individual resolution. This is standard for pension funds and an anticipated part of the annual returns exercise. Officers are now prioritising these cases with a target for completion within the next quarter.

- 3.3 The McCloud Remedy legislation requires that the 2025 annual statements include information on the underpin protection for in-scope members. While a general explanatory note has been added to all statements, the individual underpin calculations have not been included. This is due to the previously reported delays. Consequently, the statements for the 2,124 members in scope of the Remedy are not yet fully compliant with the new requirements.
- 3.4 The Fund's position is that it is not possible to provide accurate underpin figures until the McCloud project is complete. Therefore, a decision has been made to issue the statements with the data currently available and to re-issue fully compliant statements to all affected members upon completion of the project.

Pensions Dashboard update

- 3.5 The Pensions Dashboard is a mandatory Government initiative that will enable members to view all of their pension benefits, including their State Pension, in one secure place. The Fund is required to connect to the national dashboard infrastructure by the statutory staging date of 31 October 2025.
- 3.6 The Fund's implementation project is on track to meet this deadline, with progress focused on three key workstreams:
- **IT Readiness:** An Integrated Service Provider (ISP) is required to establish the secure connection between the Fund's data and the central dashboard. Following a procurement process, an ISP has been appointed, and Officers are now working with the provider to implement the necessary software. The provider's implementation plan is progressing as expected and is included within Appendix A.
 - **Data Readiness:** High-quality data is essential for the dashboard to function correctly. The Fund is working in accordance with our data improvement plan to improve our data and resolve historic data queries.
 - **Governance and Project Management:** The Pensions Dashboard has been incorporated into the Fund's risk register and strategic project plan. We are monitoring progress regularly and engaging with stakeholders, including our administrators and software providers.
- 3.7 A full Data Protection Impact Assessment (DPIA) has been completed for the Pensions Dashboard project. This assessment formally reviewed how member data will be collected, processed, and shared via the new infrastructure, ensuring all activities are compliant with UK GDPR.

- 3.8 As part of the implementation of the Pensions Dashboard Programme, the Fund is required to establish a formal Data Matching Policy. This policy defines the specific data items and criteria the Fund will use to verify a member's identity and confidently match them to their correct pension record. A copy of the draft policy can be found in Appendix B.
- 3.9 The primary objective of this policy is to ensure the highest level of data security while maximising the number of successful matches for our members. It establishes a clear framework that prevents data breaches and ensures members can only view their own information.
- 3.10 The proposed matching strategy is aligned with industry best practice, as recommended by the Pensions Administration Standards Association (PASA). It is based on two types of match:
- **Full Match:** This provides an instant, positive result to the member. A full match is achieved only when three core data items are successfully verified: Surname, Date of Birth, and National Insurance Number.
 - **Partial Match:** This occurs when there is a high probability of a match, but one piece of data may be inconsistent (for example, a member has a matching NI Number and Date of Birth, but a different surname). In these instances, no pension data is returned automatically. Instead, a process is triggered where the member is invited to provide further information to securely verify their identity before a match is confirmed.

McCloud Remedy update

- 3.11 A full project plan for the implementation of the McCloud Remedy can be found at Appendix C.
- 3.12 The Fund did not meet the statutory implementation deadline of 31 August 2025. This was due to significant external delays in receiving a functional software solution from our provider, Civica, and internal challenges relating to the complexity of the historic data collection. In line with regulatory requirements, this breach has been formally reported to the Pensions Regulator (tPR).
- 3.13 To manage this, a revised project plan has been established with a new target completion date of 30 June 2026. The immediate priorities are:
- **Data:** Complete the data matching and validation by the end of February 2026.
 - **System:** Install and test the software patches from Civica as soon as they are available/delivered.
 - **Calculations:** Begin bulk benefit recalculations in March 2026.

In the interim, manual processes are in place to ensure any member retiring or leaving the scheme has their benefits calculated correctly.

- 3.14 A communications plan is in place, and a letter will be issued to all 3,544 in-scope members in September 2025 to explain the delay and provide the revised timeline. Upon project completion, each member will receive further communications explaining the impact on their pension benefits (if any).
- 3.15 The project's primary risk remains the software delivery from Civica. This is actively being managed through continuous dialogue with the provider and collaboration with the national user group to apply collective pressure.

Other key updates

- 3.16 Pension savings statements (PSS): Each year by 6 October the Fund must issue PSS to scheme members. This PSS sets out the increase in a scheme member's pension benefits within the LGPS in the previous tax year. The Fund statements to scheme members when their pension growth exceeds HM Revenue & Customs (HMRC) annual allowance (£60k for the 2024 to 2025 tax year). Members that breach the allowance may have a tax liability to declare to HMRC by 31 January 2026. Officers provide impacted members with guidance and recommend affected members obtain independent financial advice on their personal tax position.

4 Benefits to Sutton and its Residents

- 4.1 Not applicable.

5 Implications

- 5.1 There are no material implications resulting from the recommendation of this report.

Equalities Implications

- 5.2 There are no material equalities implications resulting from the recommendation of this report.

Climate Implications

- 5.3 There are no material climate implications resulting from the recommendation of this report.

6 Finance and Legal Commentary

Finance Comment

- 6.1 There are no material financial implications resulting from the recommendation of this report.

Financial Risks

- 6.2 There are none resulting from the recommendation of this report.

Legal Comment

- 6.3 The legal context is dealt with in the body of this report and with Appendix B. There are no direct legal implications arising from the recommendation in this report.

Legal Risks

- 6.4 There are none resulting from the recommendation of this report.

7 Appendices and Background Documents

7.1 Appendices

Appendix Letter	Appendix Title
A	Pension Dashboard Programme - Implementation Plan
B	Pension Dashboard Programme - Data Matching Policy
C	McCloud Remedy Project Plan

7.2 Background Documents

Date of Expiry	Background Document
N/A	N/A

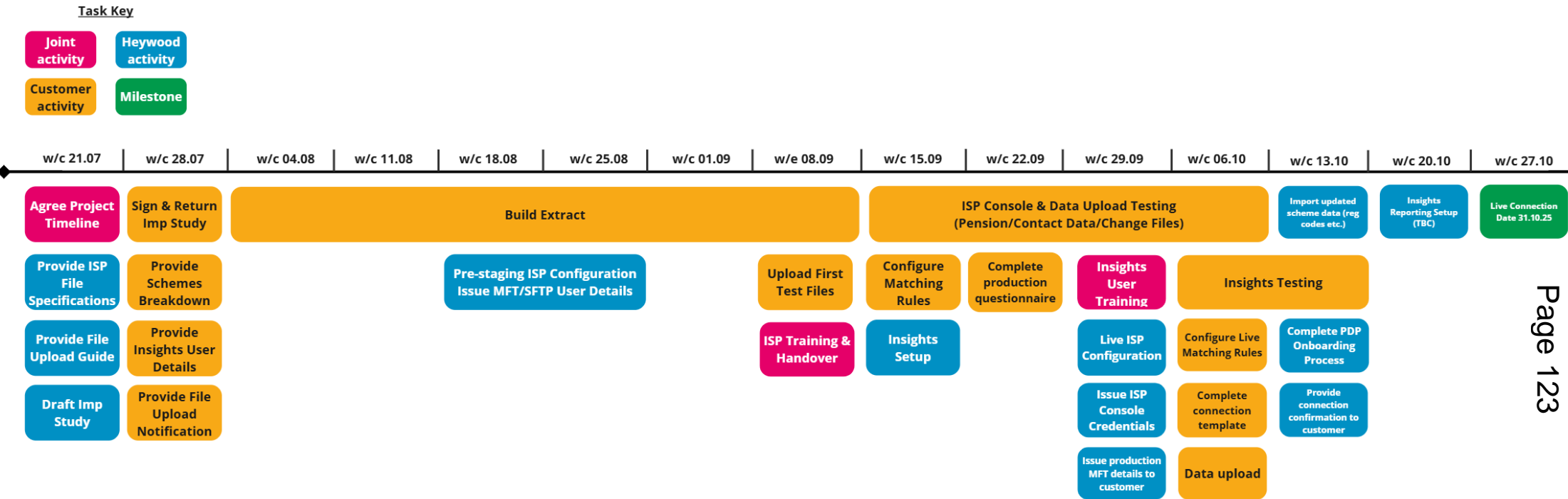
8 Consultations

Consultees	Yes/No	Officer	Date of Comments
Finance	Yes	Victoria Goddard Director of Finance	04/09/2025
Legal	Yes	Tracy Swan Head of Law, Property, Planning and Employment, South London Legal Partnership	04/09/2025

Consultees	Yes/No	Officer	Date of Comments
Commercial and Procurement	No	N/A	N/A
Others	No	N/A	N/A
Equalities Impact Assessment (EQIA)	No	N/A	N/A
Climate Impact Assessment (CIA)	No	N/A	N/A

3.1.1 ISP Combined Plan

Phase 1 & 2 combined



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London Borough of Sutton Pension Fund

Pension Dashboard Programme - Data Matching Policy

(October 2025)

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1. Introduction

This is the Pensions Dashboards Programme Data Matching Policy of the London Borough of Sutton Pension Fund (“the Fund”) managed by the Shared Pensions Administration Service (“the Administering Authority”).

The Government formalised its intentions to deliver pension dashboards through the Pension Schemes Act 2021 and, the Pension Dashboards Regulations 2022 and The Pensions Dashboards (Amendment) Regulations 2023, following many years of discussions on how to engage individuals with their pensions savings.

Pensions Dashboards will enable individuals to access their active and deferred pensions information online, securely, and in one place to support better retirement planning.

Pensions Dashboards will provide clear and simple information about a member’s pension savings, including their State Pension and will also facilitate connection to any pensions individuals may have lost touch with.

The Fund must connect to the Pensions Dashboards infrastructure by 31 October 2025 and be able to respond to find requests from the public by 31 October 2026.

This Policy is published on the Fund’s website. It is formally approved by the London Borough of Sutton Pension Fund Committee in its role as the Administering Authority of the Fund. The Strategy is implemented from October 2025.

If you require any further information about anything in or related to this Policy, please contact the Fund by email at skemployers@sutton.gov.uk.

2. Aims and Objectives

The Funds’ objectives related to this policy are as follows:

- To ensure compliance with the LGPS Regulations and other legislation and guidance, including the Pensions Regulator’s Code of Practice;
- To ensure robust processes, controls and risk management are in place;
- To manage the Fund in a fair and equitable manner and be accountable to the Fund’s stakeholders; and
- To continually measure and monitor success against the Fund’s objectives.

3. Purpose of this Policy

The purpose of this policy is to set out our understanding of the Pensions Dashboards matching criteria and the approach that the Fund has taken and the reasons for this as required by the Pension Dashboards Regulations.

The matching criteria may evolve over time and as such the criteria may need reviewing to ensure that sufficient matches are being made but without compromising the security of the data.

The Regulations require the Fund to keep a record of the Matching Policy and document any changes made to it along with relevant justifications.

4. Summary

In summary, our approach to data matching is captured below and the remainder of this policy discusses our decisions in more detail.

Type of Match	Required Elements	Follow on Action
Full	Surname, Date of Birth, NI Number	Creation of a pension identifier
Partial	NI Number & Date of Birth	Start partial match process
Partial	NI Number & Surname	Start partial match process
Partial	First name, Surname, Date of Birth & Postcode	Start partial match process
No Match	N/A	Delete Pension Identifier

5. Matching Process

In the pensions dashboard ecosystem “find requests” will be sent from the central Pension Finder Service (PFS) every day to all connected data providers.

Whenever an individual logs in to their pensions dashboard and makes a request to find their pensions, all schemes and providers must compare and match the user’s personal details and return their pension information for them to view. The main aim is to enable individuals to find their pensions, through schemes and providers making as many positive matches as they can.

6. Roles & Responsibilities

The Head of Pensions Administration for the London Borough of Sutton Pension Fund has overall responsibility for compliance with the Pensions Dashboards regulations.

The Shared Pensions Administration Service will provide the necessary resources to:

- Agree and write the matching policy;
- Document any changes to the matching policy and keep a record;
- Improve our data quality to increase confidence that we match to the right person without increasing the risk that we fail to find someone when we do hold their pension information; and
- Implement processes to manage partial matches.

7. Full Match Policy

We have decided to match based on three core data elements: **surname**, **date of birth** and **National Insurance Number** (“NI Number”). This is in line with the industry standard as recommended by the Pensions Administration Standards Association (“PASA”).

Once we are confident that we have found a member’s pension record using the information they provided, we have a ‘match’ and must create and register a unique identifier, also known as Pension Identifier, with the digital architecture to meet Money and Pensions Service’s (“MaPS”) technical standards. The pension identifier does not contain any pensions information but acknowledges that there is a match.

Following a successful match on the three core criteria, the individual’s accrued and estimated pension data will be returned instantly to the individual’s Dashboard.

8. Partial Match Policy

If an individual does not match on an NI number, they will need to match on at least date of birth and surname plus at least two other additional data items to achieve a partial match (e.g. postcode, email address or mobile phone number). For example, the NI number and DOB match, but the surname name does not match. This could happen if a member has married but failed to notify us of their new last name.

Partial matching will return a message to the individual advising they may have a pension within this Fund but they need to provide more information via the contact details supplied within 30 days. If a match is subsequently confirmed a process will begin within the infrastructure to make the pension data available to the individual’s Dashboard.

Following a request for additional information, if the individual does not make contact within 30 days, we will delete their personal information and deregister the pension identifier. If a match is subsequently confirmed, we would notify MaPS that the match is now confirmed and provide the relevant pension data to the dashboard upon request.

9. No Match

Where the member does not fully or partially match, no data will be returned to their individual dashboard. This result is most likely to occur when the individual has no liability within the Fund or because their membership status is currently out of scope of the Pension Dashboards Programme.

10. Review

This policy will be reviewed annually, and by the Pension Fund Panel every three years, or otherwise required.



London Borough of Sutton Pension Fund

McCloud Remedy Project Plan

(August 2025)

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1. Introduction

This document outlines the revised project plan for the London Borough of Sutton Pension Fund's (the Fund) implementation of the McCloud Remedy. The McCloud Remedy addresses age discrimination in public service pension schemes, and all LGPS funds are legally required to implement the remedy by 31 August 2025.

Due to a number of unforeseen challenges, including data collection complexities and software availability, the Fund will not meet the 31 August 2025 deadline. This is a breach of the regulations, which will be reported to The Pensions Regulator as per the required procedures.

This project plan provides an overview of the current situation and a revised timeline for completion. Our new target for full compliance with the McCloud Remedy is 30 June 2026. This revised timeline is based on a reassessment of the remaining work and the known software delivery schedules.

While the timeline is extended, procedures are in place to ensure any members retiring in the interim will have their benefits calculated correctly using the established workarounds.

2. Governance

The roles and responsibilities are as follows:

- **Pension Fund Committee** - Provides oversight and strategic direction. Receives regular progress reports and approves any significant changes to the project plan.
- **Project Sponsor (Tom Taylor, Head of Pensions Administration)** - Accountable for the project's success and provides leadership and resources.
- **Project Manager (Andy Martin, Data & Systems Manager)** - Responsible for the day-to-day management of the project, including planning, execution, risk management and reporting.
- **Project Team (Data & Systems Team)** - A dedicated team responsible for delivering the project's workstreams.

3. Objectives

The objective of this project is to ensure that all eligible members of the Fund receive the pension benefits they are entitled to under the McCloud Remedy. This includes:

- **Identifying members in-scope** - Identify and verify the active, deferred, and pensioner members who are eligible for McCloud underpin protection.
- **Data collection and cleansing** - Gather and verify the necessary data from employers, which dates back to 2014.

- **System and calculation readiness** - Work with our software provider to implement and test the required system changes for calculating the McCloud underpin.
- **Benefit recalculation and payment** - Recalculate pension benefits for all affected members and processing any resulting arrears payments.
- **Member communications** - Communicate with all affected members throughout the process.

4. Current Project Status

The initial phase of the project involved an analysis of the Fund's membership to identify all members who are in scope of the McCloud Remedy. The table below summarises the position as at 31 March 2025:

Membership Category	Total Members	Members in Scope
Active	6,309	1,015
Deferred (inc. deferred refunds)	7,739	1,109
Pensioners (inc. beneficiary pensioners)	5,081	1,157

In addition to the current membership, 263 members who have transferred out of the scheme are also in scope. This brings the total number of member records under review to 3,544. These former members will require a review and potential recalculation of their transfer values.

It is important to note that being in scope does not automatically mean a member's benefits will change. A key part of the project is to perform the necessary calculations to determine which members will see an increase as a result of the McCloud Remedy.

The implementation of the Remedy for these in scope members is broken down into two workstreams, outlined below:

4a) Data Processing Workstream

Workstream update

The project's current focus is on the data workstream. The data workstream must be completed before any member calculations can be performed. The table below outlines the completion status for each stage of the data workstream:

Stage	Description	Completion Status
-------	-------------	-------------------

Data Receipt	Receive data submissions from scheme employers.	78%
Data Matching	Manually matching employer data to member records.	27.4%
Data Validating	Performance quality assurance and error correction.	2.4%
Data Loaded	Upload fully matched and validated data to member records.	1.6%

Reasons for the delay

The key reason for the data workstream project delay is resource constraints. The complex nature of this work requires significant time from specialist officers. This challenge has been compounded by the absence of key personnel and the need for the same officers to support other high-priority, business-as-usual projects.

Impact on Project

The progress in the data workstream directly impacts our ability to deliver the remedy to members.

- **Annual Benefit Statements (ABS)** - Due to the delays with the data workstream, no in scope members have been issued with McCloud-compliant information.
- **Bulk Rectification Work** - Similarly, no bulk recalculations of benefits for retired or deferred members have been undertaken

4b) System Workstream

In order to comply with the McCloud Remedy, we require additional system functionality from our pension administration system. All benefit recalculations are reliant on a fully tested and operational McCloud software module from our provider.

Workstream update

The status of this workstream is detailed below:

Stage	Description	Status
Initial Software Delivery	Following significant delays, the core McCloud software release was delivered and installed by our system provider in July 2025.	Delivered
Identified Issues	Following the McCloud Delivery, initial testing by our data and systems team and other LGPS Civica users, it has revealed several issues within the software release. These issues prevent the system from performing accurate McCloud calculations. We have been formally	On Hold / Awaiting Software Patches

	<p>notified by the software provider that these defects will be addressed via a series of subsequent software patches. Civica's timeline for these software releases can be found here: https://civicalg.aha.io/shared/123fa4a84fa50ff2135a10210c8872cd.</p> <p>The delivery date for these essential patches to Sutton is currently to be confirmed. We are in active communication with Civica to receive a firm timeline, the latest update was provided on 28 July 2025 and can be found here. This update provides a summary of the software issues found and Civica's progress in resolving these issues.</p>	
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Reasons for the delay

The primary reason for the project's delay rests with our pension administration software provider, Civica. This is a nationwide issue affecting a large number of LGPS funds, who are collectively pressing Civica to deliver the essential system upgrades. In response, we are in continuous communication with our Civica Client Manager and are using the national user group to escalate the issue and demand a committed delivery schedule.

Impact on Project

The unresolved software defects have an impact on the project, halting progress on bulk system rectifications, as follows:

- **User Acceptance Testing (UAT)** - All planned system testing is currently on hold. We cannot proceed until the patches are delivered.
- **Benefit Calculations** - The system is not yet capable of performing accurate benefit calculations, meaning no bulk rectifications can begin.

In summary, the system workstream is currently paused pending critical fixes from our software provider.

5. Revised Project Plan and Timeline

The project will be delivered in a series of phases, with a new target completion date of key phases by 30 June 2026. A detailed project plan is provided in [Appendix A](#).

6. Resources

The day-to-day delivery of the project will be managed by the Fund's Data & Systems Manager. The core project team consists of:

- **Project Manager** - Andy Martin (Data & Systems Manager)
- **Project Team** - 2 x Senior Pensions Officers (Data & Systems), 1 x Pensions Officer (Data & Systems)

7. Project Risks

A risk register, detailing all identified project risks along with their assessment and mitigation strategies, is included within [Appendix B](#).

8. Communications Plan

A communications plan has been developed to ensure all stakeholders are kept informed throughout the revised project timeline. A copy of the plan can be found in [Appendix C](#).

Appendix A

Phase	Key Activity	Estimated Start Date	Estimated Completion Date
Phase 1: Revised Project Planning & Initial Communications	<ul style="list-style-type: none"> Finalise revised detailed project plan. Issue communication(s) to stakeholders. 	July 2025	September 2025
Phase 2: Data Collection & Validation	<ul style="list-style-type: none"> Obtain remaining data from scheme employers Validate and cleanse all remaining data Address data gaps and inconsistencies 	October 2025	Remaining data received 31 October 2025 Member matching completed 30 November 2025 Data validated 28 February 2026
Phase 3: System Implementation & Testing	<ul style="list-style-type: none"> Work with software provider to install remaining McCloud software patches into TEST Develop McCloud compliant annual benefit statement (ABS) Conduct user acceptance testing (UAT) Work with software provider to install remaining McCloud software patches into LIVE 	Dates to be confirmed with the administration software provider (Civica).	February 2026
Phase 4: Benefit Recalculation & Review	<ul style="list-style-type: none"> Prioritise cases based on LGA guidance Recalculate benefits for all in scope members Conduct quality assurance checks on calculations Process any arrears payments 	March 2026	June 2026
Phase 5: Member Communication & Payment	<ul style="list-style-type: none"> Issue annual benefit statements to all affected members Handle member queries and appeals 	July 2026	August 2026
Phase 6: Project Closure	<ul style="list-style-type: none"> Conduct post-project review Final report to Pension Fund Committee 	September 2026	September/October 2026

Appendix B

Risk	Consequences	Likelihood	Impact	Score / Rating	Mitigation(s)	Net Risk Rating
Further delays from the pension administration software provider in delivering the full McCloud remedy functionality.	<ul style="list-style-type: none"> Inability to accurately calculate and pay the McCloud underpin for all affected members. Reputational risk due to failure to meet legal obligations. Potential for member complaints, queries, and legal challenges. Increased administrative costs due to reliance on manual workarounds. Financial penalties if regulatory bodies impose them for non-compliance. 	4	4	16 / Red	<ul style="list-style-type: none"> Hold regular meetings with Civica to monitor progress. Agree on a delivery schedule with Civica. Continue to use the standalone calculator for immediate retirement and death cases to ensure compliance for new events. Formalise a method of escalation with Civica if key milestones are missed. 	Red
Poor quality or incomplete member data is provided by employers for the McCloud remedy period.	<ul style="list-style-type: none"> Inaccurate salaries, service history, or other data could lead to incorrect benefit calculations, resulting in either underpayment or overpayment of pensions. Reputational risk due to failure to meet legal obligations. Potential for member complaints, queries, and legal challenges. Increased administrative costs due to Officers time chasing employers, reconciling data, and 	3	4	12 / Amber	<ul style="list-style-type: none"> Engage directly with employers to explain the importance of the data for the McCloud project. Provide clear guidance on the specific data fields and formats required. Utilise data validation checks within the system to flag errors or omissions. Formalise a clear method for escalation for non-responsive employers or those who consistently provide poor quality data. 	Amber

	<p>manually correcting records.</p> <ul style="list-style-type: none"> Financial penalties if regulatory bodies impose them for non-compliance. 					
High volume of member queries regarding the McCloud Remedy.	<ul style="list-style-type: none"> The administrative team may become overwhelmed, diverting resources from day-to-day service operation. Member response times may increase, leading to poor member experience. The need to increase resources to handle the volume of calls and emails which would increase administrative costs. If queries are not handled professionally or in a timely manner, it could damage the Fund's reputation. 	2	2	4 / Green	<ul style="list-style-type: none"> Develop and implement a clear communication plan. Provide training to staff on the McCloud remedy to ensure they can answer standard questions accurately and consistently. 	Green
Key staff leaving the McCloud Remedy project before its completion.	<ul style="list-style-type: none"> Loss of technical knowledge, which can be difficult and time-consuming to replace. The departure of a staff can slow down progress while a replacement is found and brought up to speed. 	2	4	8 / Green	<ul style="list-style-type: none"> Identify and train other team members to be able to take on key aspects of the project if required. Ensure processes are maintained and there is a sufficient transfer of knowledge within the team. Actively manage the workload and recognise the pressures on the team to prevent burnout and maintain a positive work environment. Have a sufficient contingency plan for backfilling key vacancies. 	Green
New	<ul style="list-style-type: none"> The need to re-do work 	2	3	6 / Green	<ul style="list-style-type: none"> Engage with bodies such as the Scheme Advisory 	Green


legislation or guidance emerges requiring the Fund to re-do work that has already been completed.	<p>would extend the project timeline, delaying the payment of benefits to members and potentially leading to non-compliance with statutory deadlines.</p> <ul style="list-style-type: none"> Increased administrative costs due to delays and project extensions. Increased uncertainty for members generating additional reputational damage for the Fund. 				<p>Board (SAB), the Local Government Association (LGA), and the Pensions Regulator to stay informed of any potential changes.</p> <ul style="list-style-type: none"> Maintain communication with the Fund Committee and employers about the potential for legislative changes to manage expectations. 	
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** Each risk is assigned a Red, Amber, or Green (RAG) rating determined by a score calculated by multiplying its likelihood and impact; scores of 8 or less are rated Green, 9 to 15 are Amber, and those 16 or over are Red.

Appendix C

Stakeholder	Communication	Date
In Scope Members	<p>1. A letter will be sent to all affected members to inform them of the delay and the new timeline.</p> <p>2. Progress updates will be provided on the Fund's website and in employer newsletters.</p> <p>3. Once benefit recalculations are complete, each affected member will receive a revised statement explaining the impact on their pension.</p>	<p>September 2025</p> <p>Quarterly</p> <p>By June 2026</p>
Pension Fund Committee	The Committee will receive a detailed progress report at each Committee meeting.	At each scheduled meeting
The Pensions Regulator (tPR)	We will formally report the breach of the deadline and provide them with a copy of this project plan.	31 August 2025

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Report Title	Annual Report and Accounts 2024-2025		
Committee	Pension Committee		
Committee Date	7 October 2025		
Committee Chair	Councillor Cryss Mennaceur		
Report From	Richard Simpson, Strategic Director of Resources		
Report Authors	Katherine Gray, Head of Pensions Investments and Treasury Lisa Doswell, Pensions Finance and Investments Manager		
Wards Affected	Council Business		
Ambitious for Sutton priorities	An efficient and well-run Council		
Open/Exempt	Open		
Signed		Date	22 September 2025

1. Summary

- 1.1. This report summarises the Pension Fund Annual Report 2024/25 and the Statement of Accounts 2024/25 included within it.

2. Recommendation

- 2.1. To approve the Pension Fund Annual Report 2024/25 and delegate to the Strategic Director of Resources, in consultation with the Chair of the Pensions Committee, any changes that are required to be made to the report, as a result of the external audit.

3. Background and Key Information

- 3.1. The net assets of the Fund rose from £924m to £979m during 2024/25, an increase of £55m.
- 3.2. At total fund level, as at March 2025, the Fund returned 3.7% over the year, which was just ahead of the Pensions & Investment Research Consultants (PIRC) local authority universe average one-year return of 3.4% across all LGPS funds. The Fund underperformed its benchmark by 1.4% over one year, 1.1% over three years, and 0.2% over five years. However, the Fund performed ahead of average over the five and ten-year periods compared to other LGPS funds.
- 3.3. The Fund remained cashflow positive during 2024/25. Total contributions received in 2024/25 were £73.747m, significantly higher than £49.086m in 2023/24. This increase

was largely due to £28.070m in transfers into the Fund, including a bulk transfer of £12.5m from Croydon Council for Idverde. Total benefits increased to £55.051m in 2024/25 from £38.039m in 2023/24, mainly reflecting inflationary increases applied to pension payments and increased transfers out due to clearing a backlog of cases.

- 3.4. Overall pension membership numbers increased from 18,528 in 2023/24 to 19,129 in 2024/25. Active membership declined from 6,445 in 2023/24 to 6,309 in 2024/25, however, both deferred and pensioner membership types increased over the year. The number of employers with active members in the Fund increased from 60 to 67 over the year.
- 3.5. The Fund has increased its proportion of assets pooled with the London CIV (LCIV) to 84% at the end of March 2025, as compared to 77% at 31 March 2024, including both direct investments through LCIV vehicles and indirectly managed through passive investments. This increase was largely as a result of fully divesting from the Alpha Opportunities Fund managed by M&G and the proceeds being transferred to the LCIV Multi-Asset Credit Fund. Officers are planning for the transition of the remaining investments to meet the government's requirement to transfer all assets to pools by 31 March 2026. Net savings from pooling increased to £395k in 2024/25 from £286k in 2023/24.
- 3.6. During the year, the Pensions Administration Team successfully embedded new ways of working, leading to reduced processing backlogs and improved efficiency. The Guaranteed Minimum Pension (GMP) Reconciliation Project was completed in February 2025. Significant progress was also made on the McCloud Remedy Project and the national Pensions Dashboard project.
- 3.7. Work on the 2025 triennial valuation began during the year and is nearing final stages, with the Fund expecting to report a stronger funding position than the 101% achieved in 2022.
- 3.8. The Committee should note that LGPS regulations require the Fund to include a number of policy statements within the Annual Report for completeness. They are unchanged from previous versions of the policy documents, which have been presented to and approved by this Committee, therefore key sections for the Committee to focus on within the report are those numbered 1-12, which includes the statement of accounts. These accounts are currently draft pending the conclusion of the external audit review and the auditor issuing an opinion.
- 3.9. The auditor's report, once concluded, will be included in section 11 in the Annual Report when it is published online. The Draft 2024/25 Annual Report can be found at Appendix A. The statutory deadline for publishing the final report is 1st December 2025.

4. Benefits to Sutton and its Residents

- 4.1. The Pension Fund is run for the benefit of its members.

5. Implications

- 5.1. There are no material implications resulting from the recommendation of this report.

Equalities Implications

- 5.2. There are no material equalities implications arising from the recommendation of this report.

Climate Implications

- 5.3. There are no material climate implications resulting from the recommendation of this report.

6. Finance and Legal Commentary

Finance Comment

- 6.1. None

Financial Risks

- 6.2. None.

Legal Comment

- 6.3. There are no legal implications arising from the recommendation in this report.

Legal Risks

- 6.4. There are no legal risks arising from the recommendation in this report.

7. Appendices and Background Documents

- 7.1. Appendices

Appendix Letter	Appendix Title
A	Draft LBS Pension Fund Annual Report 2024/25

- 7.2. Background Documents

Date of Expiry	Background Document
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N/A	N/A
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8. Audit Trail and Consultations

Consultees	Yes/No	Officer	Date of Comments
Finance	Yes	Victoria Goddard Assistant Director, Finance	04/09/2025
Legal	Yes	Tracy Swan Head of Law, Property, Planning and Employment	10/09/2025
Commercial and Procurement	No	N/A	N/A
Others	No	N/A	N/A
Equalities Impact Assessment (EQIA)	No	N/A	N/A
Climate Impact Assessment (CIA)	No	N/A	N/A

London Borough of Sutton

Pension Fund Annual Report 2024/25



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POLICY STATEMENT

1. HIGHLIGHTS

£979m
Pension Fund Value
(23-24 £924m)

67
Employers

£45.7m
Contributions received
(23-24 £42.1m)

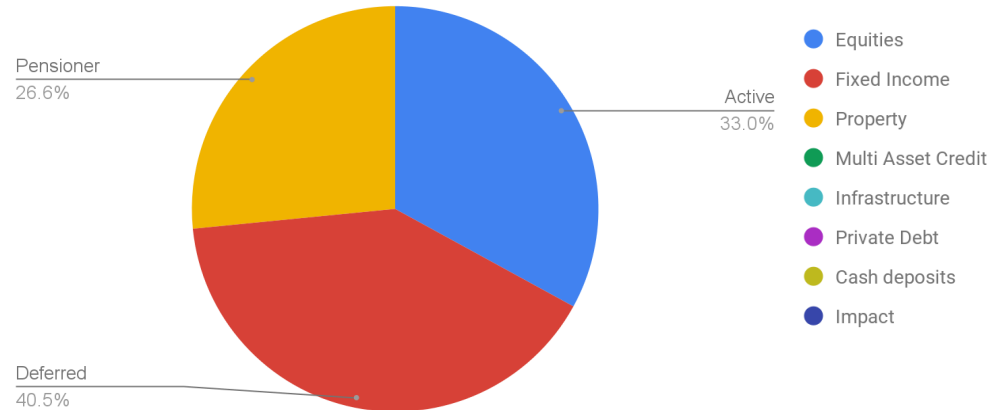
£42.6m
Benefits paid
(23-24 £34.7m)

111%
Indicative funding level
(101% 2022 Triennial
Valuation)

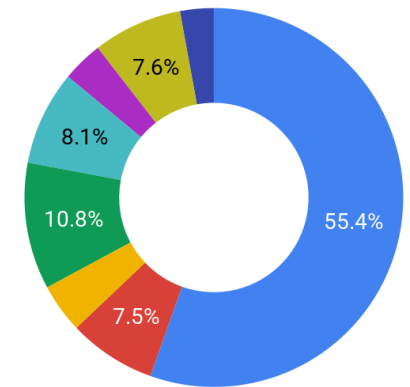
84%
Investments
pooled with LCIV

£1.4m
5 year fee savings
achieved through
pooling

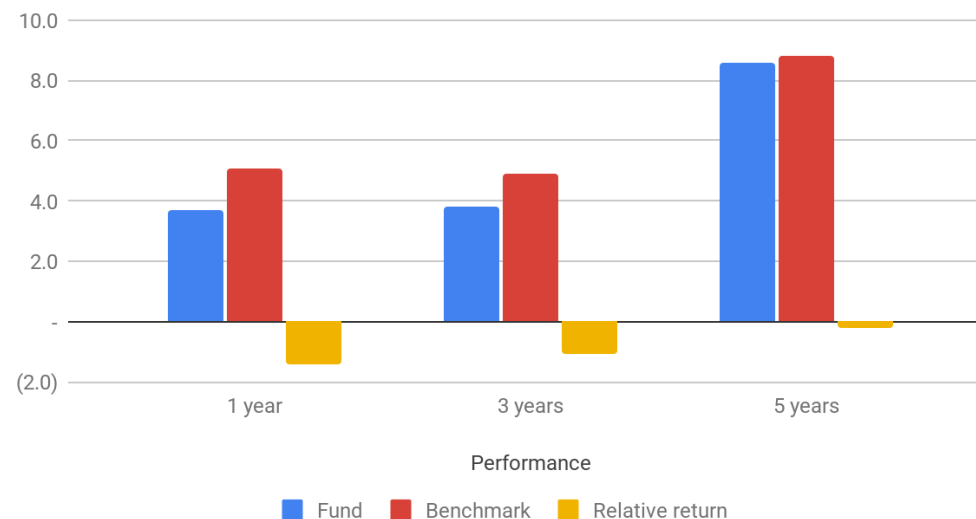
Membership Type 2024/25



Sutton's Asset Allocation at 31/03/25



Investment Performance over 1, 3 and 5 years



2. INTRODUCTIONS



PENSION COMMITTEE CHAIR'S INTRODUCTION

Welcome to the Annual Report for Sutton's Pension Fund (the 'Fund') for the year ended 31 March 2025. This has been produced to provide elected members, scheme members, employers and other interested parties with information concerning the administration and performance of the Fund during the financial year 2024/25.

The year signalled a number of significant changes for the Local Government Pension Scheme (LGPS). The new government carried out a landmark review of the pensions sector including the LGPS, which set out to boost investment in UK growth, increase saver returns, and tackle waste in the pension system. Leading on from this, a further consultation called "Fit for the Future" set out key changes for the LGPS in three main areas; reforming of asset pools, boosting investing locally in the UK and strengthening governance arrangements for both LGPS administering authorities and LGPS pools. The outcome of the review was published in May 2025 and confirmed that LGPS funds are required to transfer all assets to their respective pools by 31 March 2026. It's good to know that our Fund is already in a strong position, given that 84% of investment assets were pooled at the end of March 2025. Officers have been working with London CIV, the Fund's chosen pool, in order to plan for the transition of the remaining assets and there is much to be done over the coming year to implement all of the changes necessary to meet the requirements of the review.

Despite high inflation and interest rate hikes prompting an unsettled global marketplace during much of 2024/25 the total value of the Fund's net assets increased from £924m at the end of March 2024 to £979m at the end of March 2025. In terms of performance, the Fund returned 3.7% over the year, which was just ahead of the PIRC local authority average one year return across all LGPS funds at 3.4%. The Fund also performed ahead of average over the five and ten year periods.

The Fund is committed to being a responsible investor and continues to maintain a focus on Responsible Investment (RI) and developing its approach in this area. Members of the Pension Committee and Board attended an RI training and engagement session in September 2024 and following this, an updated RI Policy for the Fund was then produced and approved at the Committee's October meeting. The Fund is working closely with the LCIV to progress asset transition plans, alongside careful consideration of future RI developments.

One of the Fund's most important risk management exercises is the triennial valuation, which is undertaken with the Fund's actuary and determines the Fund's funding level and employer contribution rates for the next three years. Work on the 2025 valuation began during the year and is now nearing the final stages. The Fund's previous valuation was undertaken in 2022 and established a funding level of 101%. Since then there has been a significant shift in the economic environment, with many LGPS funds now reporting funding surpluses and our Fund expects to be similarly positioned.

At the end of March 2025 membership of the Fund stood at approximately 19,100 across 67 employers. During the year the Pensions Administration team successfully embedded new ways of working that have significantly reduced processing backlogs, improved efficiency and ensured that robust data has been available for the triennial valuation. Notable progress has been made on a number of important projects during the year, including the Guaranteed Minimum Pension (GMP) Reconciliation, McCloud Remedy and the national Pensions Dashboard. The GMP Reconciliation project was completed in February 2025.

Looking ahead to 2025/26, as well as continuing to deliver core pension services, some of the main priorities for the Fund will be to finalise the triennial valuation, carry out an investment strategy review, produce a new RI Policy and work alongside the LCIV to continue meeting the requirements of the government's reforms to the LGPS.

I would like to extend my thanks to my fellow committee and board members and our officers for their support over the last year.

Councillor Cryss Mennaceur, *Chair of the Pension Committee*



PENSION BOARD CHAIR'S INTRODUCTION

I am pleased to join Councillor Mennaceur in presenting the Pension Fund Annual Report.

2024/25 marks the Pension Board's tenth year. The Board helps the Fund comply with the Local Government Pension Scheme (LGPS) rules, pensions legislation and guidance from The Pensions Regulator. In its operation, the Board seeks to complement the Pensions Committee and add value to the Fund by providing scrutiny of the Fund's investment performance, asset allocation and compliance with its Responsible Investment Policy and providing detailed scrutiny of administration performance.

During 2024/25, the Board continued to focus on areas of administration performance that have faced significant challenges in recent years. The Board has been pleased to highlight a notable reduction in backlogs achieved during the year. Once improvement plans have been fully implemented, the Board is keen to engage with officers and the Committee in a discussion on the medium to longer term view of the performance of the service.

Another key area of focus for the Board has been on the risk management arrangements and reporting for the Fund. Following scrutiny by the Board, officers substantially redesigned the reporting of the risk register, enabling the Committee and the Board to focus in on areas of higher residual risk and where there has been a change in the residual risk level.

Throughout the year, the Board received updates on key projects, including the McCloud Remedy, GMP Reconciliation and Pension Dashboard. Scrutiny was also given to quarterly investment performance returns, the Fund's cashflow, Business Plan and budget, annual report and accounts, triennial valuation preparation, pension reforms and the role of the London CIV.

I should like to express my thanks to the members of the Board for their continued work and support.

Jonathan Bunt, *Chair of the Pension Board*

3. OVERALL FUND MANAGEMENT

Scheme management and advisers

Administering Authority

London Borough of Sutton

Supporting Officers

Richard Simpson, Strategic Director – Resources (Lead Officer for the Pension Fund)

Victoria Goddard, Director, Finance

Andrien Meyers, Head of Pensions Investments (up to August 2024)

Katherine Gray, Head of Pensions Investments and Treasury (from September 2024)

Nick Weaver, Head of Pensions Administration (up to May 2024)

Tom Taylor, Interim Head of Pensions Administration (from November 2024)

Lisa Doswell, Pensions Finance and Investment Manager

Kirsty Clubb, Senior Finance Lead - Pensions Investments and Treasury

Tom Taylor, Pensions Team Leader Employer Liaison and Governance (up to November 2024)

Scheme Administrators

Sutton and Kingston Shared Service

Asset Pool

London Collective Investment Vehicle (LCIV)

Investment Managers:		
Equities (Active)	Equities (Passive)	Infrastructure
Newton (LCIV)	Legal & General	Partners Group
RBC (LCIV)	State Street (LCIV)	BlackRock, Stonepeak, Quinbrook, and Foresight (LCIV)
Property	Fixed Income	Diversified Growth
BlackRock	Legal & General	Baillie Gifford (LCIV)
LaSalle		
Invesco		
Impact	Multi Asset Credit	Private Debt
CBRE & Octopus (LCIV)	M&G Alpha Opportunities	Pemberton & Churchill
LPPI (LCIV)	CQS & PIMCO (LCIV)	
Investment Adviser	Benefits Consultant	Actuary
Mercer	AON	Hymans
Performance Monitoring	Custodian	Auditor
Mercer and PIRC	Northern Trust	KPMG
Legal Advisor	AVC Providers	Bank
South London Legal Partnership	Clerical Medical and Utmost	Lloyds Bank

4. FINANCIAL PERFORMANCE

Fund Income and Expenditure From 2020/21 to 2024/25

Income and expenditure of the Fund over the past five years is shown in the table below.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Contributions receivable	44,080	36,896	37,201	49,086	73,747
Benefits payable	(33,243)	(50,632)	(35,197)	(38,039)	(55,051)
Net payment to/(from) the Fund	10,837	(13,736)	2,004	11,047	18,696
Fund management expenses	(6,510)	(6,571)	(7,822)	(6,096)	(5,294)
Net returns on investment	11,785	9,344	15,383	16,965	16,536
Change in market value	156,201	53,419	(53,823)	91,525	24,999
Net (decrease)/increase in the Fund	172,313	42,456	(44,258)	113,441	54,937

The table above indicates that the Fund's value has increased by £338.9m over the past five years. This growth results from a net change in market value and investment income (after fund management expenses) of £310.0m, along with net contributions to the fund amounting to £28.8m during this period. Excluding transfers in/out, contributions to the fund have consistently exceeded the benefits paid out on an annual basis so far; however, this situation may change as the number of retirees

increases. Throughout this period, the Fund's management expenses have been covered by net investment income. Further details will be provided later.

Analysis of Contributions and Benefits of the Fund

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Contributions Receivable					
- Members	7,006	7,562	8,184	9,032	9,602
- Employers	33,760	25,669	25,156	33,069	36,075
- Transfers in	3,314	3,665	3,861	6,985	28,070
Total Contributions	44,080	36,896	37,201	49,086	73,747
Benefits Payable					
- Pensions	(23,659)	(26,221)	(27,680)	(30,397)	(33,558)
- Lump sum retirements and death benefits	(3,910)	(3,972)	(4,456)	(4,257)	(9,042)
- Transfers out	(5,584)	(20,281)	(2,973)	(3,276)	(12,327)
- Refunds	(90)	(158)	(88)	(109)	(124)
Total Benefits Payable	(33,243)	(50,632)	(35,197)	(38,039)	(55,051)
Net Payment to / (from) the Fund	10,837	(13,736)	2,004	11,047	18,696

The table above shows that transfers into the Pension Fund for 2024/25 totalled £28,070k, primarily from small transfers of individuals from other organisations. A bulk transfer of £12,500k from Croydon Council for Idverde was also received. Transfers out of the Fund amounted to £12,327k, with the increase due to progress in clearing a backlog of cases.

Analysis of Fund Management Expenses

The costs of managing the Pension Fund are split into three areas; administration costs, investment management expenses and oversight and governance costs. These costs incurred over the last five years are shown in the table below.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Administration Cost					
Internal support costs	822	1,038	1,374	1,080	1,249
Sub-total Administration Costs	822	1,038	1,374	1,080	1,249
Investment Management Expenses					
Management fees (including performance fees)	4,049	4,301	4,706	4,583	3,210
Transaction costs	1,401	837	1,318	240	553
Custodian	38	106	100	8	15
Sub-total Investment Management Expenses	5,488	5,244	6,124	4,831	3,778
Oversight and Governance Costs					
Actuarial fees	46	17	37	31	91
External audit	34	35	41	69	143
Consultancy fees	83	52	4	37	-
Other	37	185	241	48	33
Sub-total Oversight & Governance Costs	200	289	324	185	267

Total Fund Management Expenses	6,510	6,571	7,822	6,096	5,294
---------------------------------------	--------------	--------------	--------------	--------------	--------------

Investment management expenses are calculated as a percentage of the market value of the portfolio, meaning they increase as the Fund's value rises. The Fund invests in pooled investment vehicles, most of which do not invoice their fees separately; instead, fees are deducted directly from the Fund's asset value. Starting in the 2023/24 period, the investment management fees now only include actual charges incurred by the fund, excluding any notional costs that are not borne by the Fund. This change has resulted in a reduction in reported fees.

Overall, in 2024/25 the cost of managing the Fund represents approximately 0.5% of the value of the Fund.

Costs per member

	2020/21	2021/22	2022/23	2023/24	2024/25
Membership Number	15,094	16,769	17,494	18,528	19,129
Cost per member					
Administration costs	54	62	79	58	65
Investment Management costs	364	313	350	261	198
Oversight and Governance costs	13	17	18	10	14
Total Fund costs per member	431	392	447	329	277

Current Assets / Liabilities

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Current Assets	6,755	15,216	21,097	17,097	18,806
Current Liabilities	(2,129)	(18,034)	(18,130)	(2,151)	(1,849)
Net Current Assets	4,626	(2,818)	2,967	14,946	16,957

Current assets consist of cash in the Fund's bank account and income due to the Fund at the end of each year from contributions made by admitted bodies or pending transfers from other pension funds.

Current liabilities include outstanding fund expenses at year-end, including cash owed to the London Borough of Sutton Council for previous transactions.

5. INVESTMENT POLICY AND PERFORMANCE REPORTING

Investment Background 2024-25

Macro (Big Picture)

In the second quarter of 2024, inflation in most developed countries started to slow down and move closer to the targets set by central banks. This encouraged central banks to consider easing their monetary policies. The European Central Bank (ECB) lowered interest rates in June. In the US, inflation was cooling, and the job market was softening, which led bond markets to expect two interest rate cuts by the US Federal Reserve by the end of 2024. The Bank of England (BoE) was expected to cut rates in August, even though inflation in services remained high. Overall, bond yields increased during this period because inflation data initially came in higher than expected, especially in the US. Stock markets kept rising, except in Japan, where they didn't perform as well. Emerging markets (like Brazil and India) outperformed developed markets. Political uncertainty was high, with new elections called in the UK and France.

In the third quarter of 2024, central banks in developed countries, including the US, started lowering interest rates again. They did this because inflation and the job market continued to slow, and wage growth was weakening. Japan was different, they raised interest rates slightly in July due to strong wage negotiations that could push inflation higher. Market sentiment improved, with fears of a US recession easing in early August. Bond yields fell across many countries, and stock markets rose as interest rates were cut. However, concerns around the US election and conflicts in the Middle East caused some market volatility.

In the fourth quarter of 2024, most developed countries' central banks kept lowering interest rates. The US cut rates, but the economy remained resilient, so the Federal Reserve projected fewer rate cuts for 2025 and 2026. Europe and the UK were more cautious. Japan kept rates unchanged because of uncertainty about wages and the US economy. Markets continued to believe the US economy could slow down without a recession, despite political uncertainties under Donald Trump's potential presidency. Bond yields rose again, and stocks generally performed well after rate cuts.

In the first quarter of 2025, most central banks continued to cut rates, but the US Federal Reserve held rates steady and lowered its growth outlook due to economic uncertainties. In Europe, political developments in Germany and a large government spending plan made headlines. Markets remained cautious, with bond yields fluctuating and global stocks ending the quarter with some losses. Concerns about tariffs and slowing growth weighed on investor confidence.

Equities (Stocks)

From March 2024 to March 2025, stocks in developed markets rose by about 4.8%, while emerging market stocks increased by around 10.1%, outperforming developed markets.

In the second quarter of 2024, stock markets continued to grow, mainly driven by a few large companies. Corporate profits stayed strong, and falling inflation created a better environment for stocks. Asian markets, especially Taiwan and India, did well, helped by advances in artificial intelligence (AI). China and Latin America didn't perform as strongly, but overall, markets in Asia outperformed.

In the third quarter, stocks kept rising, but there was more volatility in early August. This was caused by the unwinding of a trade strategy involving the US dollar and Japanese yen, weaker US employment data, and rising unemployment. Despite this, US economic data remained positive later in the quarter. Chinese stocks surged at the end of the quarter after the government announced more support measures.

In the last quarter of 2024, global stocks gained in local currency and British pounds, but in US dollars, they showed some losses due to currency fluctuations. US stocks did well after Donald Trump's election victory. However, European and Japanese stocks struggled because of economic and political worries. UK stocks also declined, mainly because of concerns about the UK economy. Japanese stocks benefited from a weaker yen, government stimulus, and corporate reforms.

In the first quarter of 2025, global stocks fell in both local and pound terms due to worries about tariffs and economic growth. Emerging markets outperformed developed markets. Chinese stocks rose thanks to government support and advances in AI, while US stocks declined because of weaker economic data and trade uncertainties. Japanese stocks also fell. Overall, the second half of the year saw a slowdown in positive momentum due to policy uncertainties and economic worries.

Bonds (Government and Corporate Loans)

By March 2025, UK government bonds lost about 1.2% of their value, while UK corporate bonds gained around 2.4%. Bonds linked to inflation lost nearly 8%.

Bond yields (interest rates) varied: US Treasury yields declined, but yields in other developed countries rose. In the UK, the Bank of England was cautious, warning about economic and inflation risks from trade policies and wage growth. The Bank cut interest rates by a total of 0.75% during the year. UK 10-year government bond yields increased from 4.20% to 4.87%. Real yields (adjusted for inflation) also rose, reaching levels last seen in 2009.

Credit spreads (the extra yield investors get for taking on credit risk) tightened for both investment-grade and high-yield bonds, especially for lower-rated bonds.

Property (Real Estate)

The UK property market remained relatively stable, but recent geopolitical events added some uncertainty. The market is recovering, with prices and sales increasing. For the first time in ten quarters, yields (the return on property investments) started to compress in some sectors, indicating a strengthening recovery. The Bank of England remains cautious about cutting interest rates, keeping borrowing costs high for now, but expectations are that rates will decrease further during the year.

In the last quarter of 2024, property transactions in the UK surged by 50%, the strongest since 2022. Industrial and residential properties saw the biggest increases. Overall, all major sectors saw more deals compared to the previous year, with industrial and retail leading the way. The MSCI UK Property Index showed a 2.4% gross return over three months, with residential and hotel sectors performing best.

Commodities (Raw Materials)

Oil prices dropped by about 14.5%, from \$87.42 to \$74.78 per barrel. Gold prices rose sharply, up 41%, from \$2,214 to over \$3,125 per ounce. The overall commodities index fell by 4.5%.

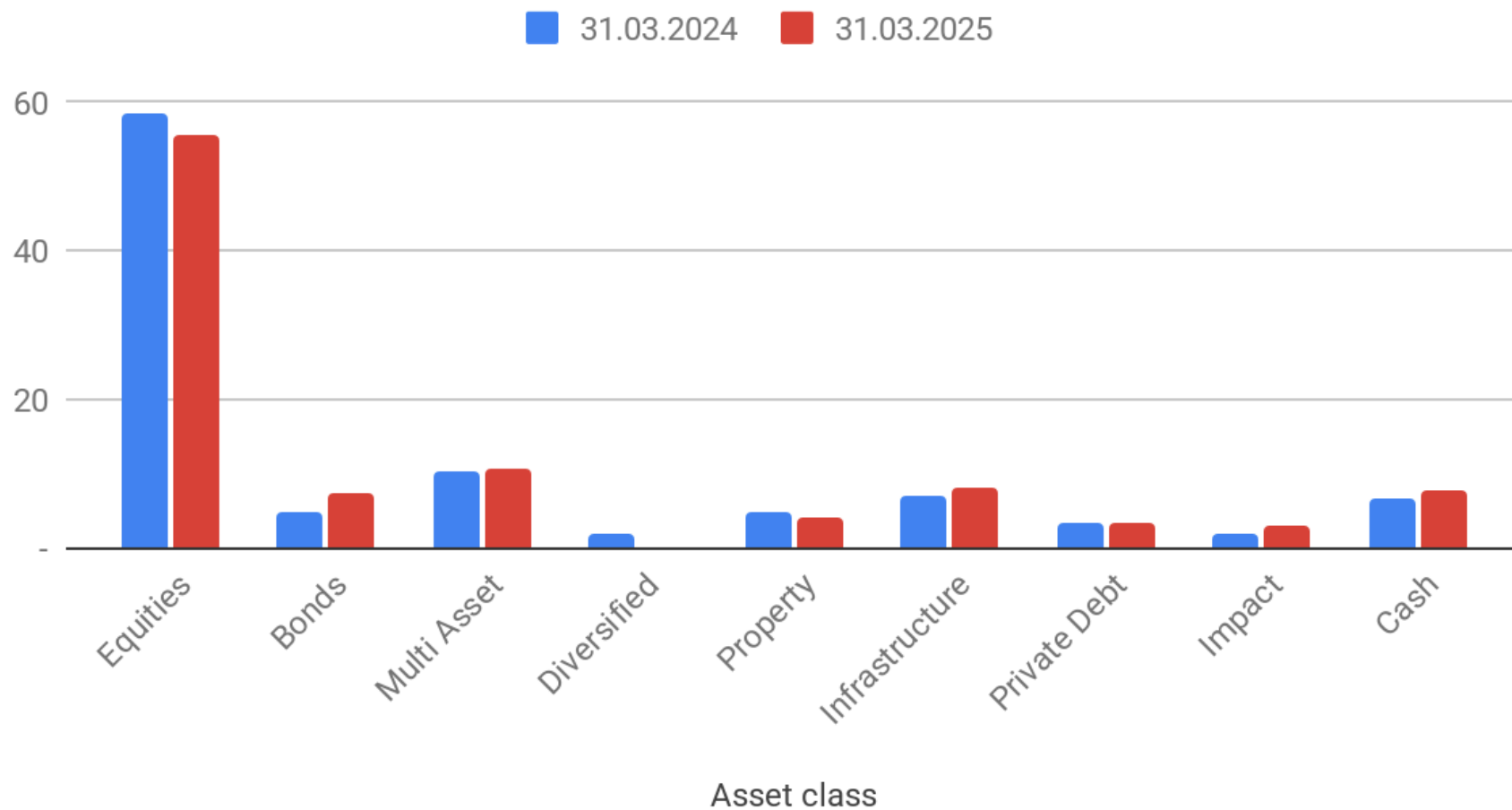
Currencies

Over the year, the British pound strengthened against the US dollar by about 2.2%, from \$1.263 to \$1.291. It also gained against the yen and euro, rising by 1% and 2.2%, respectively.

Asset Allocation and Manager Breakdown

Asset class	Actual Asset Allocation	Actual Asset Allocation	Strategic Asset Allocation	Variance from Strategic Asset Allocation
	%	%	%	%
	31.03.2024	31.03.2025	31.03.2025	31.03.2025
Equities	59	55	50	5
Bonds	5	8	6	2
Multi Asset Credit	10	11	9	2
Diversified Growth	2	-	-	-
Property	5	4	10	(6)
Infrastructure	7	8	10	(2)
Private Debt	3	4	5	(2)
Impact	2	3	10	(7)
Cash	7	8	-	8
	100	100	100	

Asset Allocation 31 March



The market value of investment assets managed by each fund manager as of 31 March 2024, and 31 March 2025, is presented in the table below. During the 2024/25 period, the mandate with the M&G Alpha Opportunities Multi Asset Credit Fund was terminated. The funds from this mandate were transferred to existing accounts with the Legal and General Index Linked Gilts Fund and the LCIV Multi Asset Credit Fund. Additionally, during 2024/25, the remaining balance in the LCIV Diversified Growth Fund was drawn down to support capital calls for existing investments in infrastructure, impact, and private debt funds.

Fund Manager	Market Value at 31/03/24 £'000	Market Value at 31/03/25 £'000
Investments managed by London Collective Investment Vehicle	711,113	808,577
LCIV Global Equity Fund - Newton	130,377	136,270
LCIV Sustainable Equity Fund - RBC	130,096	131,976
LCIV Passive Equity Progressive Paris Aligned Fund - State Street	124,680	132,221
Legal & General Future World Global Equity Index Fund	152,647	132,805
LCIV Diversified Growth Fund - Baillie Gifford	24,038	0
LCIV Multi Asset Credit Fund - CQS & PIMCO	31,678	104,091
Legal & General Over 5 Year Index Linked Gilts Fund	47,081	71,885
LCIV Private Debt Fund -Pemberton & Churchill	31,238	33,515
LCIV Renewable Infrastructure - BlackRock, Stonepeak, Quinbrook & Foresight	27,234	38,171
LCIV The London Fund - LPPI	11,944	14,698
LCIV UK Housing Fund - CBRE, Octopus	100	12,945
Investments managed outside of London Collective Investment Vehicle	147,417	79,777
M&G Alpha Opportunities Fund	65,011	0
LaSalle Investors UK Real Estate Fund of Funds	9,737	4,463
BlackRock UK Property Fund	19,221	20,553

Invesco Real Estate UK Residential Fund SCSp	16,075	15,456
Partners Group Direct & Global 2015 S.C.A., SICAV-SIF & Global 2012 S.C.A., SICAR Partners Group - Direct Infrastructure III (EUR) S.C.A., SICAV-RAIF	37,373	39,305
Total	858,530	888,354

Each fund manager has been set a specific benchmark and some have also been set a performance target against which they will be measured. This is shown in the table below.

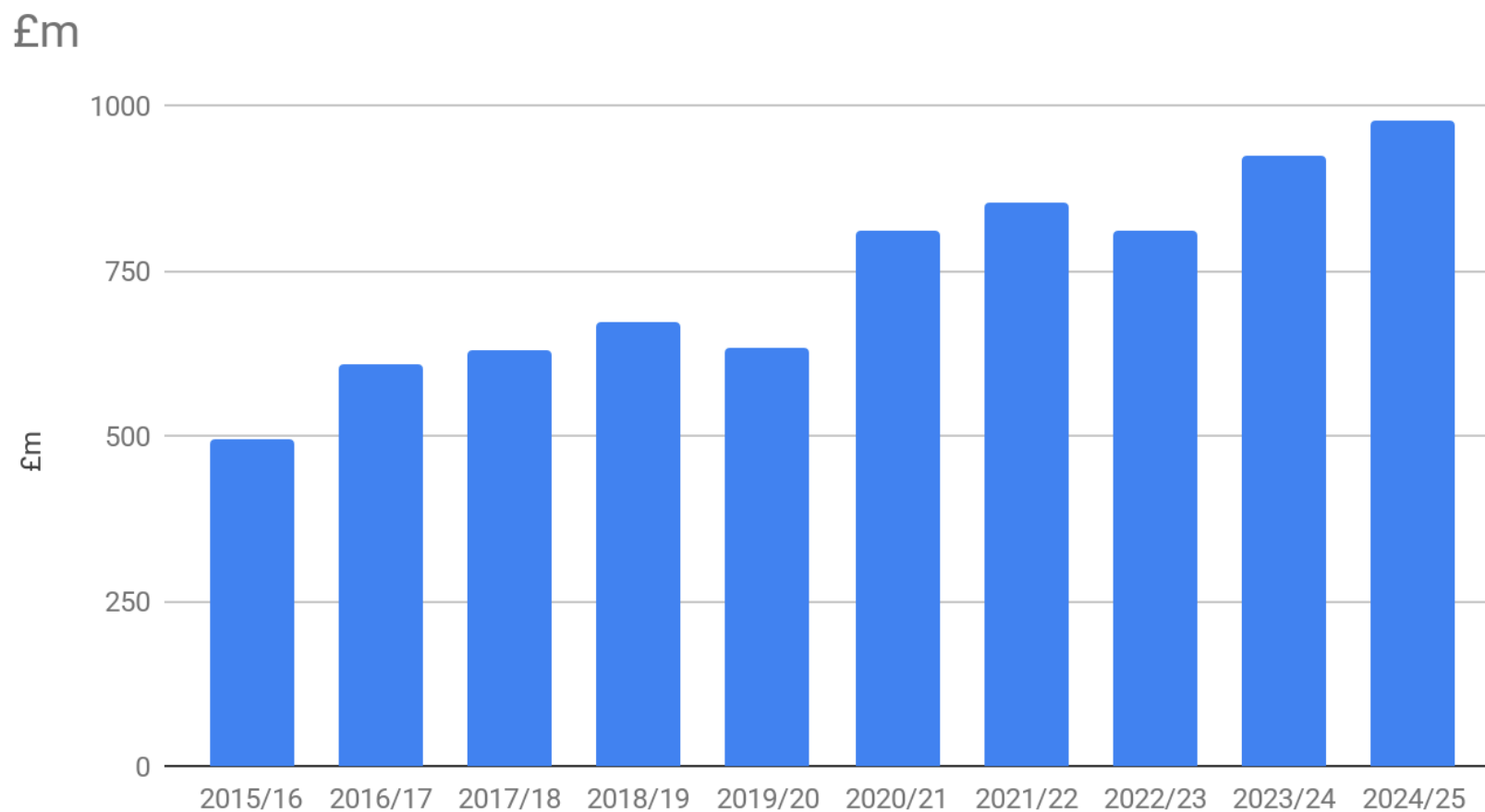
Investment Fund	Benchmark	Performance Target
LCIV Global Equity	MSCI AC World Index	Index +1.5% p.a. (net of fees)
LCIV Sustainable Equity	MSCI World (NDR) Index	Index +2% p.a. (net of fees)
LCIV Passive Equity Progressive Paris-Aligned (PEPPA)	S&P Developed Ex-Korea LargeMidCap Net Zero 2050 Paris-Aligned ESG Index TR (GBP)	-
Legal & General Future World Equity	Solactive L&G ESG Global Markets Net	To match the benchmark
Legal & General Index Linked Over 5 Years	FTSE A Over 5 Years Index-Linked Gilts Index	To match the benchmark
M&G Alpha Opportunities	SONIA	SONIA +3-5% p.a. (gross of fees)
LCIV Multi Asset Credit (MAC)	SONIA	SONIA +4.5% p.a. (net of fees)
LCIV Diversified Growth	UK Base Rate	UK Base Rate +3.5% p.a. (net of fees)
BlackRock	MSCI UK Pooled Property Funds Index	-
LaSalle	MSCI All Property Funds Median	-
Invesco	Absolute 6% p.a.	-
Partners Group 2012 Direct	+7% to +11% p.a. (net of fees)	-

Partners Group 2015 Direct	+8% to +12% p.a. (net of fees)	-
Partners Group 2015 Global	+7% to +11% p.a. (net of fees)	-
Partners Group III Direct	+8% to +12% p.a. (net of fees)	-
LCIV Private Debt	IRR+6% to +8% p.a. (net of fees)	-
LCIV London Fund	CPI +3% p.a. (net of fees)	-
LCIV UK Housing Fund	IRR+5% to 7% p.a. (net of fees)	-
LCIV Renewable Infrastructure Fund	IRR+7% to +10% p.a. (net of fees)	-

DRAFT

FUND VALUE OVER 10 YEARS

The market value of the total investment assets held by the fund managers over the last 10 years is shown below.



*This does not include cash balances held by the Fund and managed by the Council on the Fund's behalf.

Performance

The following tables provide comparative analyses of performance over 1 year, 3 years and 5 years at total Fund level and at fund manager level against the relevant benchmark. All figures are shown net of fees.

Performance	1 year	3 years	5 years
Fund	3.7	3.8	8.6
Benchmark	5.1	4.9	8.8
Relative return	(1.4)	(1.1)	(0.2)

Investment Performance over 1, 3 and 5 years



At total fund level, as at March 2025 the Fund underperformed the benchmark by 1.4% over the past year, underperformed by 1.1% per annum over three years and underperformed by 0.2% per annum over five years.

Analysis of the Universe of LGPS funds carried out by the performance monitoring service PIRC, has shown that average fund returns delivered 3.4% (1 year), 3.6% (3 years), and 8.3% (5 years).

Investment Fund	1 year performance			3 year performance			5 year performance		
	Fund Return	Benchmark Return	Relative return	Fund Return	Benchmark Return	Relative return	Fund Return	Benchmark Return	Relative return
London Collective Investment Vehicle:									
LCIV Global Equity	4.5	5.3	(0.8)	9.5	8.1	1.4	14.8	14.8	-
LCIV Sustainable Equity	1.4	5.5	(4.1)	2.8	8.3	(5.5)	-	-	-
LCIV Passive Equity Progressive Paris-Aligned	6.0	5.5	0.5	-	-	-	-	-	-
Legal & General - Index Linked	(10.5)	(10.4)	(0.1)	(16.6)	(16.6)	-	(9.0)	(9.0)	-
Legal & General - Global Equity	5.2	4.5	0.7	8.1	7.5	0.6	-	-	-
LCIV Multi Asset Credit Fund	8.0	9.0	(1.0)	4.8	8.1	(3.3)	-	-	-
LCIV Private Debt Fund	5.1	6.0	(0.9)	7.1	3.0	4.1	-	-	-
LCIV Renewable Infrastructure	(6.7)	7.0	(13.7)	-	-	-	-	-	-
LCIV UK Housing Fund	(1.2)	6.0	(7.2)	-	-	-	-	-	-
LCIV London Fund	7.6	6.0	1.6	-	-	-	-	-	-
Other Managers:									
LaSalle	9.3	6.1	3.2	(1.9)	(2.6)	0.7	1.9	2.3	(0.4)
BlackRock	5.3	6.0	(0.7)	(4.9)	(3.5)	(1.4)	1.6	1.8	(0.2)
Invesco	(3.6)	6.0	(9.6)	(1.9)	7.0	(8.9)	0.6	7.4	(6.8)
Partners Group Global 2012 - Infrastructure	(6.3)	8.0	(14.3)	4.9	3.9	1.0	8.9	2.3	6.6
Partners Group Direct 2015 - Infrastructure	12.1	8.0	4.1	14.9	3.9	11.0	19.1	2.3	16.8
Partners Group Global 2015 - Infrastructure	7.9	8.0	(0.1)	8.7	3.9	4.8	14.8	2.3	12.5
Partners Group Direct III - Infrastructure	14.2	8.0	6.2	14.0	3.9	-	-	-	-

6. ASSET POOLS

Background

The Department for Levelling Up, Housing and Communities (DLUHC) issued guidance in 2015, outlining expectations for LGPS funds to establish asset pooling arrangements. The aim was to achieve improved governance, economies of scale, and lower investment costs.

DLUHC initiated a consultation in January 2019 to update expectations for administering authorities and formalise the pooling framework. This built on previous communications and aimed to establish a more transparent regulatory framework for LGPS pools. The Government's commitment to accelerating asset pooling was reaffirmed in July 2023 with DLUHC's 'Next Steps on Investment Consultation'. This initiative gained further support from the Chancellor's Autumn Statement 2023, which declared the Government's intention for all LGPS funds to have transitioned their listed assets into their respective pool by 31 March 2025. This timeline aligns with the 2022 triennial valuation cycle and forms part of the Government's 'Fit for the Future' agenda, which aims to consolidate LGPS investment assets to achieve improved outcomes for both scheme members and taxpayers.

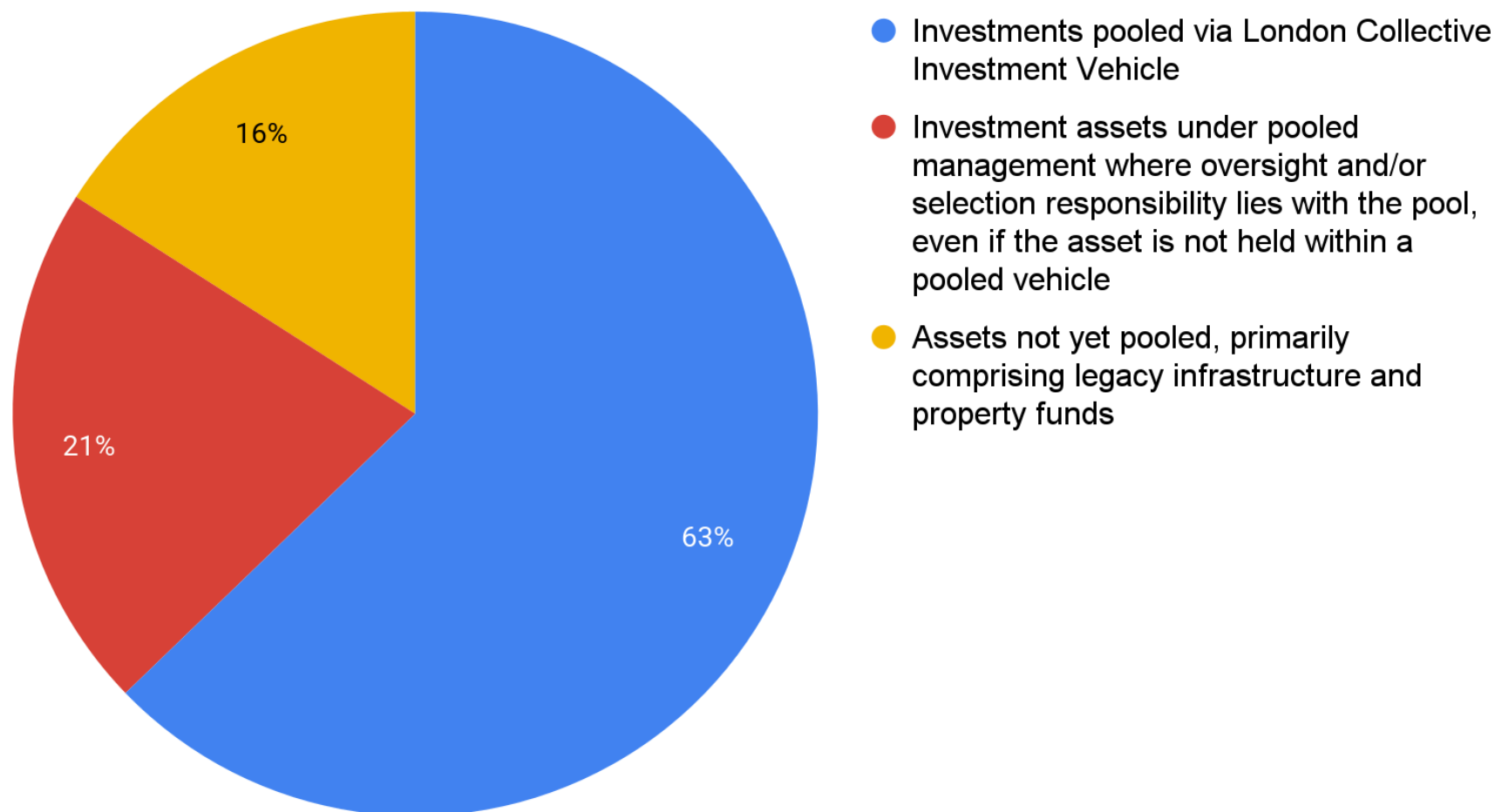
Pooling Progress

Established in 2015, the London CIV is entirely owned by the 32 London local authority pension funds. As of 31 March 2025, it managed approximately £34.2 billion in assets, across a range of listed and alternative investment strategies.

As at 31 March 2025, the Fund had;

- £603.9m (63%) of investment assets pooled via the London CIV
- £204.7m (21%) of investment assets under pooled management where oversight and/or selection responsibility lies with the pool, even if the asset is not held within a pooled vehicle
- £79.8m (16%) of assets not yet pooled, primarily comprising legacy infrastructure and property funds

LB Sutton Pension Fund Investments Pooling Position at 31 March 2025



The table below shows the Fund's assets by asset class split between investments managed by the pool, investments deemed pooled and investments outside of the pool.

Asset Values as at 31 March 2025	Pooled	Under Pool Management	Not Pooled	Total
	£'000	£'000	£'000	£'000
Equities	400,467	132,805		533,272
Bonds		71,885		71,885
Multi Asset Credit	104,091		-	104,091
Diversified Growth Funds	-			-
Property			40,472	40,472
Infrastructure	38,171		39,305	77,476
Private Debt	33,515			33,515
Impact	27,643			27,643
Cash and cash equivalents*			73,495	73,495
Total Investment Assets	603,887	204,690	153,272	961,849

* This represents cash held in the Fund's money market funds. It does not include cash held in the Fund's current account at year end.

The set up and transition costs incurred by the Fund in relation to pooling are detailed in the following table;

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Set up Costs					
Share purchase	-	-	-	-	-
Annual subscription	25	25	25	25	25
Development funding charge	85	85	85	76	73
Management Fees		86	85	94	126
Transition Costs	-	-	-	-	
Gross Fee Savings	(246)	(441)	(518)	(481)	(619)
Net Savings Realised	(136)	(245)	(323)	(286)	(395)

The table below shows how the management costs of the Fund compare between those managed by LCIV and the Fund's existing managers.

	Asset Pool	Non-Asset Pool	Fund
	Total	Total	Total
	£'000	£'000	£'000
Management fees	2,069	1,141	3,210
Transaction costs	370	183	553
Custody fees	-	15	15
Performance fees	-	-	-
Total	2,438	1,339	3,778

7. RESPONSIBLE INVESTMENT

Beliefs

The Fund is committed to being a responsible investor and its investment beliefs reflect the need to deliver sustainable investment returns in order to pay pension benefits. The Fund's Responsible Investment (RI) Policy aims to incorporate financially material Environmental, Social and Governance (ESG) factors into investment decisions and recognises that it is consistent with its fiduciary responsibility to identify and manage ESG risks and opportunities appropriately, while safeguarding its assets over the long term.

The RI Policy can be found [here](#).

Engagement

The Fund uses its influence as a long-term investor to encourage positive change. It expects all of its investment fund managers to exercise their voting rights and to actively engage with companies to encourage responsible investment behaviour. Divestment is considered as a last resort, once all avenues of engagement have been explored.

The Fund works closely with its chosen pool, the London CIV, to maximise stewardship and engagement opportunities and is a member of the Local Authority Pensions Fund Forum (LAPFF), an organisation that engages directly with company chairs and boards to affect change at investee companies.

Progress

While the Fund's approach to responsible asset ownership has already led to the transition of the majority of its equity investments into funds with an ESG tilt, there is a continuing RI journey. During 2024/25 Pension Committee members attended a training session on taking the next steps in responsible investing. Following this a revised RI Policy was put in place, which set out clearer beliefs and objectives, strengthened the approach to climate change through the introduction of 2030 carbon reduction targets, set out the Fund's enhanced adoption of UN Sustainable Development Goals and its objectives on Impact Investing, alongside how that will be measured and reported. The Fund continues to work closely with the London CIV on RI monitoring and reporting, which includes the provision of annual climate analytics.

8. SCHEME ADMINISTRATION

Service arrangements

The London Borough of Sutton Pension Fund is committed to providing a high-quality, efficient, and cost-effective administrative service of the Local Government Pension Scheme (LGPS) to all its members and employers. The day-to-day administration of the Fund is managed through the Shared Pensions Administration Service with the Royal Borough of Kingston upon-Thames Pension Fund, a partnership designed to enhance resilience, efficiency, and member experience. The Shared Pensions Administration Service is hosted by the London Borough of Sutton and delivers its services to a total membership of circa 38,848 and 104 employers across the two funds.

This section of the Annual Report outlines the administration of the LGPS in Sutton, details the services provided to members, and reviews the performance of the administrative function over the past year.

Service Delivery

The shared Pensions Service is responsible for all operational aspects of the Fund's administration, including:

- Maintaining accurate and up-to-date member records
- Calculating and paying pension benefits in accordance with the performance standards
- Publishing annual benefit statements for active and deferred members
- Publishing pension savings statements to affected members
- Applying the annual pensions increase as directed by HM Treasury
- Maintaining a 'breaches of law' register and notify The Pension Regulator of any materially significant breaches
- Ensuring that any internal dispute resolution procedure and corporate complaint cases are dealt with in a timely manner

Member Services and Communication

The Fund places a high value on clear and accessible communication with its members. Key communication channels and services include:

- Annual Benefit Statements: Provided to all active and deferred members, outlining their pension benefits accrued to date.
- "My Pension" Online Portal: A secure online platform where members can view their pension details, run retirement projections, and update their personal information. The member self-service portal can be accessed at pensions.sutton.gov.uk.
- Website: The London Borough of Sutton Council website provides a dedicated section for the Pension Fund, with access to key documents, forms, and news updates. For more information, please search 'LGPS' on www.sutton.gov.uk.
- Member Enquiries: The shared Pensions Administration Service is available to answer member queries by phone and email, providing support on a range of pension-related matters.

Performance and Key Developments

The Fund continuously monitors its performance to ensure that a high standard of service is maintained. Key performance indicators (KPIs) are in place to measure the timeliness and accuracy of key administrative tasks. Over the past year, the Fund has focused on several key exercises:

McCloud remedy project

In 2018, the Court of Appeal ruled in the McCloud case that the transitional protections given to older members of public service pension schemes when they were reformed in 2014 and 2015 were discriminatory on the grounds of age. The Government has since introduced regulations, known as the McCloud Remedy, to remove this discrimination from the LGPS.

The remedy applies to members who were in the scheme on or before 31 March 2012 and remained in service on or after 1 April 2014. For these members, benefits accrued during the remedy period (1 April 2014 to 31 March 2022) are now protected by an 'underpin'. This means that when an affected member takes their pension, the Fund will calculate their benefits for the remedy period on both a final salary and a career average (CARE) basis, and the member will receive the higher of the two. The implementation of the McCloud Remedy is a large and complex undertaking, requiring significant resources and a detailed project plan. The Fund has established a dedicated project to manage this process, working closely with our administration software provider to develop and test the necessary system functionality to perform the underpin calculations accurately. A

primary focus has been gathering historical pay data for the entire remedy period for all affected members. This has involved extensive engagement with scheme employers to ensure the data we hold is complete.

Our immediate priority is for our active and deferred members' Annual Benefit Statements to be updated to reflect any McCloud underpin protection. The next phase is the review of cases for members who have already retired or left the scheme, as their benefits may need to be retrospectively adjusted. We are reviewing these cases and will be communicating directly with any member whose pension is due to be increased, with any arrears paid in line with scheme regulations. The Fund is committed to completing this project to ensure all members receive benefits compliant with LGPS Regulations.

Guaranteed Minimum Pensions (GMP) reconciliation project

The Fund is pleased to report the successful completion of the Guaranteed Minimum Pension (GMP) Reconciliation project in February 2025. This complex project was a mandatory industry-wide exercise that was required following the end of contracting-out of the State Earnings Related Pension Scheme (SERPS) in 2016.

The project's objective was to reconcile the GMP data held by the Fund against the final records provided by HM Revenue & Customs (HMRC). This was a key exercise, as discrepancies between these datasets could lead to the incorrect application of pension increases and, consequently, incorrect pension payments over many years.

Working with a specialist third-party provider, the final phase of the project involved correcting all identified discrepancies on affected members' pension records. Where this exercise identified historical underpayments, arrears have been calculated and paid with interest. In cases where overpayments were identified, the Fund has acted in line with scheme regulations and established LGPS best practice. All affected members have been contacted with a clear explanation of the changes to their pension. The conclusion of this key project provides greater accuracy for members' benefits and improves the quality of the Fund's liability data for actuarial valuation purposes.

Pensions Dashboards project

The Pensions Dashboard Programme is a government-led initiative set to transform how individuals interact with their pensions. The programme, overseen by the Money and Pensions Service (MaPS), will enable members to view information about all of their pensions in a single secure online location.

The LGPS, along with all other UK pension schemes, has a statutory duty to connect to the central digital architecture that underpins the dashboard. This will allow secure transfer of members' data to their chosen dashboard provider upon request. The mandatory staging date by which the London Borough of Sutton Pension Fund must be connected to the ecosystem is 31 October 2025. In preparation for this significant undertaking, the Fund is actively engaged in a detailed project plan and on track to meet the statutory deadline.

A key dependency for the success of the Pensions Dashboard is the quality and completeness of member data. Our ongoing data improvement initiatives are therefore critical to ensuring we can meet our dashboard obligations and provide our members with accurate information when the service goes live. The Fund remains committed to delivering this project on time and to the required standards.

Data Improvement project

The Fund considers the maintenance of high-quality member data to be key to effective scheme administration. Accurate data is fundamental to ensuring the correct calculation of members' benefits, the precise valuation of the Fund's liabilities, and compliance with our statutory obligations. The Pensions Regulator (tPR) requires all schemes to measure and report on the quality of their data annually.

For the 2024/25 reporting year, the Fund's data scores were 98% for common data and 83% for scheme-specific data. While the common data score remains high, we have identified the improvement of our scheme-specific data as a priority. To address this, the Fund has a comprehensive Data Improvement Plan in place. This plan outlines a programme of work to identify the cause of data issues and implement solutions to improve data accuracy.

As part of this ongoing plan, the Fund undertakes several proactive measures. We work continuously with scheme employers to improve the quality of data submissions at source. Furthermore, in accordance with our Data Improvement Policy, we engage a specialist third-party data services provider to conduct data cleansing activities. These include mortality screening to prevent pension overpayments and reduce the risk of fraud, alongside regular address tracing exercises to find and re-engage with members with whom we have lost contact. The implementation of these initiatives is crucial for safeguarding members' benefits and the Fund's assets.

Value for money statement

The London Borough of Sutton Pension Fund is committed to ensuring that the services provided to its members and employers deliver excellent value for money. The Fund has a fiduciary duty to manage its costs effectively without compromising the quality of its administration and governance.

An important part of our value for money strategy is the shared Pensions Administration Service with the Royal Borough of Kingston upon-Thames. This collaboration generates efficiencies through economies of scale, the sharing of specialist staff and resources, and increased resilience. By pooling our administrative functions, we can reduce the cost per-member while enhancing the overall service provided.

Our investment in the "My Pension" online portal, empowers members to self-serve, which improves efficiency and reduces administrative costs. The Fund is dedicated to the ongoing monitoring of its performance and costs to ensure that value for money is consistently achieved and improved upon.

Data analysisMembership data

Active	Deferred (inc. frozen refunds)	Pensioner	Total
6,309	7,739	5,081	19,129

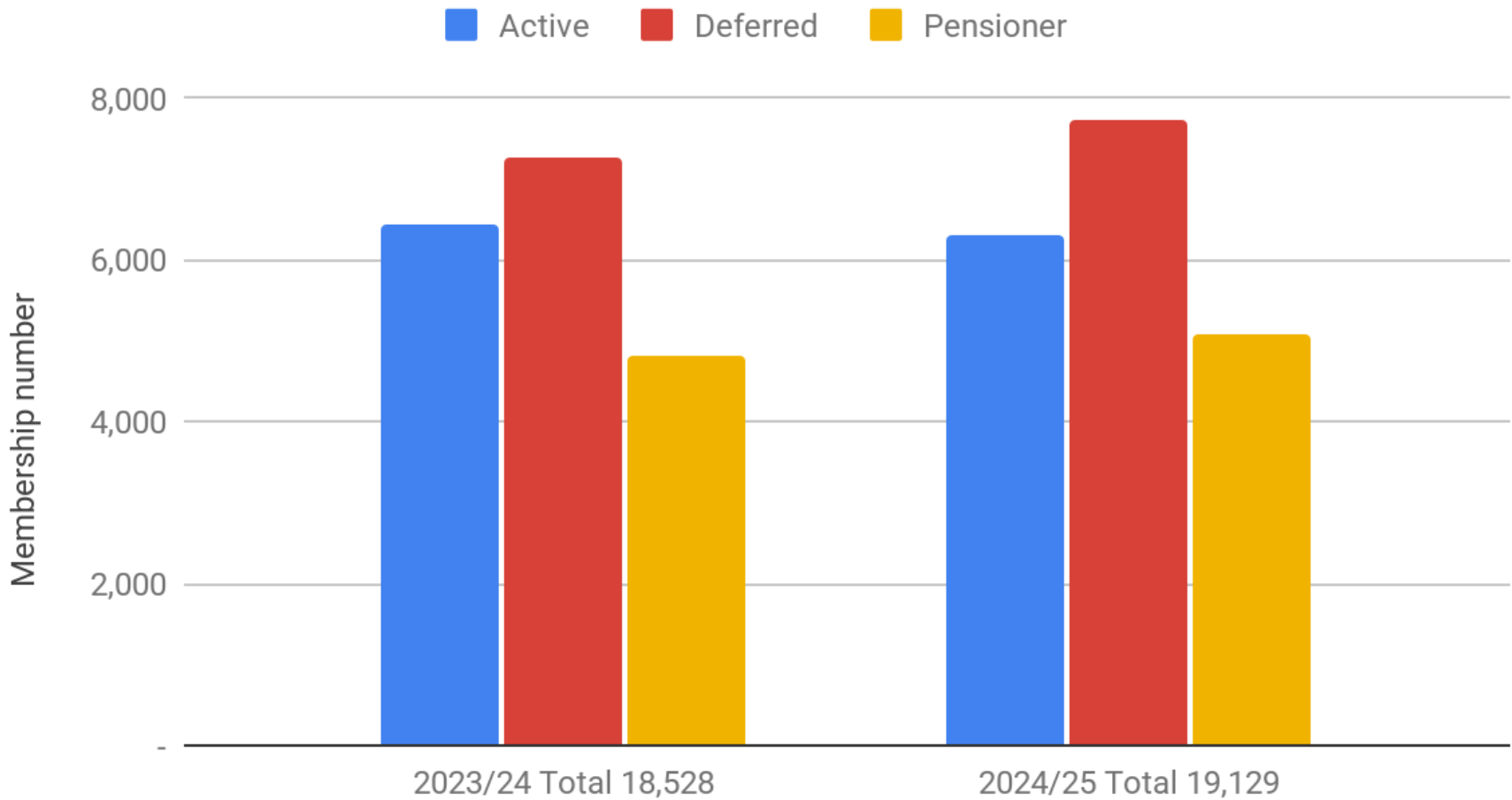
New pensioners

Normal retirement	Early retirement	Ill-health	Total
238	107	8	353

Active employer numbers

Scheduled (inc. Sutton Council)	Admitted	Total
48	19	67

Membership Numbers over 2 years



9. GOVERNANCE

The London Borough of Sutton, as the Administering Authority for the London Borough of Sutton Pension Fund, is committed to maintaining the highest standards of governance. A robust governance framework is essential for the effective and efficient management of the Fund, ensuring that the interests of all members, employers, and other stakeholders are protected. This framework ensures that the Fund is managed in compliance with all relevant legislation, regulations, and best practice guidelines, including those set out by the Pensions Regulator and the Scheme Advisory Board.

Our governance arrangements are designed to be transparent and accountable, with clear roles and responsibilities for all parties involved in the management and oversight of the Fund.

Pension Fund Committee

Responsibilities:

The key responsibilities of the Pensions Committee include:

- Setting the strategic direction for the Fund.
- Deciding and reviewing key policy documents, including the Investment Strategy Statement, Funding Strategy Statement, and Communications Policy.
- Appointing and monitoring the performance of the Fund's investment managers, advisors, and other service providers.
- Overseeing the Fund's financial performance and position.
- Ensuring that the Fund has an effective risk management framework in place.
- Approving the Pension Fund Annual Report and Accounts.

Membership and Meetings:

The Pensions Committee is composed of six elected councillors from the London Borough of Sutton, along with two non-voting co-opted representatives for scheme employers and members. This structure ensures that the views of key stakeholders are considered in the decision-making process. The Committee meets four times a year on a quarterly basis, with all meetings held in public and agendas and minutes published on the Council's website. The membership of the Committee in the 2024 municipal year was:

Councillor Cryss Mennaceur (Chair)
Councillor Sam Martin (Vice Chair)

Councillor Paul Cole
 Councillor Richard Clifton
 Councillor Jake Short - from October 2024
 Councillor Tom Drummond
 Councillor Patrick Magnus
 Jeremy Randall (Co-Optee)
 Fiona Kemp (Co-Optee) - until December 2024

The below table summarises the Committee attendance and training during the 2024 municipal year:

	Councillor Cryss Mennaceur	Councillor Sam Martin	Councillor Paul Cole	Councillor Richard Clifton	Councillor Jake Short	Councillor Tom Drummond	Councillor Patrick Magnus	Jeremy Randall	Fiona Kemp
Committee attendance									
25 June 2024	✓	✓	✓	✓	N/A	✓	✓	✓	
1 October 2024	✓		Substitute	✓	Substitute	Substitute	✓	✓	✓
10 December 2024	✓	✓	✓	✓	✓	✓		✓	✓
1 April 2025	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Training for the Committee									
Pensions Governance - Hymans	✓	✓	✓		✓		✓	✓	✓
Actuarial Methods, Standards and Practices - Hymans	✓	✓		✓	✓		✓	✓	✓
Financial Markets and Product Knowledge - Hymans	✓	✓		✓	✓		✓	✓	✓
Responsible Investing Training	✓	✓			✓			✓	N/A
Pensions Administration - Hymans	✓	✓	✓	✓	✓	✓	✓	✓	N/A

Role of Pension Board

The Pension Board was established in accordance with the Public Service Pensions Act 2013. The Board's role is to assist the Administering Authority in securing compliance with scheme regulations and the requirements of the Pensions Regulator, and to ensure the effective and efficient governance and administration of the Fund.

The Board operates independently of the Pensions Committee and does not have decision-making powers. Its function is to provide scrutiny and oversight.

Responsibilities of the Board

The primary duties of the Pension Board are to:

- Review the Fund's compliance with all relevant legislation and guidance.
- Monitor the performance of the Fund's administration and governance arrangements.
- Help ensure that any potential or actual breaches of duty are identified and reported.
- Review the effectiveness of the Fund's policies and procedures.

Membership

The Board consists of an equal number of three employer and three scheme member representatives, along with an independent chair. This composition ensures a balanced representation of stakeholder interests. The Board meets quarterly and reports its recommendations to the Pensions Committee. An annual report on the work of the Board is also published. The membership of the Board within the 2024 municipal year was:

Jonathan Bunt (Independent Chair)
 Councillor Sunita Gordon (Employer Representative)
 Angela Russell (Employer Representative)
 Kirstie Martin (Employer Representative)
 Chris Reeve (Member Representative)
 William Cody (Member Representative)
 Anthony Kramer (Member Representative)

The below table summarises the Board attendance and training during the 2024 municipal year:

	Jonathan Bunt	Councillor Sunita Gordon	Angela Russell	Kirstie Martin	Chris Reeve	William Cody	Anthony Kramer
Board attendance							
11 July 2024	✓	✓	✓	N/A	✓	✓	✓
10 October 2024	✓		✓	✓	✓		
19 December 2024	✓	✓	✓	✓	✓	✓	✓
17 April 2025	✓	✓	✓	✓	✓	✓	✓
Training for the Board							
Pensions Governance - Hymans	✓	✓	✓	✓	✓		✓
Actuarial Methods, Standards and Practices - Hymans	✓	✓		✓	✓		✓
Financial Markets and Product Knowledge - Hymans	✓	✓	✓	✓	✓		✓
Responsible Investing Training		✓		✓			
Pensions Administration - Hymans	✓	✓	✓	✓	✓		✓

Governance Policies and Compliance

The Fund maintains a suite of key governance documents that are regularly reviewed and updated by the Pensions Committee. These documents, which are publicly available on the Fund's website, include:

- **Governance Compliance Statement:** This statement details how the Fund complies with the best practice governance principles set out by the Scheme Advisory Board. The Governance Compliance Statement is shown at Section 11.
- **Conflicts of Interest Policy:** This policy outlines the procedures for identifying, monitoring, and managing any potential conflicts of interest for members of the Pensions Committee, Pension Board, and Fund officers.

- **Training Policy:** The Fund is committed to ensuring that all those involved in its governance have the necessary knowledge and skills to perform their roles effectively. A training policy is in place, and a log of all training undertaken is maintained and reported annually.

Risk Management

Effective risk management is integral to the governance of the Fund. The Pensions Committee is responsible for overseeing the Fund's risk management framework. A comprehensive risk register is maintained, which identifies, assesses, and documents the key risks facing the Fund across all areas of its operations, including funding, investment, administration, and governance. The risk register is reviewed at every Pensions Committee meeting to ensure that risks are being actively managed and that appropriate mitigation strategies are in place.

Risks are identified from relevant sources of information, such as management reports and from reviews undertaken by independent advisers. The actual scores are recorded in the risk register, along with gross and net risk scores (likelihood x impact) that determines the RAG ratings. The net score indicates the exposure arising from a risk after mitigation measures have been applied.

10. ACTUARIAL REPORT

The Pension Fund is required by regulations to have an assessment every 3 years of its pension liabilities and the assets available to pay for them. The last triennial valuation took place in 2022 and the results are summarised in the table below. This shows the Fund had a surplus of £6m, which represents a funding level of 101%. This compares with a funding level of 90% at the previous valuation in 2019. The full valuation report can be found here: [LBS AV 2022](#) The next valuation will be carried out during 2025.

Monetary amounts in £m		Ongoing basis	
		31 March 2022	31 March 2025
Assets		854	945
Liabilities	Active members	254	222
	Deferred pensioners	209	143
	Pensioners	384	298
	Total liabilities	848	662
Surplus/(deficit)		6	283
Funding level		101%	143%
Required return (% pa)*		4.2%	4.5%
Likelihood of achieving this return		70%	90%

11. EXTERNAL AUDIT REPORT

DRAFT

12. PENSION FUND ACCOUNTS 2024/25

Sutton Pension Fund Account for the year ended 31 March 2025

2023/24			2024/25
£'000		Note	£'000
Dealings with members, employers and others directly involved in the Fund			
(42,101)	Contributions	7	(45,677)
(6,985)	Transfers in from other pension funds	8	(28,070)
(49,086)			(73,747)
34,654	Benefits	9	42,600
3,385	Payments to and on account of leavers:	10	12,451
38,039			55,051
(11,047)	Net (additions) / withdrawals from dealings with members		(18,696)
6,096	Management expenses	11	5,294
(4,950)	Net (additions)/withdrawals including fund management expenses		(13,402)
Returns on Investments			
(16,982)	Investment income	12	(16,548)
16	Taxes on income	13	12
(91,525)	(Profit) loss on disposal of investments and changes in the market value of investments	14b	(24,999)
(108,491)	Net (Return)/Loss on Investments		(41,535)
(113,441)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(54,937)
(810,578)	Opening Net Assets of the Scheme		(924,019)
(924,019)	Closing Net Assets of the Scheme		(978,956)

Sutton Pension Fund Net Assets Statement for the year ended 31 March 2025

2023/24		2024/25
£'000		£'000
150	Long term assets	150
908,923	Investment Assets	14 961,849
909,073	Total Net Investments	961,999
17,097	Current Assets	20 18,806
(2,151)	Current Liabilities	21 (1,849)
924,019	Net Assets of the Fund available to fund benefits at the end of the reporting period	978,956

Notes to the Pension Fund

PF Note 1 - Description of the Fund

a) General

The London Borough of Sutton Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Sutton.

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.

The LGPS is a contributory defined benefit pension scheme established in accordance with statute, which provides pensions and other benefits for pensionable employees of the London Borough of Sutton and the admitted and scheduled bodies in the Fund. Teachers

are not included as they come within other national pension schemes.

The benefits offered by the LGPS include retirement pensions, early payment of benefits on medical grounds, and payment of death benefits where death occurs either in service or in retirement.

b) Pension Committee

The Council has delegated all matters relating to the Fund to the Pension Committee. Its core functions include deciding upon the investment strategy, approving policy statements, and monitoring performance. The Committee is made up of six Members of the Council each of whom has voting rights and two other non-voting representatives.

The Committee considers the views of the Strategic Director of Resources (S151 Officer) and obtains, as necessary, advice from the Fund's appointed investment advisers, fund managers and actuary. The implementation of these decisions is delegated to the Strategic Director of Resources (S151 Officer).

c) Membership

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

Organisations participating in the London Borough of Sutton Pension Fund include:

- Scheduled bodies which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

PF Note 1 - Description of the Fund (continued)

Active Scheme employers at 31 March 2025 included the Administering Authority and LEA schools. Other participating organisations were as follows:

Scheduled bodies	Scheduled bodies (cont.)	Admission bodies
Abbey Primary School	<ul style="list-style-type: none"> Wallington County Grammar School 	ABM Catering (Overton Grange)
Addington Valley Academy	<ul style="list-style-type: none"> <i>Wood Field Primary School</i> 	Brayborne (Cheam Academies Network)
All Saints Carshalton CofE Primary School	Harris Academy Sutton	Caterlink (2023 Contract)
Beddington Park Academy	Harris Junior Academy Carshalton	Citizens Advice - Sutton
Carew Academy	LEO Academy Trust pool:	CleanTEC Services (Girls' Learning Trust)
Carshalton Boys Sports College	<ul style="list-style-type: none"> <i>Brookfield Primary Academy</i> 	Cognus
Cheam Academies Network pool:	<ul style="list-style-type: none"> <i>Cheam Common Infants' Academy</i> 	Cucina Restaurants (Glenthorne School)
<ul style="list-style-type: none"> <i>Cheam High School</i> 	<ul style="list-style-type: none"> <i>Cheam Common Junior Academy</i> 	Cucina Restaurants (Wilson's School)
<ul style="list-style-type: none"> <i>Oaks Park High School</i> 	<ul style="list-style-type: none"> <i>Cheam Fields Primary Academy</i> 	DB Services (Dorchester Primary)
Cirrus Primary Academy Trust pool:	<ul style="list-style-type: none"> <i>Cheam Park Farm Primary Academy</i> 	Idverde
<ul style="list-style-type: none"> <i>Avenue Primary Academy</i> 	<ul style="list-style-type: none"> <i>LEO Academy Trust Central Staff</i> 	Joskos Solutions (OHCAT)

Scheduled bodies	Scheduled bodies (cont.)	Admission bodies
<ul style="list-style-type: none"> Barrow Hedges Primary School 	<ul style="list-style-type: none"> Manor Park Primary Academy 	Junior Adventures Group (Muschamp Primary)
<ul style="list-style-type: none"> Cirrus Primary Academy Trust - Central Staff 	Orchard Hill College	Olive Dining (Abbey Primary)
<ul style="list-style-type: none"> Rushy Meadow Primary Academy 	Orchard Hill College Academy Trust - Central Staff	Olive Dining (Dorchester Primary)
<ul style="list-style-type: none"> Stanley Park Infants School 	Overton Grange School	Orchard Childcare
<ul style="list-style-type: none"> Wallington Primary Academy 	Sancta Familia Catholic Academy Trust pool:	PlayWise Learning CIC
Girls' Learning Trust pool:	<ul style="list-style-type: none"> St Elphege's RC Infants' School 	Ridgecrest Cleaning (St Philomena's)
<ul style="list-style-type: none"> Carshalton High School for Girls 	<ul style="list-style-type: none"> St Elphege's RC Junior School 	Saba Park Services
<ul style="list-style-type: none"> Girls' Learning Trust - Central Staff 	Sutton Grammar School	Sports and Leisure Management
<ul style="list-style-type: none"> Nonsuch High School for Girls 	Sutton Housing Partnership	
<ul style="list-style-type: none"> Wallington High School for Girls 	The Limes College	
Glenthorne High School	The Link School	
Greenshaw Learning Trust pool:	Wandle Valley Academy	
<ul style="list-style-type: none"> Bandon Hill Primary School 	Westbourne Primary School	
<ul style="list-style-type: none"> Green Wrythe Primary School 	Wilson's School	
<ul style="list-style-type: none"> Greenshaw High School 		
<ul style="list-style-type: none"> Tweeddale Primary School 		

Scheduled bodies	Scheduled bodies (cont.)	Admission bodies
<ul style="list-style-type: none"> Victor Seymour Infants' School 		

PF Note 1 - Description of the Fund (continued)

The following table summarises the membership numbers of the scheme:

2023/24		2024/25
No.		No.
62	Number of Employers with active members	67
	Active Members	
2,669	London Borough of Sutton	2,571
3,637	Scheduled bodies	3,628
139	Admission bodies	110
6,445		6,309
	Deferred Members	
5,031	London Borough of Sutton	4,957
2,114	Scheduled bodies	2,618
128	Admission bodies	164
7,273		7,739
	Pensioners (including Dependents)	
4,176	London Borough of Sutton	4,305
551	Scheduled bodies	649
83	Admission bodies	127
4,810		5,081
18,528	Total	19,129

PF Note 1 - Description of the Fund (continued)

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

Key details of the scheme's variants are shown in the table below.

	Service pre 1 April 2008	Service 1 March 2008 to 31 March 2014	Service post 31 March 2014
Pension	Accrual rate per annum of 1/80th of final pensionable pay	Accrual rate per annum of 1/60th of final pensionable pay	Accrual rate per annum of 1/49th of current year's pensionable pay
Lump sum	Automatic lump sum of 3 x pension. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	No automatic lump sum. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	

A range of other benefits are also provided including early retirement, ill-health pensions and death benefits. Further information is available at <https://www.lgpsmember.org>

e) 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. Under the current scheme members can opt for the 50:50 option where they pay half their contributions for half the benefits.

Employers' contributions are set based on triennial actuarial funding valuations. Employer contribution rates payable from 1 April 2024 were set by the triennial valuation as at 31 March 2022, the results of which were published on 31 March 2023. In 2024/25, employer contribution rates ranged from 0.0% to 32.4% of pensionable pay.

PF Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2024/25 financial year and its 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) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The continuation of service principle applies and these accounts have consequently been prepared on a going concern basis. The pension fund is a statutory backed scheme and also backed by an administering authority with tax raising powers.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not provide for obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued

on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these Accounts.

Accruals Concept

Income and expenditure has been included in the Accounts on an accruals basis. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The adequacy of the Fund to pay future pensions and other benefits is reported upon separately in these accounts.

Valuation of Investments

Investments are stated at their market values as at 31 March 2025 and are determined as follows:

- All investments priced within the Stock Exchange Electronic Trading Service (SETS), a Recognised or Designated Investment Exchange or

Over-The-Counter market, are valued at the bid-market prices at close of business on the exchange or market on which the investment trades, or at the last trading price recorded.

- Securities which are not covered by the above are valued at their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.
- The value of Pooled Investment Vehicles have been determined at fair value in accordance with the requirements of the Code and IFRS 13
- Investments held in foreign currency have been valued on the relevant basis and translated into Sterling at the rate ruling at the balance sheet date.
- Transactions in foreign currency are translated into Sterling at the exchange rate ruling at the time of transaction.

PF Note 3 - Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution Income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer's augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. (Augmentation is the cost of additional membership awarded by an employer).

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

• Interest income

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

Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

• 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 and accrued at year end if not received at that time. Income on pooled investment vehicles which are held in accumulation share classes is retained within the pooled investment vehicle and therefore not recognised as investment income. This is reflected in the Change in Market Value of Investments (CIMV).

• Movement in the net market value of investments

Changes in the net market value of investments (including investments 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 include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

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. Interest 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

Pension Fund management expenses are accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

- **Administrative Expenses**

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension Administration Team are charged direct 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 oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management and accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

- **Investment Management Expenses**

All investment management expenses are accounted for on an accruals basis. 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

Investment income, Note 12, is shown gross of irrecoverable taxes deducted. The Fund is reimbursed VAT by HM Revenue and Customs and the accounts are shown exclusive of VAT.

management and therefore increase or decrease as the value of these investments change. The cost of obtaining investment advice from external consultants is included here.

An element of the LCIV Global Equity Fund fee is performance related.

Where an investment manager's fee has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account.

Catch-up payments or additional contributions made to equalize an investor's capital position with other investors are recognised as investment management expenses when incurred. Such payments are considered administrative in nature and do not form part of the financial asset's fair value or the investor's capital contribution.

Net Assets Statement

g) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from

changes in the fair value of the asset are recognised by the Fund.

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, overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

j) Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value 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 cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS26 Post-Employment Benefits and relevant actuarial standards. As permitted

under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (Note 19).

l) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund (see Note 22). AVCs are paid to the AVC providers by employers, specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement from the AVC provider company showing the amount held in their account and the movements in year.

m) 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 future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events.

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

PF Note 4 - Critical judgements in applying accounting policies

Critical judgements are those decisions other than estimation uncertainty that have the most significant impact on the financial statements. They represent decisions about how the authority has applied an accounting policy to a particular transaction, rather than about how that transaction has been valued. There were no such critical judgements made during 2024-25.

PF Note 5 - Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year, as follows:

Actuarial present value of promised retirement benefits	The calculation of a Local Government Pension Scheme (LGPS) Fund's liabilities is heavily reliant on a range of long-term financial and demographic assumptions. Should these assumptions prove inaccurate, the Fund's reported financial position and, consequently, its funding strategy could be materially affected. These assumptions include the discount rate, future inflation rates (both general and for pension increases), salary growth, and member longevity. Each of these factors plays a crucial role in estimating the present value of future pension payments. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	If the actual long-term investment returns are lower than the assumed discount rate (i.e., the discount rate was set too high), the Fund's liabilities will have been underestimated. This means the Fund would have insufficient assets to meet its future obligations, potentially leading to a higher deficit and requiring increased employer contributions in the future. Conversely, if the discount rate was set too low, liabilities would be overstated, which could mean current contribution rates are higher than strictly necessary. Similarly, underestimating longevity or future salary and pension increases would also lead to an understatement of liabilities, while overestimation would have the opposite effect. The sensitivity of the net Pension Fund liability to a change in assumptions can be measured. For example a 0.1% decrease in the discount rate assumption would result in an approximate increase of £16m in the Fund's pension liability; a one year increase in member life expectancy would increase the liability by approximately £36m and a 0.1% increase in the rate of salary increase would increase the liability by approximately £1m.
Unquoted investments	The assets held by the Pension Fund are managed by fund managers on a pooled basis. Some of these assets are unquoted and values are estimated by fund managers using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets. Property, private debt and infrastructure funds do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so are treated as level 3.	The potential impact of this uncertainty cannot be measured accurately. The total of level 3 funds held by the Pension Fund are valued at £179.1m, and the variation around this value is estimated to be +/- 10%, which equates to +/- £17.9m.

Legal and regulatory uncertainty	Beyond the core actuarial assumptions, the financial position of an LGPS Fund can also be significantly impacted by uncertainties surrounding legal judgments and evolving regulatory landscapes. The Fund may need to make provisions or assumptions about the potential outcomes of ongoing legal cases (such as McCloud or Goodwin) or anticipated changes in pension legislation and guidance. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	If a legal judgment results in a requirement to provide additional benefits or recalculate past service costs more extensively than initially assumed, the Fund's liabilities could see a substantial increase. This would place unexpected strain on the Fund's assets and potentially necessitate higher employer contribution rates to address the recognised shortfall. Conversely, if a feared regulatory change with a negative financial impact does not materialize, or its effect is less severe than anticipated, liabilities might have been overstated. While this scenario is less detrimental, it could mean that past funding decisions were overly cautious.
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PF Note 6 - Events after the reporting period end

The unaudited Statement of Accounts was authorised for issue by the Strategic Director - Resources (S151 Officer) on 27 June 2025.

At the date of authorisation the Council is not aware of any events that would require adjustment to these statements

PF Note 7 - Contributions receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain solvency of the Fund. The tables below show a breakdown of the total amount of employers' and employees' contributions.

By Category

2023/24		2024/25
£'000		£'000
(9,032)	Employees' contributions	(9,602)
	Employers' contributions	
(27,089)	Normal Contributions	(29,022)
(5,801)	Deficit Recovery Contributions	(4,696)
(179)	Augmentation contributions	(2,357)
(33,069)		(36,075)
(42,101)		(45,677)

PF Note 7 - Contributions receivable (continued)

By Authority

2023/24		2024/25
£'000		£'000
(24,147)	London Borough of Sutton	(26,646)
(16,829)	Scheduled bodies	(16,624)
(1,125)	Admitted bodies	(2,407)
(42,101)		(45,677)

PF Note 8 - Transfers in from other pension funds

2023/24		2024/25
£'000		£'000
(6,985)	Individual transfers	(15,570)
-	Group transfers	(12,500)
(6,985)		(28,070)

For the year ending 31 March 2025, an accrual of £12.5m was made due from Croydon Council for the bulk transfer of Idverde.

PF Note 9 - Benefits payable

The tables below show a breakdown of the total amount of benefits payable by category and by authority:

By Category

2023/24		2024/25
£'000		£'000
30,397	Pensions	33,558
3,582	Commutation and Lump sum retirement benefits	7,500
675	Lump sum death benefits	1,542
34,654		42,600

By Authority

2023/24	2024/25
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£'000		£'000
29,309	London Borough of Sutton	35,032
4,605	Scheduled bodies	6,183
740	Admitted bodies	1,385
34,654		42,600

PF Note 10 - Payments to and on account of leavers

2023/24		2024/25
£'000		£'000
109	Refunds to members leaving service	124
-	Group transfers	-
3,276	Individual transfers	12,327
3,385		12,451

PF Note 11 - Management expenses

2023/24		2024/25
£'000		£'000
1,080	Administration Expenses	1,249
4,831	Investment Management Expenses	3,778
185	Oversight and Governance	267
6,096		5,294

PF Note 11a - Investment management expenses

Investment Management Expenses are further analysed below in line with CIPFA Guidance on Accounting for Management Costs in the LGPS. The figures below include management costs and embedded transaction costs deducted from the net asset value or from investment income.

2023/24		2024/25
£'000		£'000
4,757	Management Fees	3,210
(174)	Performance Fees	-
8	Custody Fees	15
240	Transaction Costs	553
4,831		3,778

PF Note 11b - External audit costs

2023/24		2024/25
£'000		£'000
69	External audit costs	143
69		143

PF Note 12 - Investment income

2023/24		2024/25
£'000		£'000
	Pooled Investments:	
(2,939)	- Equities	(2,997)
(1,724)	- Property	(1,683)
(5,065)	- Multi Asset Credit	(6,775)
(821)	- Diversified Growth Funds	(412)
-	- Private Debt	-
(4,318)	- Infrastructure	(1,392)
(2,115)	Interest on Cash Deposits	(3,289)
(16,982)		(16,548)

PF Note 13 - Taxes on income

2023/24		2024/25
£'000		£'000
16	Withholding tax - pooled	12
16		12

PF Note 14 - Investments

2023/24	Investment Assets	2024/25
£'000		£'000
Pooled Investment Vehicles:		
537,800	Equities	533,272
47,081	Fixed Income	71,885
57,077	Property	68,115
96,689	Multi Asset Credit	104,091
24,038	Diversified Growth Funds	-
64,607	Infrastructure	77,476
31,238	Private Debt	33,515
Other Investment Balances:		
47,030	Cash deposits	73,427
59	Accrued income and recoverable taxes	68
3,304	Amounts receivable for sales of investments	-
908,923	Total Net Investment Assets	961,849

PF Note 14a - Analysis of Pooled Investment Vehicles

Pooled Investment Vehicles:				Other managed funds:		
2024/25	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	400,467	-	132,805	-	-	533,272
Fixed Income	-	-	71,885	-	-	71,885

Property	-	52,659	-	-	15,456	68,115
Multi Asset Credit	104,091	-	-	-	-	104,091
Diversified Growth Funds	-	-	-	-	-	-
Infrastructure	-	38,171	-	-	39,305	77,476
Private Debt	-	33,515	-	-	-	33,515
	504,558	124,345	204,690	-	54,761	888,354

Pooled Investment Vehicles:

Other managed funds:

2023/24	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	385,153	-	152,647	-	-	537,800
Fixed Income	-	-	47,081	-	-	47,081
Property	-	41,002	-	-	16,075	57,077
Multi Asset Credit	31,678	-	-	65,011	-	96,689
Diversified Growth Funds	24,038	-	-	-	-	24,038
Infrastructure	-	27,234	-	-	37,373	64,607
Private Debt	-	31,238	-	-	-	31,238
	440,869	99,474	199,728	65,011	53,448	858,530

PF Note 14a - Analysis of Pooled Investment Vehicles (continued)

ACS - UK tax transparent collective investment scheme used by the LCIV.

Unit trust - an open-ended investment, where an unlimited number of investors can invest their money into a single fund, that's managed by a dedicated fund manager.

Unitised insurance policies - open-ended investments made available through life assurance companies.

OEIC - "Open-Ended Investment Company" that will issue (or redeem) shares on a regular basis in response to investor demand.

SICAV - "Société d'investissement à capital variable", similar to an OEIC but used in Europe.

PF Note 14b - Reconciliation of movements in investments

2024/25	Value 31 March 2024	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2025
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	537,800	2,998	(30,977)	23,451	533,272
- Fixed Income	47,081	30,000	(3)	(5,193)	71,885
- Property	57,077	15,973	(5,792)	857	68,115
- Multi Asset Credit	96,689	75,633	(69,507)	1,276	104,091
- Diversified Growth Funds	24,038	412	(25,153)	703	-
- Infrastructure	64,607	15,131	(3,656)	1,394	77,476
- Private Debt	31,238	-	(234)	2,511	33,515
Sub-total Investments	858,530	140,147	(135,322)	24,999	888,354
Other Investment Balances:					
Cash deposits	47,030				73,427
Trade receivables / payables	3,304				-
Accrued income and recoverable taxes	59				68
Net Investment Assets	908,923			24,999	961,849

PF Note 14b - Reconciliation of movements in investments (continued)

2023/24	Value 31 March 2023	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2024
	£'000	£'000	£'000	£'000	£'000

Pooled Investment Vehicles:

- Equities	441,963	155,458	(153,360)	93,739	537,800
- Fixed Income	50,531	-	(2)	(3,448)	47,081
- Property	49,712	12,503	(1,716)	(3,422)	57,077
- Multi Asset Credit	86,140	5,064	(368)	5,853	96,689
- Diversified Growth Funds	95,660	822	(72,625)	181	24,038
- Infrastructure	55,808	13,458	(894)	(3,765)	64,607
- Private Debt	27,533	1,575	(257)	2,387	31,238
Sub-total Investments	807,347	188,880	(229,222)	91,525	858,530
Other Investment Balances:					
Cash deposits	43				47,030
Trade receivables / payables	-				3,304
Accrued income and recoverable taxes	71				59
Net Investment Assets	807,461			91,525	908,923

PF Note 14c - Investments analysed by fund manager

The market value of the investment assets under the management of each fund manager as at 31 March 2025 is shown below.

31 March 2024			31 March 2025	
Market Value	% of total	Fund Manager	Market Value	% of total
£'000	%		£'000	%
Investments managed by London Collective Investment Vehicle				

24,038	2.8%	LCIV Diversified Growth Fund (Baillie Gifford)	-	0.0%
130,377	15.2%	LCIV Global Equity Fund (Newton)	136,270	15.3%
130,096	15.2%	LCIV Sustainable Equity Fund (RBC)	131,976	14.9%
31,678	3.7%	LCIV Multi Asset Credit Fund (CQS, Pimco)	104,091	11.7%
31,238	3.6%	LCIV Private Debt Fund (Pemberton, Churchill)	33,515	3.8%
27,234	3.2%	LCIV Renewable Infrastructure (BlackRock, Stonepeak, Quinbrook, and Foresight)	38,171	4.3%
124,680	14.5%	LCIV Passive Equity Progressive Paris Aligned Fund (State Street Global Advisors Limited)	132,221	14.9%
11,944	1.4%	LCIV The London Fund (LPPI)	14,698	1.7%
100	0.0%	LCIV UK Housing Fund (CBRE)	12,945	1.5%
152,647	17.8%	Legal & General - Future World Global Equity Index Fund	132,805	14.9%
47,081	5.5%	Legal & General Over 5 Year Index Linked Gilts Fund	71,885	8.1%
711,113	82.8%		808,577	91.1%
Investments managed outside of London Collective Investment Vehicle				
65,011	7.6%	M&G Alpha Opportunities Fund	-	0.0%
9,737	1.1%	LaSalle Investors UK Real Estate Fund of Funds	4,463	0.5%
19,221	2.2%	BlackRock UK Property Fund	20,553	2.3%
16,075	1.9%	Invesco Real Estate UK Residential Fund SCSp	15,456	1.7%
37,373	4.4%	Partners Group Direct & Global - various	39,305	4.4%
147,417	17.2%		79,777	8.9%
858,530	100.0%	Total	888,354	100.0%

PF Note 15 - Fair value – basis of valuation

The basis of the valuation of each class of investment asset is in accordance with the guidance contained in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Asset and liability valuations are classified into three levels, according to the quality and reliability of information used to determine fair values. The investment assets of the Pension Fund are classed, as set out in the table below.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Cash and short term investment debtors and creditors are classified as level 1.

Level 2

Quoted prices are not available and valuation techniques use inputs that are based significantly on observable market data. Investment assets classified at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

At least one input that could have a significant effect on valuation is not based on observable market data. Financial instruments 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, and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments. Assurances over the valuations are gained from the independent audit of the accounts.

PF Note 15 - Fair Value - basis of valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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Market quoted investments - equities	Level 1	Recognised at market value	Not required	Not required
Market quoted investments - pooled equities and bonds	Level 1	Published bid market price on final day of the accounting period	Not required	Not required
Pooled investments - equities and bonds	Level 2	Closing bid price where bid price published. Closing single price where single price published	NAV based pricing set on a forward pricing basis. Evaluated price feeds	Not required
Pooled property investments where regular trading does not take place	Level 3	Fair value as determined by independent valuers	NAV based pricing set on a forward pricing basis. Unobservable inputs include rental income and gross yield	Valuations of underlying properties could be affected by a range of variables, including changes to estimated rental growth, vacancy levels and construction costs
Pooled infrastructure investments	Level 3	EBITDA multiples, discounted cashflows, market comparable companies, replacement costs and adjusted net asset values	Discount factors, recent transaction prices, reported net asset values and fair value adjustments	Valuations could be affected by a range of variables, such as changes to expected cashflows, or the difference between audited and unaudited accounts
Pooled private debt investments	Level 3	Valued by underlying investment managers	NAV based pricing with many unobservable inputs	Valuations could be affected by a range of variables, such as the quality of underlying collateral, or varying liquidity

PF Note 15 - Fair Value - basis of valuation (continued)

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, 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 and 31 March 2024.

2024/25	Potential variation in fair value	Value at 31 March 2025	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	68,115	74,926	61,303
- Infrastructure	10%	77,476	85,224	69,728
- Private Debt	10%	33,515	36,867	30,164
Total		179,106	197,017	161,195

2023/24	Potential variation in fair value	Value at 31 March 2024	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	57,077	62,785	51,369
- Infrastructure	10%	64,607	71,068	58,146
- Private Debt	10%	31,239	34,363	28,115
Total		152,923	168,216	137,630

All movements in the assessed valuation range derive from changes in the net asset value of the underlying property, infrastructure, private debt and real estate assets. The range in potential movement of 10% is caused by how this value is measured.

PF Note 15a - Fair value hierarchy

31 March 2024	31 March 2025
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Quoted Market Price	Using Observabl e Inputs	With Significant Unobservabl e Inputs	Total		Quoted Market Price	Using Observabl e Inputs	With Significant Unobservabl e Inputs	Total
Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Pooled Investment Vehicles:								
385,153	152,647		537,800	Equities	400,467	132,805		533,272
	47,081		47,081	Fixed Income		71,885		71,885
		57,077	57,077	Property			68,115	68,115
	96,689		96,689	Multi Asset Credit		104,091		104,091
	24,038		24,038	Diversified Growth Funds		-		-
		64,607	64,607	Infrastructure			77,476	77,476
		31,238	31,238	Private Debt			33,515	33,515
47,030			47,030	Cash	73,427			73,427
432,183	320,455	152,922	905,560	Financial Assets at fair value through profit and loss	473,894	308,781	179,106	961,781

PF Note 15b: Reconciliation of fair value measurements within Level 3

2024/25	Value 31 March 2024	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2025
	£'000			£'000	£'000	£'000	£'000

Pooled Investment Vehicles:

- Property	57,077	-	-	15,973	(5,792)	857	68,115
- Infrastructure	64,607	-	-	15,131	(3,656)	1,394	77,476
- Private Debt	31,238	-	-	-	(234)	2,511	33,515
Total	152,922	-	-	31,104	(9,682)	4,762	179,106

2023/24	Value 31 March 2023	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2024
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	49,712	-	-	12,504	(1,716)	(3,423)	57,077
- Infrastructure	55,808	-	-	13,458	(894)	(3,765)	64,607
- Private Debt	27,533	-	-	1,574	(257)	2,388	31,238
Total	133,053	-	-	27,536	(2,867)	(4,800)	152,922

PF Note 16a - Classification of financial instruments

2023/24			2024/25		
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets					

Pooled Investment Vehicles:

537,800			Equities	533,272		
47,081			Fixed income	71,885		
57,077			Property	68,115		
96,689			Multi Asset Credit	104,091		
24,038			Diversified Growth Funds	-		
64,607			Infrastructure	77,476		
31,238			Private Debt	33,515		
	60,960		Cash deposits and accrued income		75,431	
	3,304		Amounts receivable for sales of investments		-	
	3,226		Sundry debtors		16,870	
858,530	67,490	-		888,354	92,301	-
<u>Long Term Assets</u>						
	150		London CIV share capital		150	
858,530	67,640	-		888,354	92,451	-
<u>Financial Liabilities</u>						
-	-	(2,151)	Creditors	-	-	(1,849)
-	-	(2,151)		-	-	(1,849)
858,530	67,640	(2,151)	Total	888,354	92,451	(1,849)

PF Note 16b - Net gains and losses on financial instruments

2023/24		2024/25
£'000		£'000
Financial Assets		
91,525	Designated at fair value through profit and loss	24,999
	Designated at amortised cost	-
91,525		24,999

PF Note 17 - Nature and extent of risks arising from financial instruments

Key risks

The Pension Fund's activities expose it to a variety of financial risks:

- market risk – the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.
- credit risk – the possibility that other parties might fail to pay amounts due to the Pension Fund.
- liquidity risk – the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

Overall Procedures for Managing Risk

The Pension Fund's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013 and the associated regulations. These regulations set out permissible financial instruments, require the Administering Authority to maintain and invest on behalf of the Pension Fund in accordance with its investment principles, to take professional advice, to review investment performance and to operate a separate Pension

Fund bank account. Overall these procedures require the Administering Authority to manage Pension Fund risk by maintaining and investing in accordance with a:

- Investment Strategy Statement;
- Funding Strategy Statement;
- Statement of Governance Policy;
- Governance Compliance Statement.

The Pension Fund Investment Strategy is reviewed at least triennially following actuarial valuation by the Pension Fund Committee, who monitor investment performance and compliance quarterly, including the internal control arrangements of external fund managers and the custodian.

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

a) Market risk

Market risk is the risk of loss from fluctuations in equity, bond 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

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

Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds, as an example. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. Had the market price of the Fund's investments

objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return.

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

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, is unlimited.

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

increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table below.

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 interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Interest rate – risk sensitivity analysis

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

Assets exposed to interest rate risk:

2024/25	Asset Values at 31 March 2025	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	75,431	75,431	75,431
Fixed interest bonds	47,465	46,113	48,818
Variable rate bonds	18,232	17,713	18,752
Total	141,128	139,257	143,001

2024/25	Interest receivable 31 March 2025	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	(3,289)	(3,321)	(3,256)
Fixed interest bonds	2,182	2,182	2,182
Variable rate bonds	2,604	3,001	2,949
Total	1,497	1,862	1,875

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

2023/24	Asset Values at 31 March 2024	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	60,960	60,960	60,960
Fixed interest bonds	65,484	63,585	67,383
Variable rate bonds	31,205	30,352	32,058
Total	157,649	154,897	160,401

2023/24	Interest receivable 31 March 2024	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	(2,115)	(2,136)	(2,094)
Fixed interest bonds	3,259	3,259	3,259
Variable rate bonds	1,806	1,932	1,896
Total	2,950	3,055	3,061

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely

Currency risk – sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 10%. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following table summarises the Fund's currency exposure as at 31 March 2025, along with the impact that a 10% strengthening / weakening of the pound against the various

The value on increase and value on decrease for an individual currency exposure is calculated with reference to that currency's volatility, relative to GBP, over the three years to March 2025. Given that currency changes are not necessarily correlated it is not appropriate to sum the outputs from each currency. In calculating the increase and decrease at a total fund level, it is necessary to establish the change in value of the aggregate of currencies held. It is this change that is applied to the overall currency exposure.

monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

currencies in which the Fund holds investments would have on the values.

Value as at 31/03/2024	Value on 10% price increase	Value on 10% price decrease	Currency Exposure - Asset Type	Value as at 31/03/2025	Value on 10% price increase	Value on 10% price decrease
£'000	£'000	£'000		£'000	£'000	£'000
37,373	41,110	33,635	Overseas infrastructure	39,305	43,235	35,374
37,373	41,110	33,635	Total assets available to pay benefits	39,305	43,235	35,374

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Other Price Risk -Sensitivity Analysis

Value as at 31/03/2024	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2025	Change +/-	Value on increase	Value on decrease
£'000	%	£'000	£'000		£'000	%	£'000	£'000
537,800	18.4	636,755	438,845	Equities	533,272	18.7	632,994	433,550
47,081	10.1	51,836	42,326	Fixed income	71,885	10.2	79,217	64,552
57,077	14.8	65,525	48,630	Property	68,115	12.1	76,357	59,873
96,689	10.9	107,228	86,150	Multi Asset Credit	104,091	9.4	113,875	94,306
24,038	10.6	26,586	21,490	Diversified Growth Funds	-	10.0	-	-

64,607	14.4	73,911	55,304	Infrastructure	77,476	10.3	85,457	69,496
31,238	10.6	34,549	27,927	Private Debt	33,515	10.4	37,001	30,030
				Cash		0.7		
858,530		996,390	720,672	Total	888,354		1,024,901	751,807

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values 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. In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Pension Fund has selected bond managers who have an investment strategy

that requires investment only in high investment grade and collateralised products and who use research and market knowledge to minimise exposure to credit risk. The Pension Fund uses a custodian to ensure that all money due is paid in full and on time. Internally invested cash is placed in an interest bearing account with the Council's bankers.

c) Liquidity risk

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

payroll costs and also cash to meet investment commitments. The Pension Fund currently remains cash flow positive with contributions exceeding payable pensions, though this is regularly monitored. The Council has immediate access to a proportion of its Pension Fund cash holdings, as these are held in an instant access interest bearing account maintained by Council officers. Surplus funds are invested externally with fund managers. In the event of a funding shortfall, the LGPS regulations permit the administering authority to borrow on behalf of the Pension Fund for up to 90 days. If required, funds can also be called back from investment managers to meet liabilities.

PF Note 18 - Funding arrangements

Description of Funding Policy

Rates of contributions paid by the participating Employers during 2024/25 were based on the actuarial valuation carried out as at 31 March 2022 by the Fund's actuary, Hymans Robertson. The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated April 2023. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of three years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £854 million, were sufficient to meet 101% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £6 million. The following table shows a summary of the results of the 2022 valuation;

Past Service Position	31/03/2022
	£m
Past Service Liabilities	(848)
Market Value of Assets	854
Surplus (Deficit)	6
Funding Level	101%

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

PF Note 18 - Funding arrangements (continued)

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

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

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The valuation was undertaken using principal assumptions as follows;

Financial Assumptions	31/03/2022
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	Nominal
Discount Rate	4.3%
Salary Increases	2.7%
Pension Increases	2.7%

Assumed life expectancies at age 65 is as follows;

Demographic Assumptions	31/03/2022
Male pensioners	22.1
Male non-pensioners	23.0
Female pensioners	24.8
Female non-pensioners	26.0

The full financial assumptions adopted for the 2022 valuation are contained within the 2022 valuation report and Funding Strategy Statement which are available on request from the Administering Authority to the Fund.

PF Note 18 - Funding arrangements (continued)

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

PF Note 19 - Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension 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, but 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 18). The actuary has also used valued ill health and death benefits in line with IAS 19.

31 March 2024		31 March 2025	
£'m		£'m	
(908)	Actuarial present value of promised retirement benefits	(787)	
924	Net fund assets available to fund benefits	979	
16	Net Asset/Liability	192	

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 18) because IAS 19 stipulates a discount rate, rather than a rate which reflects market rates.

Other key assumptions used are set out in the table below:

2023/24		2024/25	
%		%	
2.8	Pension increase rate (CPI)	2.8	
2.8	Salary increase rate	2.8	
4.8	Discount rate	5.8	

PF Note 20 - Current assets

31 March 2024		31 March 2025
£'000		£'000
2,716	Contributions	2,943
510	Other debtors	13,927
13,871	Cash at Bank	1,936
17,097	Total Current Assets	18,806

PF Note 21 - Current liabilities

31 March 2024		31 March 2025
£'000		£'000
-	Transfers out	-
(909)	Benefits Payable	(211)
(1,242)	Current payables	(1,638)
(2,151)	Total Current Liabilities	(1,849)

PF Note 22 - Additional voluntary contributions

A number of active Fund members have elected to pay additional voluntary contributions (AVCs) to increase their personal benefits. Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires that these are not paid into the Pension Fund.

The Council's approved AVC providers are Clerical Medical and Utmost (formerly Equitable Life). These are money purchase arrangements reported annually on 31 March. Total contributions paid by members in Clerical Medical during 2024/25 were £257k (£192k in 2023/24), as below. There are no active contributors with Utmost.

31 March 2024		31 March 2025
£'000		£'000
192	Clerical Medical	257
192		257

At 31 March 2025, the total estimated value of the AVC funds with Clerical Medical and Utmost was £1,138k (£1,078k at 31 March 2024).

PF Note 23 - Related party transactions

The Council is a related party to the Fund and in accordance with the regulations the Council's expenses in administering the Scheme are charged to the Fund. The amount charged by the Council for 2024/25 was £1,237,912 (£1,102,752 in 2023/24)

One of the Councillors voting on the Pension Committee was a member of the Pension Fund at 31 March 2025.

The key management personnel for the Pension Fund are the same as for the Council as a whole. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's Accounts, and are within scheme administration expenses as above. Extra disclosure can be seen in the Authority's accounts under the notes related to Senior Officers remuneration and Related Party Transactions.

PF Note 23a - Key Management Personnel Remuneration

The key management personnel for the Pension Fund are the Section 151 Officer, the Director of Finance, the Head Pensions Administration and the Head of Pension Investments at London Borough of Sutton. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's Accounts and are given in the table below. The short-term benefits shown below are also included within administration expenses in Note 11. The post-employment benefits shown below are included in the calculation of the actuarial fair value of promised retirement benefits in Note 19.

31 March 2024		31 March 2025
£'000		£'000
126	Short-term benefits	106
202	Post-employment benefits	135
328		241

PF Note 24 - Contingent liabilities and contractual commitments

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes, due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for other UK defined benefit plans. The Fund is monitoring developments in terms of whether there is expected to be any impact on LGPS Funds and will consider if there are any implications for the Fund. At this time, the Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

There are no outstanding contractual commitments and no material relating non-adjusting events occurring subsequent to the period end.

Outstanding capital commitments (investments) at 31 March 2025 were £97.8m (127.8m at 31 March 2024). These commitments relate to outstanding call payments due on the private debt, property and infrastructure funds within the portfolio. The amounts "called " by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

13. GOVERNANCE COMPLIANCE STATEMENT

Introduction

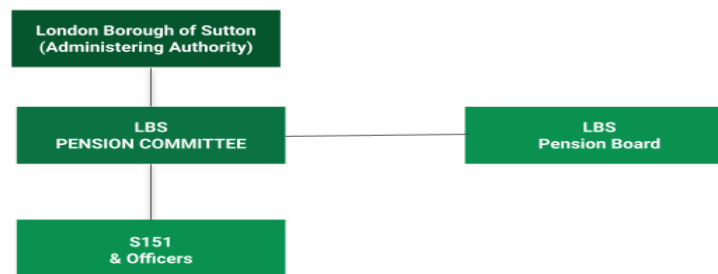
Regulation 55(1) of the Local Government Pension Scheme Regulations 2013 (SI2014-1146) requires the Administering Authority (Sutton Council) to maintain a statement, which assesses the pension fund governance arrangements against guidance from the Secretary of State, and to make revisions to the statement following a material change in the arrangements:

- Part 1 of this statement relates to the arrangements for pension fund administration.
- Part 2 relates to the arrangements for the new Local Pension Board, a stand-alone body.

By producing such a statement the Administering Authority is compliant with the legislation from the Secretary of State.

Governance Framework

The London Borough of Sutton (“the Council”) is the Administering Authority for the London Borough of Sutton Pension Fund. The Council has delegated responsibility for the management and administration of the Pension fund to the Pension Committee which is assisted by the Pension Board. The governance framework for the Fund is set out in the chart below:



The Pension Board has been established under regulation 106 of the Local Government Pension Scheme Regulations 2013. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

- secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- to ensure the effective and efficient governance and administration of the Scheme.

Governance Compliance - Pension Fund Committee

In accordance with Statutory Guidance, the following table sets out the extent to which the LB Sutton Pension Fund is compliant with the statutory guidance.

Requirement	Compliance	Comment
Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the	Compliant	The Council Constitution clearly sets out that responsibility for the management of the Pension Fund which is discharged through a formal decision-making

appointing council.		committee. The Pensions Committee also have a separate governance working document which contains details on the roles and responsibilities of the Committee.
Representatives of participating LGPS employers, and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	The Committee approved representatives of both employers and scheme members to be members of the Pension Committee.
Where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	The Council does not have a secondary Committee or Panel.
Where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Compliant	The Council does not have a secondary Committee or Panel.
Representation		
All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: employing authorities (e.g. scheme employers),	Compliant	The Committee approved representatives of both employers and scheme members to be members of the Pension Committee. The Committee has not

scheme members (including deferred and pensioner scheme members), independent professional observers, expert advisors (on an ad-hoc basis).		appointed an independent professional observer but has appointed expert advisors who can attend Committee meetings when required.
Where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant	All members are treated equally regarding access to papers, meetings and training. They are given full opportunity and encouragement to contribute to the decision making process.
Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	Members receive induction training and further training to enable them to fulfil their roles and responsibilities. An annual training plan ensures that any knowledge and skill gaps are filled.
Voting		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	The policy on voting rights is clear and transparent. All elected members on the Pension Committee have equal voting rights, the Council's wider constitution does not yet provide voting rights for non-elected members of committees.
Training / Facility Time / Expenses		

In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	The Committee and the Board have adopted the CIPFA Knowledge and Skills Framework and an annual training plan for each body exists. Members have equal access to training and reimbursement of expenses to enable them to fulfil their roles and responsibilities.
Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	The Fund's Training Policy applies equally to all members of the Pension Committee and Pension Board.
Meetings (Frequency / Quorum)		
An administering authority's main committee or committees meet at least quarterly.	Compliant	The Pension Fund Committee meets with a quorum at quarterly intervals as required by its terms of reference.
An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	The Council does not have a secondary Committee or Panel.
An administering authority who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be	Compliant	There are stakeholder representatives on the Committee. Consultation with key stakeholders takes place.

represented.		
Access		
Subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	All members have equal access to papers, documents and advice.
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	The Pension Committee's terms of reference enable it to consider any matter relevant to the Pension Fund. Wider scheme issues are evident in policy statements.
Publicity		
Administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	Compliant	The Governance Policy and Communications Policy are published on the Council's website along with details of planned meetings of the Pension Committee that are open to stakeholders.

Governance Compliance - Pension Board

Requirement	Compliance	Comment
Functions of the Board		
The terms should set out the function of the Board i.e. to assist the Administering Authority to secure compliance and ensure the effective and efficient governance and administration of the LGPS.	Compliant	This is clearly set out in the Pension Board Terms of Reference Constitution. The Board also has a separate governance working document which contains details on the roles and responsibilities of the Board.
Membership		
The terms should include the number of each category of Board member (including other representatives), the appointment and selection process, term of office and procedures for termination of office.	Compliant	The Pension Board consists of 7 members and is constituted as follows: 3 Scheme employer representatives 3 scheme member representatives Independent Chair selected by the Administering Authority. Vacancies are publicised. Officers from the Administering Authority assess each candidate's statement against the Person Specification and form a shortlist of suitable candidates. If there are more than 3 suitable candidates for each vacancy

		<p>then a ballot will be held. Representatives serve for a fixed two year term which can be extended subject to re-nomination. Termination occurs automatically at the expiry of a term. Other than ceasing to be eligible a Board member may only be removed from office during a term by the unanimous agreement of all of the other Board members. The removal of the independent member requires the consent of the Scheme Manager.</p>
Code of Conduct		
<p>The terms should refer to the requirement for the Local Pension Board to have a code of conduct for its members and that members of the Board should abide by the code.</p>	Compliant	<p>Board members are subject to the code of conduct for Board members.</p>
Voting Rights		
<p>The terms should set out that employer and member representatives of the Board have equal voting rights; indicate where the Chair is from either the employer or member representatives whether the Chair has a casting vote; and note that</p>	Compliant	<p>The Board consists of 6 voting members, (3 employer and 3 scheme member representatives) and an independent Chair who is not entitled to vote. Other members do not have voting rights on the Board.</p>

other member do not have voting rights on the Board.		
Conflicts of Interest		
The terms should refer to the requirement for the Board to always act within the terms of reference. The Local Pension Board should have a conflicts policy for its members and that members should abide by the policy and provide information that the Administering Authority may reasonably require from time to time to ensure that members do not have a conflict of interest.	Compliant	The term provides the purpose, scope and administrative procedures for the Board and requires the Board at all times to act in a reasonable manner in the conduct of its purpose and abide by the conflicts policy and code of conduct. All members of the Board must declare on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
Appointment of a Chair / Vice Chair		
The terms should specify whether the Board is to have a chair and/or vice-chair and if so specify the roles, including administrative and leadership responsibilities, and how they are appointed.	Compliant	The terms cover the appointment of an independent chair and a vice chair and their responsibilities.
Role of Advisers		
The terms should set out the role of professional advisers, or other advisors to the Board and the process for their appointment and	Compliant	The Board may be supported through the appointment of advisers and can consult with such advisers to the Board and

agreeing their fees. In addition the process for the Board accessing existing advisors to the Administering Authority should also be set out.		on such terms as it shall see fit within the budget for the Board that is met from the Fund. The Chair is required to notify the Administering Authority of any proposed use of the existing advisors to the Pensions Committee or of the intention to consult with other advisers.
Role of Officers		
The terms should set out the role of officers of the Administering Authority to the Board, for example in the provision of secretariat services to the Board or providing pension fund information to the Board.	Compliant	The role of officers is to provide support to the Board. This includes support finance, pension administration and secretarial support.
Administration of meetings including data protection		
The terms should include the notice period of Board meetings, the circulation of papers in advance of meetings, the decision making process, recording minutes of meetings, a procedure for dealing with urgent items of business and the publication of information.	Compliant	The Board meets a minimum 4 times each year. The chair of the Board with the consent of the Board membership may call additional meetings. The agenda notice and supporting papers must be issued at least 5 clear working days in advance of a meeting except in the case of matters of urgency. Any urgent items of business must be agreed by the Chair and be of such matter that cannot wait until

		<p>the next ordinary meeting. The Board seeks to reach consensus and decisions are put to a vote when it cannot be reached. Draft minutes of each meeting must be circulated to all Board members within 10 working days after the meeting. Draft minutes are then subject to formal agreement by the Board at their next meeting. The minutes may, with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.</p>
Quorum		
<p>The terms should specify a quorum for meetings and in particular whether the quorum should include a minimum number of employer and member representatives.</p>	<p>Compliant</p>	<p>A meeting is only quorate when at least one employer member representative, one employer representative and the Independent Chair are present. Substitute members are included within the quorum. A meeting that becomes inquorate may</p>

		continue but any decisions will be non-binding.
Attendance Requirements		
The terms should specify the requirements for attending meetings and the consequences of continued failure to attend Board meetings.	Compliant	Representatives should endeavour to attend all meetings and are required to attend at least 2 out of 4 meetings each year. Board membership may be terminated prior to the end of the term of office due to a Board member no longer being able to demonstrate their capacity to attend and prepare for meetings or to participate in required training.
Role of Substitutes		
The terms should specify whether members are allowed to send substitutes to meetings where they are unable to attend themselves. Training requirements should also be considered where substitutes are permitted.	Compliant	Substitutes can be appointed by Member representatives. Where appointed, substitutes should be named and must undertake the same training as full members. Substitutes are allowed to attend on behalf of absent representatives if sufficient notice is given.
Creation of Working Groups / Sub-Committees		
The terms should specify whether the Board has the power to set up working groups or sub-committees.	Compliant	The Board may establish sub-committees.

Allowances / Expenses		
The terms should specify the policy in relation to the payment of allowances and expenses to Board members.	Compliant	An annual allowance is paid to the Independent Chair, in line with the Administering Authority's policy on allowances. The Administering Authority does not pay allowances for Board members. Expenses are paid to Board members in line with the Administering Authority's policy on expenses.
Budget		
The terms should set out a process for the Board to have access to a budget for specified purposes.	Compliant	The Board is to be provided with adequate resources to fulfil its role set out in the terms. The budget is met from the Fund and determined by The Strategic Director – Resources.
Knowledge & Understanding		
The terms should refer to the requirement for the Board to have a policy and framework to meet the knowledge and understanding requirements of the 2004 Act.	Compliant	The Board has adopted the CIPFA Knowledge and Skills Framework and has an annual training plan for the Board. The Fund's Training Policy covers Board members.
Reporting		
The terms should include arrangements for the reporting of	Compliant	The Board is required to report its requests, recommendations

<p>information to the Administering Authority including direct reporting arrangements where the Board has material concern. In addition the methods used to communicate to scheme members and employers should be included.</p>		<p>or concerns to the Pension Committee.</p> <p>The Board should report any concerns over a decision made by the Pension Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.</p> <p>Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee and has not been rectified within a for a reasonable period of time it is under an obligation to escalate the breach. The appropriate internal route for escalation is to the Monitoring Officer and / or the Section 151 Officer.</p> <p>The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation. Board</p>
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		<p>members are also subject to requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistleblowing policy].</p> <p>Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.</p> <p>Board agendas and minutes and training and attendance logs may be published using the following means: on the Fund's website, as part of the Fund's own annual report; as part of the Governance Compliance Statement.</p>
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14. INVESTMENT STRATEGY STATEMENT

Introduction and background

This is the [Investment Strategy Statement](#) (“ISS”) of the London Borough of Sutton Pension Fund (“the Fund”), which is administered by Sutton Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (“the Regulations”).

The ISS has been prepared by the Fund’s Pension Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Mercer. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was previously approved by the Committee on 13 December 2022, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons as it considers appropriate.

The Committee seeks to invest in accordance with the ISS any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy.

15. FUNDING STRATEGY STATEMENT

This document sets out the [Funding Strategy Statement](#) (FSS) for the London Borough of Sutton Pension Fund. The London Borough of Sutton Pension Fund is administered by Sutton Council, known as the administering authority. Sutton Council worked with the fund’s actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2023. There’s a regulatory requirement for Sutton Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact skemployers@sutton.gov.uk.

Pensions Administration Strategy



London Borough of Sutton Pension Fund

July 2024

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1. Introduction

This is the pension administration strategy (“the Strategy”) of the London Borough of Sutton Pension Fund in relation to the Local Government Pension Scheme (LGPS). This is the current Strategy in force and replaces all previous versions.

The role of administering authority for the London Borough of Sutton Pension Fund is discharged by the shared pensions administration service and the shared finance service. Both of these services are hosted by Sutton Council. The shared HR service, hosted by Kingston Council, provides the pensioner payroll. In this Strategy, the following terms will be used:

- **Pension Fund (“the Fund”)** which deals with LGPS administration, investments, actuarial valuation processes and collection of contributions and is based at Civic Offices, St Nicholas Way, Sutton SM1 1EA.
- **Scheme Employers (“Employers”)** who participate in the LGPS as a scheduled body or as a designating body, such as a town or parish council, or as a non-local government organisation (an admission body). In this PAS the term “Employers” also includes any other body or school that uses outsourced payroll services.

The LGPS is a statutory pension scheme and governed by [regulations](#). In discharging their roles and responsibilities under these regulations, the Fund and Employers are also required to comply with any overriding legislation and follow any regulatory guidance or Code of Practice issued by The Pensions Regulator regarding:

- Data quality.
- Completeness.
- Timeliness.

This Strategy sets out the standard of performance and best practice that the Fund and the Employers should aim to meet when carrying out their scheme functions. It will be reviewed triennially and will be revised to reflect changes to:

- LGPS regulations.
- Policies determined by the Fund.

- Administrative practices executed by the Fund and its Employers.

This Strategy applies not only to existing Employers but will also apply to all new future Employers of the Fund. Schools (other than Academies, Free Schools and University Technical Colleges) are included under the relevant local authority even if they have their own payroll or have outsourced it to a third party.

If you require any further information about anything in or related to this Strategy, please contact the Fund by email at skemployers@sutton.gov.uk.

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2. Legislative Background

The legal context of the Strategy is Regulation 59 of the LGPS Regulations 2013, which provides authority for Administering Authorities to create a pension administration strategy. This Strategy sets out requirements to facilitate best practice and efficient customer service in respect of the following:

- The levels of performance which the Fund and Employers are expected to achieve in carrying out their scheme functions.
- Ensuring the Fund and Employers comply with statutory requirements in respect of those functions.
- Improving communications between the Fund and Employers to carry out those functions.

This Strategy also includes a schedule of additional administration costs, in **Appendix 3**, in accordance with Regulation 70 of the LGPS Regulations 2013, which provides scope for the Fund to recover costs where, in its opinion, additional costs are being incurred due to an Employer's level of performance.

This Strategy is published on the [Fund's website](#) and is signposted to all participating Employers as required. It is formally approved by Sutton Council's Pension Committee in its role as the Administering Authority of the Fund. A copy will also be submitted to the Secretary of State as required in Regulation 59 of the LGPS Regulations 2013.

The Strategy is implemented from 1 July 2024 following a period of consultation with the Fund and Employers.

The Local Pension Board, in its role of assisting the Fund to ensure effective administration and governance of the LGPS, will also monitor the operation of the Strategy.

3. Aims and objectives

The aims of this Strategy are to:

- Support the provision of a high-quality pension service to Fund members delivered through efficient working practices.
- Clearly set out the respective roles and responsibilities of the Fund and Employers.
- Ensure the Fund operates in accordance with LGPS regulations and Codes of Practice issued by The Pensions Regulator.
- Set out the quality and performance standards expected by the Fund and its Employers in relation to each other.
- Promote good working relationships, transparency and improve efficiency between the Fund and its Employers for the benefit of scheme members.
- Provide a framework to enable administration costs relating to significant Employer underperformance to be met directly by the Employer responsible, rather than shared across all the Employers in the Fund.

The efficient delivery of the benefits of the scheme is reliant upon effective administrative procedures being in place between the Fund and Employers, notably the timely exchange of accurate information in relation to scheme members.

The Strategy should help ensure that the Fund and Employers understand their respective roles and responsibilities under the LGPS regulations to deliver these administrative procedures.

This Strategy sets out the expected levels of performance of the Fund and Employers. The Strategy provides details about the monitoring of performance levels and the action(s) that could be taken where standards are not met by Employers and/or when persistent non-compliance occurs.

4. Development of the Fund's administration Pensions Online

The Fund has a secure, online portal called [Pensions Online](#) to allow its members to:

- Update their personal information.
- View their pension record and scheme documents.
- Project their pension benefits.

This online service will become the Fund's default method of communication with scheme members.

The Fund is currently promoting this service to scheme members as set out in the Fund's Communications Statement in **Appendix 4**. Employers are expected to actively promote this online service and encourage their employees participating in the LGPS to register.

Pensions Online is the default method for supplying annual statements to active and deferred members, however, all active and deferred Fund members can request their annual statement by post each year as required.

Email is the default method for supplying payment advice slips and P60s to pensioner and dependant pensioner members, however, members can opt to receive their payment advice slips and P60s by post.

5. Roles and Responsibilities

The aims of this strategy will be achieved by:

- Clearly defining the respective roles of Employers and the Fund.
- Setting clear and achievable standards of service levels for the functions carried out by Employers and the Fund.
- Setting out clear procedural guidance for the secure and effective exchange of information between Employers and the Fund.
- Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve where required.
- Applying additional charges where an Employer consistently fails to meet deadlines and standards set out in this strategy.

5a. The Fund's Roles and Responsibilities

The responsibilities for the Fund are to:

- Administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with legislation and as set out in this Strategy.
- Maintain and review the Fund's policies, strategies, statements, reports and all other matters relating to the governance of the scheme. The Fund's policies, strategies and statements can be viewed on the [Fund's website](#).
- Communicate and engage with Employers on LGPS matters.
- Provide support and training to Employers.
- Maintain and develop an effective web presence for the benefit of members and Employers.

A guide to the Fund's main roles and responsibilities are set out in **Appendix 2**. The list of functions, which concentrates on the main roles, rather than being an exhaustive list, sets out the key areas which involve interaction and liaison with Employers and/or scheme members.

5b. The Employer's Roles and Responsibilities

The key responsibilities for Employers are to:

- Communicate details of the LGPS to eligible staff and participating members of the LGPS.
- Apply LGPS regulations.
- Report information to the Fund as set out in this Strategy or upon request.

A guide to the Employer's roles and responsibilities are set out in **Appendix 1**. The guide includes a summary of duties which defines the main functions of the Employer role which, in turn, enables the Fund to deliver an efficient, accurate and high-quality pension service to scheme members.

Each Employer will designate a named individual to act as the main point of contact (nominated representative) regarding any aspect of administering the LGPS. Please let the Fund know immediately if a nominated representative leaves your organisation and the name and contact details of the replacement representative.

The key responsibilities for the nominated representative will be to:

- Act as a conduit for communications to appropriate staff within the Employer, for example, Human Resources, Payroll teams, Directors of Finance.
- Ensure that standards and levels of service that are set out in this Strategy are achieved.
- Ensure that details of all nominated representatives and authorised signatories are correct and to immediately notify the Fund of any changes.
- Assure data quality and ensure the timely submission of data to the Fund.
- Ensure payments due to the Fund are made in accordance with legislation and as set out in this Strategy.
- Ensure that the Employer has an up to date statement of Employer discretions.
- Arrange distribution of communications literature when required.
- Assist and liaise with the Fund on promotional activities.
- Inform the Fund of any TUPE of LGPS eligible staff.

- Inform the Fund of changes to an Employer's payroll provider or any other service delivery agreement.
- Notify the Fund of breaches of the LGPS and related statutory regulations.
- Notify the Fund of all applications received under the Internal Dispute Resolution Procedures (IDRP)

6. Performance Reporting

The partnership between the Fund and Employers is important for the successful, ongoing administration of the scheme. The Fund has a role to support Employers in meeting their responsibilities. The cost of underperformance on the part of one Employer is to be charged to that Employer, rather than being shared across all Employers.

If Employers have concerns about the data they provide, they should contact the Fund without delay. This will allow the Fund to help resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

The performance of each Employer in providing all necessary data required by legislation and as set out in this Strategy will be monitored.

It is the responsibility of the Fund and the Employers to comply with the LGPS regulations and the standards set out in this Strategy. This section describes how the Fund:

- Monitors performance and compliance.
- Addresses the costs of underperformance.
- Sets penalty charges.

6a. Monitoring Performance and Compliance

The Fund will monitor, measure and report on the Fund's and the Employers compliance with the agreed service standards outlined in this document on a regular basis to the Local Pension Board and Pension Committee.

The Fund monitors its own performance against internal key performance indicators (KPIs). Monitoring is carried out on a monthly basis and is reported to the Local Pension Board and Pension Committee periodically. The performance of Employers against the standards set out in this document, including data accuracy, are also reported to the Local Pension Board and Pension Committee.

The Fund will report back to Employers where required about their individual performance, identifying any areas for improvement including outstanding data items.

Where an Employer declines to work with the Fund to resolve problems and consistently fails to meet its responsibilities under the LGPS regulations, the Fund (or stakeholders such as the Local Pension Board) has a duty to report such breaches to The Pensions Regulator, who has the regulatory power to take enforcement action and, if necessary, apply fines.

6b. Addressing the Cost of Underperformance

The Fund monitors any additional costs incurred in the administration of the Scheme as a direct result of underperformance and reserves the right, at its own discretion, to recover these costs.

An invoice will then be issued to the Employer with a notification setting out the calculations of any additional administration costs incurred by the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scales set out in this document.

In addition to recovering additional costs, where an Employer has demonstrated continued underperformance, the Fund will take the following steps:

1. Write to the Employer

Setting out the area(s) of poor performance; and if necessary, meet with the Employer to discuss the area(s) of poor performance and how these can be addressed. This may include attendance at a training session if required.

2. Arrange a meeting with Fund representatives

An Employer will be asked to attend a meeting with representatives of the Fund to discuss area(s) of non-compliance with performance standards and to agree an improvement plan where the Employer has not:

- Demonstrated improvement.
- Taken the agreed actions.
- Responded to the initial letter.

Where appropriate in respect of Admission Bodies, the letting employer will be informed and expected to work with the Fund and the Admission Body to resolve the issues.

3. Issue formal written notice

Where no improvement is demonstrated by the Employer or where there has been a failure to take agreed action by the Employer, the Fund may report the Employer to The Pension Regulator.

Such instances will be presented to the Pension Committee and the Local Pension Board detailing charges levied against Employers and outstanding payments. This will also be reported in the Fund's published Annual Report.

Where it is necessary to ensure that members' benefits are not delayed unduly due to Employers' underperformance in providing the required information, the Fund reserves the right to calculate and pay benefits based on the best information available. The basis of the calculation will be explained to the member and Employer in each case, and further to completing the process above, the costs of additional administration caused by the need for a subsequent revision of benefits will be charged to the Employer.

6c. Charges

In the event of continued poor performance the Fund will seek to recover any additional costs arising.

A summary of the additional costs that the Fund will seek to recover is provided in **Appendix 3**. In addition, any third-party costs or regulatory fines incurred by the Fund because of administrative failures or poor performance will be recovered from the Employer. These may include:

- Fines imposed by The Pension Regulator.
- Additional charges in respect of actuarial fees, legal fees, third party charges.
- Additional printing and distribution costs.

The Fund will recover additional costs incurred in the administration of the scheme as a direct result of the poor performance of any Employer. With the objective of ensuring fairness across employers in avoiding Employers paying more to cover the higher administration costs incurred by others.

Where an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment may be charged accordingly. This includes charges and recharges levied under this Strategy.

7d. Feedback from Employers

The Fund will monitor its performance against the standards in this Strategy, as set out in **Appendix 2**, from the event date (e.g. date of leaving or the date that all necessary data has been received) to the date of the completion of the task.

Employers who wish to provide feedback on the performance of the Fund against the standards in this Strategy should email skemployers@sutton.gov.uk. Please begin the subject line of your email with “Performance of the Fund”.

7. Audit

The Fund is subject to regular audits of its processes and internal controls. The Fund and Employers will be expected to fully comply with any requests for information from both internal and appointed external auditors. Any subsequent recommendations made will be considered by the Fund and where appropriate duly implemented.

8. Data Protection

The UK's Data Protection Act 2018 is the UK's implementation of the General Data Protection Regulations. It controls how personal information is used by organisations, businesses and the government. Under the Data Protection Act 2018, everyone responsible for using personal data must follow strict data protection principles. They must make sure the information is:

- used fairly, lawfully and transparently
- used for specified, explicit purposes
- used in a way which is adequate, relevant and limited to only what is necessary
- accurate and, where necessary, kept up to date
- kept for no longer than is necessary
- handled in a way that ensures appropriate security, including protection against unlawful or unauthorised processing

In addition, organisations have an obligation for better data management and a new regime of fines were introduced for use when an organisation is found to be in breach of data protection regulations. You can obtain further information about these rights from the [Information Commissioner's Office website](#).

Personal data collected / held by the Fund includes:

- Contact details: name, address, telephone number and email address.
- Identifying details: date of birth, national insurance number and employee number and folder reference.
- Assessment information: used to calculate and assess eligibility for benefits, for example length of service or membership and salary information.
- Financial information: relevant to the calculation or payment of benefits, for example bank account and tax details.
- Family information: dependents or personal circumstances, for example marital status and information relevant to the distribution and allocation of benefits payable on death.
- Health information: to assess eligibility for benefits payable on ill health.

- Criminal convictions: if this has resulted in a member owing money to their Employer or the Fund and the Employer or Fund may be reimbursed from the member's benefits.

Employers are under a statutory obligation, as detailed in Regulation 80 of the LGPS Regulations 2013, to provide certain personal data for their members, including (but not exhaustively): the payroll reference number, employment post number, national insurance number, surname, forenames (or initials), title, gender, date of birth, address, postcode, date pensionable service started, marital status, hours, weeks, pay, basic employee and employer contributions paid, additional employee and employer contributions paid, date left pensionable service, reason left pensionable service and periods of absence from pensionable service.

The Fund uses members' personal data to:

- Contact members.
- Assess eligibility for pension benefits, to calculate benefits and to provide members (and their beneficiaries upon their death) with benefits.
- Identify members' potential or actual benefit options.
- Allow alternative ways of delivering benefits (for example under a power of attorney).
- Carry out statistical and financial modelling and for reference purposes (for example when the Fund assesses how much money is needed to provide members' benefits)
- Comply with the Fund's legal and regulatory obligations.
- Address queries from members and other beneficiaries and to respond to any actual or potential disputes concerning the Fund.
- Manage the liabilities of the Fund.
- To support the sale, merger or corporate reorganisation or transfer of a business by Employers that participate in the Fund.

Employers must ensure that the personal data supplied to the Fund is correct. The supply of incorrect data (in particular, incorrect contact details) can lead to a data breach. A personal data breach is a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. Breaches of personal data can expose the Fund

to substantial fines from the Information Commissioner's Office, financial claims from individuals whose personal information has been inappropriately disclosed, and to severe reputational damage.

9. Privacy Notice

The Fund has published a privacy notice in line with the data protection requirements, setting out why certain data is held; the reason for processing the data; who it shares the data with and how long the data will be retained. Within the notice, members are also provided with additional information about their rights under the legislation. The privacy notice is available from the [Fund's website](#).

Appendix 1 – The Employer's Roles and Responsibilities

The following tables set out in more detail each Employers roles and responsibilities in respect of the administration of the LGPS in the areas of:

- Scheme governance and administration.
- Individual member administration.

The performance standards expected are expressed as targets expected in normal circumstances.

On an exceptional basis, it is accepted that it may not be possible to achieve the target indicated and a pragmatic approach will be adopted. This is subject to Employers using best endeavours to meet expected standards wherever possible.

Scheme Governance and Administration

Function / Task	Performance Target
Employer Contacts	

Confirm nominated representative(s) to the Fund	Within 30 days of Employer joining the fund or change to nominated representative
Appoint a person (the adjudicator) to consider disputes under stage 1 of the pension internal dispute resolution process (IDRP) and provide full up to date contact details to the Fund	Notify the Fund within 30 days of becoming a Employer or following the resignation of the current adjudicator
Appoint an independent registered medical practitioner (IRMP) qualified in occupational health medicine and seek approval of the appointment from the Fund for the consideration of all ill-health retirement applications from active and deferred members	Within 30 days of becoming a Employer or within 30 days of a change in IRMP
Employer Discretions Policy	
Formulate and publish policies in relation to all areas where the Employer may exercise a discretion within the LGPS	A copy of the policy document is to be submitted within 3 months of becoming a Employer and thereafter within 30 days of any change in policy
Communications	

Distribute any information provided by the Fund to scheme members/potential scheme members including the promotion of Pension Online	Within 10 working days of receipt of the information or as stipulated by the Fund
Ensure that any personal data submitted to the Fund is sent securely	Ensure the security of all data submissions to the Fund at the point of sending
Respond to general queries from the Fund	Within 10 working days from receipt of enquiry unless stated otherwise

<p>Notify the Fund of any notifiable events including, but not restricted to, the following:</p> <ul style="list-style-type: none"> • Material change in LGPS membership • Material change in Employer payroll and/or pensionable pay • Change in Employer's legal status or constitution • A decision which will restrict the Employer's active membership in the Fund in future • Any restructuring or other event which could materially affect the membership in the Fund in future • Confirmation of wrongful trading • Conviction of senior personnel • Decision to cease business • Breach of banking covenant 	<p>Within 10 working days of becoming aware of such an event</p>
<p>Internal Dispute Resolution Procedures (IDRP)</p>	
<p>The Employer's Adjudicator to notify the Fund of the receipt of a Stage 1 IDRP</p>	<p>Within 5 working days of receipt of the appeal</p>
<p>The Employer's Adjudicator to notify the Fund of the decision in respect of a Stage 1 IDRP</p>	<p>Within 5 working days of the decision</p>

The Employer's Adjudicator to provide the Fund with all documentation considered in the determination of the Stage 1 IDR for consideration in the adjudication of the IDR at Stage 2	Within 5 working days of the receipt of the request from the Fund
Outsourcing / TUPE arrangements	
Notify the Fund of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors	At the point of deciding to tender
Notify the Fund of the main contacts managing the outsourcing of service provision before and during a contract where a prospective contractor may request to join the Fund	At determination of successful tender
Work with the Fund to arrange for the admission of a contractor as a new employer in the Fund	A minimum of 2 months in advance of the date of contract
Provide the Fund with relevant details, including copies of documentation, of agreements relating to responsibility for an LGPS funding deficit or surplus and requirements for Bond or Guarantor	Within 1 week of the signed contractual agreement with the contractor

Notify the Fund of changes / extension / cessation of arrangements with a contractor	As soon as decision is agreed
Assist the Fund in ensuring that the terms of the contractor's admission as an Employer are complied with	Notify the Fund if the terms of the admission agreement have been breached
Pension Contributions	
Apply the employer contribution rate agreed with the Fund on becoming a Employer and adjust as instructed by the Fund from a date determined by the Fund	Immediately on receipt of information from the Fund effective from a date determined by the Fund following advice from the scheme actuary
Calculate and review the correct employee contribution rate band for all members at commencement and on 1st April each year in accordance with LGPS regulations. Also, to be reviewed at intervals during the year at the employer's discretion	Immediately on commencement, on 1 April each year and as per the Employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year
Ensure the correct application of assumed pensionable pay (APP) during periods of reduced or nil pay	Review of eligibility for APP immediately upon a member moving to reduced / nil pay

Remit employer and employee contributions to the Fund bank account via BACS pursuant to the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014	By 19th of the following month following deduction
Provide monthly contribution schedules which are accurate and complete in the format required to reconcile the employer and employee contributions	By 19th of the following month following deduction
Arrange for the deduction of APCs and payment over to the Fund and the schedule to be sent to the Fund	Payment by 19th of the following month following deduction
Arrange for the deduction of AVCs and payment over to the AVC provider(s) and the schedule to be sent to the Fund	Payment by 19th of the following month following deduction
Notify the Fund of the commencement of AVC and Shared Cost AVC arrangements	Immediately on the commencement of arrangements
Data Returns	
Provide an accurate, fully reconciled and completed year end return in the format set by the Fund	No later than 7 May following the relevant year end

<p>To resolve all queries returned from the year end return</p>	<p>To respond fully to all queries from the Fund within 30 days of receipt of the query.</p> <p>In circumstances where an employer submits a late year end return limiting the Fund's time to complete its duties, the timescales may be reduced, as advised by the Fund</p>
<p>Due to the "McCloud judgement", we ask Employers to keep service records for all members (including leavers) from 1 April 2014. The service details should include:</p> <ul style="list-style-type: none"> • Contractual Hours • Remuneration changes • Employee number and/or post number • Absence: maternity, paternity and adoption and unpaid leave of absence and industrial action <p>Each Employer must ensure that this information is available to the Fund if requested</p>	<p>As part of Employer data retention policy</p>
<p>Change of Payroll Provider</p>	
<p>To inform the Fund of a change of payroll provider along with the contact details of the new provider</p>	<p>As soon as possible and no later than 90 days prior to the transfer of duties and functions</p>

<p>Ensure that the Employer provides payroll references (specific to post) to the Fund.</p> <p>This notification should include previous payroll references</p>	<p>As soon as possible but no later than 20 working days before the first data submission</p>
Other Payments	
<p>Make strain payments to the Fund in respect of early payment of benefits from redundancy, business efficiency and flexible retirements or where a member retires early with Employer's consent</p>	<p>Within 30 days of receipt of invoice from the Fund</p>
<p>Payments in respect of all work carried out on behalf of or relating to the Employer by the Fund's actuary including matters connected to funding reviews and data quality assurance undertaken by the Fund</p>	<p>Within 30 days of receipt of invoice from the Fund</p>
<p>Prompt payment of invoices issued by the Fund for specific services provided</p>	<p>Within 30 days of receipt of invoice from the Fund</p>

Individual Member Administration

This section details the functions which relate to scheme member benefits from the LGPS.

New Starters

<p>LGPS eligible employees must be entered into the scheme from the commencement of their employment, except for employees with a contract of less than 3 months or casual / relief Employees</p> <p>Employees not subject to contractual enrolment must be offered the opportunity to join the LGPS from commencement, or automatically entered upon meeting auto-enrolment criteria</p>	<p>From date of commencement or joining the scheme</p>
<p>Ensure that the correct contribution percentage and banding for member's LGPS contributions is applied to their payroll record and notify the member of the initial contribution rate and any subsequent changes. The notification must also notify the employee of the right to appeal, including the processes and timescales involved</p>	<p>From date of commencement or joining the scheme</p>

<p>Notify the Fund of new scheme joiners via the new starter Bulk Data Interface (BDI)</p> <p>Evidence of an employee's election to join must be retained by the Employer and a copy sent to the Fund</p> <p>If an employee is entered into the LGPS incorrectly, the Employer is responsible for the reimbursement of employee contributions</p>	<p>Within 30 days of member's entry into the scheme via contractual enrolment, auto-enrolment, re-enrolment date or election to join</p>
Changes in Circumstances	
<p>Notify the Fund of change, or correction to, employees' personal details: name, address, marital / civil partnership status, date of birth, NI number</p>	<p>Within 30 days of the event or receipt of information</p>
<p>Notify the Fund of changes or corrections in employment details, including changes in hours and moving to or from the 50/50 section</p>	<p>Within 30 days of the event or receipt of information</p>
<p>Notify the Fund of periods of unpaid absence not covered by assumed pensionable pay (APP)</p>	<p>Within 30 days of the event or receipt of information</p>

Notify the Fund where recovery of financial loss is sought from the dismissed employee's pension	Notify the Fund where recovery of financial loss is sought from the dismissed employee's pension
Additional Pension Contributions (APCs)	
Ensure members are notified of the option to pay APCs following applicable unpaid absences	Within 10 working days of the return to work
<p>Upon application from a scheme member to purchase lost pension, check the details of the application.</p> <p>If the Employer is in agreement with the APC application, send a counter signed application form to the Fund. The Fund will then review the application and advise if the member requires a medical report before the application is accepted.</p> <p>Once accepted by the Fund apply APCs</p>	Apply to next available payroll and notify fund within 30 days of receipt of members application
Apply APCs on receipt of notification from Fund	Apply to next available payroll
Apply adjustments to APC amounts on notification from Fund	Apply to next available payroll

Additional Voluntary Contributions (AVCs)	
Arrange for the deduction of AVCs from scheme member's pay following notification from AVC Provider	Commence deduction of AVCs on the next available payroll
Optant Outs and 50/50 scheme	
Apply an election to opt out of the LGPS to the member's payroll record	From the 1st of the month for the next available payroll
Apply an election to move to the 50/50 scheme of the LGPS to the member's payroll record	From the 1st of the month for the next available payroll
<p>If the member opts out within 3 months of joining, they are treated as having opted out upon entry and the employer is responsible for refunding the pension contributions.</p> <p>Evidence of an employee's election to opt-out must be retained by the Employer and a copy sent to the Fund</p>	Within 30 days of the opt-out being actioned on payroll

<p>If the member opts out 3 months or more from joining, the Fund will determine if the member is eligible for a refund of pension contributions and contact them directly.</p> <p>Evidence of an employee's election to opt-out must be retained by the Employer and a copy sent to the Fund</p>	<p>Within 30 days of the opt-out being actioned on payroll</p>
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Type of Leaver	Function / Task	Performance Target
Leaver Notifications		
Leavers – Over 55	To notify the Fund of the member's leaving date and reason for cessation of membership and all other relevant information on the leaver form	Within 10 working days of leaving date / flexible retirement / opt out
Leavers – Under 55	To notify the Fund of the member's leaving date and reason for cessation of membership and all other relevant information on the leaver form	Within 20 working days of leaving date / opt out

Redundancy / Business Efficiency and Flexible Retirement	Notify the Fund of an Employer decision and authorisation for payment of pension benefits	Within 10 working days of the Employer making the decision
Death in Service	<p>Notify the Fund of the death of an employee who is a scheme member</p> <p>As part of this notification ensure the Fund is provided with next of kin details</p>	Within 3 working days of the Employer being notified of the death of an employee who is a scheme member
III Health Retirements		
Active Members	To determine based on medical evidence and the advice of one of the Fund's approved independent registered medical practitioners (IRMP) whether an ill health award is to be made and determine which tier to apply	No later than 10 working days after Employer decision

Deferred Members	To determine based on medical evidence and the advice of one of the Fund's approved Independent Registered Medical Practitioners (IRMP) whether an ill health award is to be made for the early release of deferred pension benefits on the grounds of ill-health	No later than 10 working days after Employer decision
Tier 3 Reviews	<p>To conduct an 18-month review of tier 3 ill-health retirement awards and interim reviews at other times as requested by the member</p> <p>To notify the Fund of the Employers decision regarding the outcome of the tier 3 ill health review</p>	No later than 10 working days after Employer decision

Function / Task	Performance Target
Scheme Members with a progressive life-limiting condition	

Notify the fund if an employee with LGPS membership has a progressive life-limiting condition	Immediately
Communication with scheme members in respect of formal appeals against pension related decisions	
The Employer's adjudicator to acknowledge receipt of the Stage 1 IDRP	Immediately
Determine appeals against the Employer at Stage 1 of IDRP in accordance with The Local Government Pension Scheme Regulations 2013 (Regs 74 and 75)	<p>Within 2 months of receipt of the appeal</p> <p>Where a decision cannot be reached within 2 months, notify the appellant of reasons for the delay and the date when a decision can be expected to be reached</p>

Appendix 2 – The Fund's Roles and Responsibilities

Scheme Governance and Administration

This section outlines the responsibilities of the Fund and the performance standards which Employers and scheme members should expect. It is focussed on the activities which involve interaction with Employers and / or scheme members and should not be viewed as an exhaustive list.

Function/Task	Performance Target
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Governance – Policies, Strategies and Statements	
Regularly review the Strategy and consult with all Employers	Triennially review the Strategy and in addition review it following any material changes in service delivery or regulations relating to the Strategy and consult with Employers on any changes
The Fund will review the Funding Strategy Statement at each valuation (or material event), following consultation with Employers and the Fund actuary pursuant to regulation 58	Publish by 31 March following the valuation date, or as required
Publish an investment strategy statement pursuant to regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016	Triennially review and publish within 30 days of any revision to the policy being agreed by the Pension Fund Committee
Maintain the fund risk register	Quarterly
Review the Fund's Governance and Compliance Statement pursuant to regulation 55	Triennially review and publish within 30 days of any revision to the policy being agreed by the Pension Fund Committee

The Fund should formulate and publish policies in relation to all areas where the Fund may exercise a discretion within the LGPS	Triennially review and publish within 30 days of any revision to the policy being agreed as above
Governance - Reporting	
Annual report of Fund management and performance, including annual statement of accounts pursuant to regulation 57	By 1 December each year
Publish the Fund's final audited and approved Accounts pursuant to regulation 56	By 31 July following the year-end (or other date as set by Government)
Information for TPR's maintenance of register of pension schemes (including employer details)	Upon receipt of scheme return notice from TPR
Submit a quarterly tax return to HM Treasury and pay the required tax charges	14th day of the second month following the end of the relevant period
Provide information and manage the production of admission, cessation and IAS19/FRS102 (financial statement) reports via the Fund actuary and share with those reports with Employers	As required

<p>Maintain a ‘breaches of law’ register and notify The Pension Regulator of any materially significant breaches, which may result from:</p> <ul style="list-style-type: none"> • A failure to issue annual benefit statements or pension savings statements in time • Errors and omissions identified by the internal dispute resolution procedure • Employer’s failing to pay contributions on time or accurately • Other breaches of a legal requirement 	As soon as practicable
Information relating to pension administration against key performance indicators and employer performance	As required by the Fund and Local Pension Board
Fund Communications to Employers	
Provide Employers with year-end template and guidance	No later than 28th February before the year-end
Maintain and publish all forms required for completion by Employers	Within 30 days of any revision

Notify Employers of changes to key scheme regulations and requirements	Within 30 days of the change(s) coming into effect
Host joint meetings for all Employers, in person or remotely	As required
Provide training for new Employers	All new Employers invited to access training on employer responsibilities within 3 months of joining the scheme
Provide an ongoing programme of refresher or subject specific training or meetings with Employers	As required
Provision of a newsletter / briefing note to Employers	Quarterly
Notify the Employer of issues relating to the Employer's unsatisfactory performance	If no response to the Fund's request for action is received within 10 working days; second request marked "escalation" to be issued, if no response within 10 working days matter referred for cost recovery
Notify the Employer in writing of decision to recover additional costs associated with the Employer's unsatisfactory performance	After 10 working days of second request for action and continued failure to improve performance as requested

Fund Communications with Scheme Members	
Publish and keep up to date all forms required for completion by scheme members or prospective scheme members	Within 30 days of any revision
Management of registrations to the Funds online portal, Pension Online	Within 5 working days of activation key request
Issue annual benefit statements (ABS) to active and deferred members as at 31 March each year (on Pension Online or by post)	By 31 August following year end
Produce and issue pension saving statements (PSS) to members who have exceeded their Annual Allowance	By 6 October following end of year (subject to receipt of all relevant information from the Employer)
Provide payment advice statements to scheme members in receipt of a pension	Payment advice statements are either emailed to members monthly, or sent out via post in March and April each year and where the monthly pension amount changes by at least £5
Provide P60s to scheme members in receipt of a pension	By 31 May following year end

Pension Contributions	
Consult with Employers on the outcome of the periodic Fund valuation	At least 2 months before the issue of the final Rates and Adjustments Certificate
Issue formal valuation results to Employer's following the periodic fund valuation	No later than 1 month before the issue of the final Rates and Adjustments Certificate
Notify new Employers of their contribution requirements	Within 2 months of joining the Fund
Employer Admissions and Cessations	
Process the admission of new Employers into the Fund including signed admission, bond and guarantor agreements where required, and obtaining the Fund actuary's contribution rate / opening funding position report	Within 3 months of date joining the Fund subject to the new Employer providing all relevant information upon request
Arrange where required for Employers who outsource services/functions to undertake, to the satisfaction of the Fund, a risk assessment of the level of bond in order to protect other employers participating in the Fund	To be completed before the body is admitted to the Fund subject to the new Employer providing all relevant information upon request
Undertake a review of bonds or indemnity required to protect other Employers participating in the Fund	Annually, or 3 months prior to bond expiry as necessary

Carry out valuation assessments on cessation of admission agreements or a Employer ceasing participation in the Fund	<p>Within 2 months of a cessation, subject to the Employer providing all relevant information upon request</p> <p>Where a cessation valuation reports a surplus position at the point of exit, the determination and payment of the exit credit to be completed within 6 months of the exit date</p>
Pensioner Payroll	
Ensure payment of monthly pensions to pensioner and dependant pensioner scheme members	On the last Thursday of each calendar month.
Miscellaneous	
Calculate pensionable pay and determine a scheme member's final pay, when required	This is a Employer function by default, however, the Fund will calculate this on behalf of Employer's, unless an Employer wishes to do so themselves

Individual Member Administration

This section details the Fund's functions which specifically relate to the administration and processing of scheme member benefits from the LGPS.

Function/Task	Performance Target
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General Enquiries	
Acknowledge to written or verbal enquiries from Employers and scheme members or their representatives or dependents and other authorised persons	Within 5 working days from receipt of an enquiry
Respond to written or verbal enquiries from Employers and scheme members or their representatives or dependents and other authorised persons	Within 10 working days from receipt of an enquiry
Change of scheme member personal details including but not limited to: <ul style="list-style-type: none"> • Change of surname • Change of address • Change of marital status • Change of bank details • Update death grant nomination 	Within 10 working days from receipt of all required information
Implementation of a power of attorney / court of protection order	Within 10 working days from receipt of all required information
New Scheme Joiners and 50/50 Elections	

Set up a new starter pension record and provide the statutory notification to the member	Within 30 days of the Bulk Data Interface (BDI) notification and all other required information
Move member to the 50/50 section of the LGPS	Within 30 days of the notification and all other required information
Aggregations, Transfers and Estimates	
Issue statement to scheme member relating to the aggregation of previous LGPS membership	Within 20 working days of receipt of all necessary information
Commencement of transfer-in requests	Within 10 working days of receiving transfer details from sending scheme
Completion of transfer-in applications	Information provided within 30 days of receipt of all required information
Transfer-out quotations issued	Within 15 working days of the date of request
Transfer out payments processed and notification to scheme member	If transfer out finalised within 3-month guarantee period, payment made within 30 days of guarantee date
Cash equivalent transfer value (CETV) estimates for divorce purposes	Within 20 working days of request and receipt of all necessary information

Implementation of a pension sharing order	Within 10 working days of receipt of court approved pension sharing order
Provide requested estimates of benefits to scheme members	<p>Within 20 working days of receipt of all required information.</p> <p>If the member holds additional voluntary contributions (AVCs) within 20 working days of confirmation of the members fund valuation.</p> <p>Please note we will only provide members one estimate within a 12 month period</p>
Provide requested estimates of benefits to Employers including strain costs in relation to the early payment of benefits due to redundancy or business efficiency	<p>Within 20 working days of receiving all required information from the employer.</p> <p>Bulk requests of more than 10 estimates per month will be subject to prior agreement between the Fund and the Employer</p>
Additional Contributions	
Notify the Employer of any scheme member's election to purchase additional pension contributions (APCs), including all required information to enable deductions to commence	Within 10 working days of receipt of election from scheme member to meet the employer's next available payroll

Notify the Employer of any scheme member's election to purchase, amend or cease additional voluntary contributions (AVCs), including all required information to enable the change	Within 10 working days of receipt of election from scheme member to meet the Employer's next available payroll
Deferred Benefits / Refund of Pension Contributions	
Notify member of deferred benefits options	Within 30 working days of date of leaver Notification
Notify member of deferred refund benefits options	Within 30 working days of date of leaver Notification
Process refund payments	Within 10 working days of all completed forms
Retirements	
Provision of retirement options letters detailing member options	Within 20 working days of request or receipt of leaver notification

Process of retirement benefits, including deferred benefits, for payment following receipt of a request to access benefits	<p>Within 10 working days of the quoted retirement date or the Fund receiving all completed forms/documents</p> <p>Lump sum to be paid within 10 working days of quoted retirement date or the Fund receiving all completed forms/documents</p> <p>Pension to be paid from the Fund's next available Payroll</p>
Deaths	
Notification to dependants of their death benefits	Within 10 working days of notification along with all required information
Processing of beneficiaries' pensions for payment	Within 10 working days of completed forms and documents
Processing of death grant for payment	Within 10 working days of completed forms and documents
Appeals	
Acknowledge receipt of Stage 2 IDRP appeal	Within 1 week of receipt of Stage 2 IDRP appeal
Decide adjudicator for completion of the Stage 2 determination	Within 1 week of receipt of Stage 2 IDRP appeal

Prepare information and evidence as required for adjudicator to consider Stage 2 appeal	Within 2 months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required
Ensure the issue of a formal letter to the appellant following the adjudicator's determination of the Stage 2 Application	Within 1 week of the adjudicator's decision

The timescales for completing the tasks above are measured from the date the Fund is in receipt of all the relevant information required to complete the task and is expressed in working days unless stated otherwise

Appendix 3 - Recoverable additional costs

The standard cost of administering the fund is factored into the contribution rates but there are circumstances that will require the recovery of additional costs.

Any such costs will be monitored by the Fund and the relevant party will be invoiced for payment, either annually or on an ad-hoc basis depending on the type of cost.

Performance penalties

This type of recovery is dealt with according to [regulation 70](#), which allows the Fund to levy such charges on account of an Employer's unsatisfactory performance in carrying out its functions. These recoveries are required as a penalty to ensure the smooth running of the LGPS.

The penalties will be calculated as follows:

Reason for Charge / Fine	Level of Charge (£)
Administration Charges / Fines	
Late payment of Employer and / or scheme member contributions. Plus, any statutory charges	£150 per occurrence plus interest as defined in as defined in Regulation 71 of LGPS Regulations 2013
Late submission of monthly contributions schedule	£150 per occurrence plus £25 per working day

Late provision of year end contributions returns in prescribed format	£1,000 plus £100 for each working week plus part week of continued non-provision
Incorrect submission of year end data resulting in a resubmission or manual intervention (An “incorrect” file means a file with an error rate greater than 5%)	£150 per occurrence
Failure to respond to the Fund’s year end data query requests within 10 working days	£50 per occurrence then £25 for every further 10 working days the information remains outstanding
Late provision of starter information	£50 per scheme member
Failure to notify the Fund of a change to a member’s working hours, leave of absence with permission (maternity, paternity, career break) or leave of absence without permission (strike, absence without permission) – within 1 month of the change of circumstances	£50 per scheme member

Late provision of leaver information	<p>£50 per scheme member.</p> <p>If the late provision of leaver information generates additional cost for the fund this additional cost may also be recharged to an Employer</p>
Charges for persistent incorrect and incomplete information provided by the Employer to the Fund (where the case has to be returned for incorrect information on more than 2 occasions)	£50 per occurrence
Governance Charges / Fines	
Failure to notify the Fund of a change to the Employers “nominated representative” contact information within 1 month of alteration	Reminders will be sent to Employers who do not respond. Following the second chase correspondence will be charged at £10 per communication
<p>Failure to notify the Fund of a contracting out involving a TUPE transfer of staff eligible for LGPS membership before the transfer date.</p> <p>Failure to inform the Fund of a new Academy or Free School before their opening date</p>	£500 per occurrence

No response (or inaccurate response) to queries and reminders raised by the Fund for information needed to perform a benefit calculation	£50 per occurrence
No response to the Fund request for LGPS discretions statement	£25 per reminder letter
Third Party Charges / Fines	
Fine from The Pensions Regulator	Amount determined by The Pensions Regulator
Fine from The Pensions Ombudsman (including “distress and inconvenience” payments suggested by the Early Resolution Service)	Amount determined by The Pensions Ombudsman
Delay causing unauthorised payments	Cost of tax from the HM Revenue & Customs (“HMRC”) and or reimbursement of charges imposed by HMRC on the Fund
Fines from any other statutory body incurred due to the employer’s actions	As levied

Underperformance charges will apply at the discretion of the Head of the Fund and will be calculated based on a combination of the standard tariff of charges plus time spent at the daily rate outlined below.

Charges for 'time spent' on underperformance issues will be made on a half day basis. For less than a quarter of a day, no charge will be made. For more than half a day, the full day charge will be made.

Time Spent - Officer Charges

Summary of officer charges for time spent on cases triggered by Employer underperformance:

	Charge levels		
Time Taken	Level 1 (Work at Pensions Assistant and Pensions Officer Level)	Level 2 (Work at Senior Pension Officer and Team Leader Level)	Level 3 (Work at Pension Administration Manager / Head of Pension Fund Level)
Daily	£180	£250	£450
Half Day	£90	£125	£225

Where the Fund determines that such additional costs should be recovered it will give written notice to the Employer stating the reasons, the amount, the basis of calculation and the relevant provisions of the Strategy.

Actuarial and other fees

Any requests for advice or work that is outside of the requirements of a Fund as defined by the LGPS regulations will be recoverable from the relevant Employer or scheme member.

This may include:

- Legal advice concerning admission or cessation.
- Accounting valuation reports (FRS102, etc).
- Site visits or seminars.

Such recoveries will recharge the cost incurred from the third party provider with no uplift or administration fee. If the work is to be undertaken by the Fund itself, the fees will be agreed with the Employer or scheme member before work commences.

Strain costs

Pension strain costs can occur in a number of situations. Depending on the situation, the Employer may be liable for the costs or the costs will be paid from the Fund (the Employer's contribution rates include an element to cover these risks). The typical situations are as follows:

Type of Strain Cost	Who is responsible for payment?
Death	Fund
Ill health retirement	Employer (excluding Sutton Council)
Redundancy of scheme member over the age of 55	Employer
Retirement of an employee over the age of 55 on grounds of efficiency or where the Employer chooses to waive the actuarial reduction that would otherwise apply	Employer

Appendix 4 - Communication statement

This statement has been developed in accordance with [Regulation 61](#) of the Local Government Pension Scheme Regulations 2013 (Regulation 61) and takes into account guidance from The Pensions Regulator.

Regulation 61 requires that the statement covers:

- the provision of information and publicity about the Local Government Pension Scheme (LGPS) to scheme members, representatives of scheme members and Employers
- the format, frequency, and method of distributing such information or publicity
- the promotion of the LGPS to prospective scheme members and Employers

1. Objectives

The Fund's overriding objective is to ensure that it delivers clear, timely and accessible communications to its stakeholders. The Fund aims to achieve this by delivering communications to its stakeholders which are:

- **Targeted** - with the aim of delivering clear, accurate and effective communications to each different audience group, in terms of the style of content and the method of delivery.
- **Easy to understand** - providing clear and easy to follow explanations of pension issues, particularly where pension related decisions are being made.
- **Accessible** - ensuring that all scheme members and other stakeholders can access the Fund's services, online content, and communications equally.
- **Cost effective** – providing value for money by utilising technology to its fullest potential.

By communicating in this way, the Fund aims to:

- Communicate information about the Scheme's rules and regulations in an effective, jargonfree, and timely manner to the different groups of customers and stakeholders to enable them to make fully informed pensions decisions
- Keep members, Employers and other stakeholders informed about the management and administration of the Fund
- Keep members, Employers and other stakeholders informed about the Fund's investment portfolio
- Consult with key stakeholders on changes to policies and procedures that affect the Fund and its stakeholders
- Seek to continually improve the Fund's communication methods by requesting and analysing feedback
- Inform customers and stakeholders to enable them to make the decisions regarding pension matters.
- Work with Employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the Scheme
- Enable equality of access to Fund communications
- Manage information securely to the standards required by the Data Protection Act 2018

2. Communication Methods

The statement will set out the channels of communication that will be communicated and their frequency.

Pensions Online

We are committed to using technology to enhance services, improve accessibility and broaden inclusion. We are developing our use of digital communication through our secure member portal, [Pensions Online](#). Members can access their pension account using the My Pension area of the website. This is a secure area that allows members to see the personal details we hold about them. They can also update information such as their death grant nomination and use a calculator to estimate their retirement benefits.

Wherever possible, we will use a digital first means of communication, however, we recognise that individuals may have specific needs with regards to the format or language of our communication. As such, reasonable alternative material will always be made available on request.

Annual benefit statements are published on [Pensions Online](#) by 31 August and unless requested, a scheme member will not receive a paper copy. Using [Pensions Online](#), active and deferred scheme members can view their statements, other documents and membership information.

Sutton Council Website

We shall maintain the Fund's web page on the [Sutton Council's website](#) to provide information about the LGPS. The website has been designed to be easily browsed, accessible and user friendly from desktop, laptop, tablet and smartphone devices and the contents shall be reviewed at least twice per year. This is where we will publish the key scheme documents, such as the annual accounts, policies and other statements.

As well as key scheme documents, the website contains downloadable forms and factsheets for members on a range of topics, including the Scheme guide, Additional Voluntary Contributions (AVCs), transfers etc. The web pages will not duplicate the core scheme information found on the [LGPS website](#) but rather link to it where possible and only add information that is specific to the Fund.

When it is prudent to share scheme updates to scheme members, these messages will be added to the Council website. These updates may include changes to the scheme regulations.

Email Communications

The Fund maintains secure email inboxes used by members and Employers for the submission of general and individual enquiries, the provision of information and other directed information. The details of each inbox and their purpose is explained in the following table:

Email Address	Purpose
skpensions@sutton.gov.uk	A general inbox for enquiries from members.

skemployers@sutton.gov.uk	<p>For Employers to submit:</p> <ul style="list-style-type: none"> • forms and other information relating to individual members. • data returns, contribution payment reports and other payment and data based enquiries. • queries relating to LGPS regulations, communications, Employer training, all Fund events.
--	--

We will send emails to all members who have registered for Pension Online to alert them to any key updates made to the LGPS or their pensions.

Telephone Enquiries

The Fund has a dedicated Pensions Helpline number (020 8770 5290). The Helpline is currently available Monday to Friday 1.00pm to 5.00pm.

Post

You can write to the Fund at: Shared Pension Administration Service, Civic Offices, St Nicholas Way, Sutton SM1 1EA.

3. Communication to Members

Active and Deferred Members

On joining the Fund, new active members are provided with:

- confirmation of their LGPS membership
- a link to the LGPS information on the website
- forms and information to enable them to request a transfer-in of any previous eligible pensionable service

Each year, the Fund provides annual benefit statements to all active and deferred members. These statements summarise a member's pension account balance to the previous 31 March. These statements are currently uploaded to Pension Online. The provision of these statements is subject to Employers providing timely year end information to the Fund.

Pensioner Members

The Fund email payment advice slips and P60s to pensioner and dependant pensioner members, however, members can opt to receive their payment advice slips and P60s by post.

The Fund participates in the National Fraud Initiative and may share information with other bodies responsible for auditing or administering public funds for the purpose of preventing and detecting fraud.

Life certificates, or an alternative secure electronic solution, are delivered each year by the Fund, or by a specialist tracing service working on behalf of the Fund, to pensioners living abroad to ensure that they maintain eligibility for their pension benefits. The aim of the Life Certificate is to reduce the liabilities which result from pension overpayments following the death of pensioner members living overseas. The Fund's arrangements for the issue and delivery of Life Certificates or a secure electronic alternative are reviewed regularly.

4. Communications to Prospective members

We do not have details of prospective members of the scheme therefore communication with this group takes place via Employers. Employers are supported in promoting the scheme to all their eligible employees and information is provided to Employers to signpost their employees to the [LGPS website](#) to highlight the benefits of LGPS membership.

5. Communications to Employers

This Strategy aims to promote good working relationships between the Fund and its Employers in order to support the delivery of a high-quality service to members. It sets out clearly the standards of performance and best practice that the Fund and its Employers should aim to meet when carrying out their LGPS related functions and responsibilities.

Employer Forums

Face to face Employer events are provided when it is appropriate to do so; some are aimed at all Employers and others targeted at specific groups, such as academies.

During an actuarial valuation year, we shall hold meetings with Employers and the fund actuary to discuss the results and implications of the valuation and other actuarial matters.

Employer Training

Employer training is currently carried out as requested. It is conducted through individual meetings with Employers via Google Meet.

Employers are kept up to date with developments which impact on their application of the LGPS regulations by Employer newsletters, which are emailed to nominated Employer contacts. At least one Employer newsletter is produced each quarter.

6. Accessibility

The Fund aims to ensure that all members can equally access its services, online content and communications, and is committed to increasing digital access and delivery of services making the best use of technology.

The Fund's website is designed to ensure that new content meets the World Wide Web Consortium Accessibility Guidelines (version 2.1 AA standard), which is currently the recommended minimum standard for all council hosted websites. Alternative methods of communications will continue to be offered as required.

The LGPS and other pension schemes can prove confusing to its members. As such, all communication sent by us will be written using plain language where possible and where not, will include suitable definitions.

7. Local Pension Board and Pension Committee

The Local Pension Board assists the Fund in complying with LGPS governance and administration responsibilities and complying with the relevant requirements of The Pensions Regulator. Staff members of the Fund work closely with the Pension Board, attending meetings which are held at least quarterly, and ensuring that they have the information necessary to fulfil their duties and responsibilities. Information about the Pension Board and summaries of Pension Board meetings are published on the [Council's website](#).


The Pension Committee is responsible for the management and administration of the Fund on behalf of the Fund. Members of the Fund's team work closely with the Chair, Deputy Chair and Members of the Committee to ensure that they are fully informed about Fund matters and that they are fully supported in fulfilling their duties and responsibilities. Members of the Committee receive reports from Fund officers on matters to be determined or reviewed. Minutes of meetings (except for restricted items) are available from the [Council's website](#).

8. Sharing information with external bodies

From time to time the Fund may share scheme member and Employer information with the following external bodies:

- Scheme Members (including their authorised representatives)
- Prospective scheme members
- Cabinet Office
- Ministry of Housing, Communities & Local Government (MHCLG)
- Department for Work & Pensions (DWP)
- Government Actuary's Department (GAD)
- HM Revenue & Customs (HMRC)
- Local Government Association (LGA)
- The fund actuary (Barnett Waddingham LLP and Hymans Robertson LLP)
- The external auditor (KPMG LLP)
- The member data service provider (Accurate Data Service)

- The Pension Regulator (TPR)
- The Pensions Ombudsman (TPO)
- The Scheme Advisory Board (SAB)
- Trade Unions
- Other LGPS Funds
- Other Public Sector Pension Schemes (e.g. Teachers Pensions and NHS Pension Scheme)
- AVC Providers

Report Title	Governance and Risk Update		
Committee	Pension Committee		
Meeting Date	7 October 2025		
Chair	Councillor Cryss Mennaceur		
Report From	Richard Simpson, Strategic Director of Resources		
Report Author	Victoria Goddard, Director of Finance		
Wards Affected	Council Business		
Ambitious for Sutton priorities	An efficient and well run Council		
Open/Exempt	Open		
Signed		Date	22 September 2025

1 Summary

- 1.1 To provide an update on the key governance activities and to review the Fund's risk register.

2 Recommendation

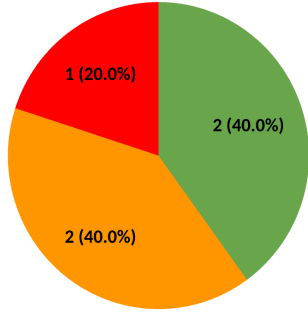
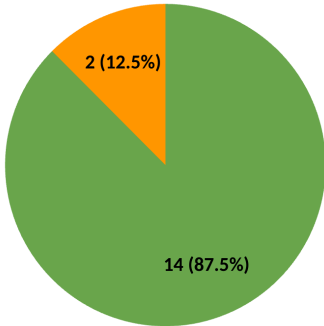
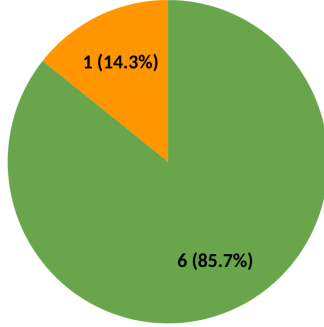
- 2.1 To note the update and risk register.

3 Background and Key Information

Review of the Risk Register

- 3.1 Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the Fund. It is not a process for avoiding or eliminating risks. A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.
- 3.2 The Risk Register overview report is included as Appendix A. All risks have been categorised under one of three main themes - Administration, Funding and Investments, and Governance. Each individual risk is assessed as red (high risk), amber (medium risk) or green (low risk) and these are summarised into an overall rating for that group. As at the time of writing this report the Administration risks are rated Amber overall, with one

red and two amber risks. Both the Funding and Investments group and Governance group are rated green. This is summarised in the table below.

Risk Category	Direction of Travel	Overall Rating	Ratings of Individual Risks
Administration	↔	AMBER	
Funding & Investments	↔	GREEN	
Governance	↔	GREEN	

3.3 Officers have continued to maintain and review the full Risk Register to ensure all appropriate risks and mitigations have been identified for each individual risk. There is currently one red rated risk to bring to the Committee's attention:

- Risk 27 (Administration) - Failure by software provider (Civica) to provide software compliant with LGPS Regulations. Officers have assessed this risk and the likelihood and consequences remain unchanged following the slow progress at resolving system issues and failure to deliver fully compliant McCloud Remedy software. The risk is that this could lead the Fund without an operational system which is compliant with LGPS regulations. This may result in non-payment, or incorrect payment, of member benefits. Officers are addressing the issues directly with Civica through the

Funds client manager, they are also working closely with the Civica Client User Group and other Funds to apply pressure to Civica to improve contract performance and deliver software compliant with LGPS Regulations.

3.4 Officers have also reviewed the existing 5 amber risks and summarise these as follows:

- Risk 1 (Administration) - Incomplete or inaccurate member data. The risk of holding incomplete or inaccurate member data remains a key focus. This could lead to the incorrect payment of benefits, non-compliance with regulations, and member complaints. To mitigate this, Officers are actively implementing the Fund's Data Improvement Plan through ongoing validation and employer engagement. The current risk rating is unchanged pending the receipt of the annual scheme return from the Pensions Regulator (tPR) in October, which will inform a full reassessment of this risk ahead of the next Committee meeting.
- Risk 20 (Administration) - This risk relates to the impact and cost of changes to the LGPS Regulations. Officers have assessed this risk and note that this risk is mostly outside of the Funds control. Despite the latest government consultation (discussed below), the likelihood and consequences of any material risk to the Fund from changes to the LGPS regulations remain unchanged. Officers will continue to monitor developments within the scheme regulations, alongside the actuary and benefits consultants, and report back to the Committee on any changes. The Fund will also continue to work with its software provider to ensure compliance with any changes to the scheme regulations.
- Risk 5 (Funding & Investments) - Unfavourable trend in pay and/or price inflation causing pay increases to increase above valuation assumptions for some employers in the Fund. The risk is that any increases in CPI inflation and any increases in pay inflation above the levels assumed by the actuary will increase the Fund's liabilities and will also increase employer contributions. Officers have assessed this risk and the likelihood and consequences remain unchanged. The Fund regularly assesses its funding position by way of a triennial valuation once every three years.
- Risk 3 (Governance) - Failure to protect the Fund's key information and data as a result of malicious cyber-attack. Officers have assessed this risk and agree that the likelihood of the risk and its consequences remain unchanged based on the information currently available. Failure to manage this risk may result in confidential member information being placed at risk and a potential breach of the Data Protection Act 2018. In order to mitigate this risk, the Fund has several measures in place. Officers act in accordance with Councils IT policies and the Funds unpublished Cyber Policy and ensure all staff are up-to-date with cyber training.
- Risk 28 (Investments) - This risk is regarding the uncertainty around the outcome of the "fit for the future" pension reforms consultation and the ability of the Fund and its chosen pool London Collective Investment Vehicle (LCIV) to meet the new requirements once they have been confirmed. The proposals include some

significant changes which, if not managed effectively, could pose a risk to the Fund's ability to deliver the required investment returns and exercise effective governance over the funds assets. There may also be consequences for the Fund if the new requirements are not met in the required timeframe. To mitigate these risks, officers are keeping a very close eye on developments, and are working together with LCIV to develop a plan to ensure any new requirements are implemented in an appropriate way within the guidelines set.

- 3.5 There are no material changes to the Risk Register since it was last reported to the Committee.
- 3.6 It is accepted that whilst mitigations are put in place for identified risks, it will not always be possible for all risks to be eliminated. In these cases, a level of risk is tolerated and kept under review.

Access & Fairness Consultation

- 3.7 On 15 May 2025 the Ministry of Housing, Communities & Local Government (MHCLG) issued a new consultation on "Access and Fairness" within the Local Government Pension Scheme. This consultation outlines a range of proposals aimed at enhancing the scheme's accessibility and ensuring fair outcomes for all members. The consultation closed on 7 August 2025. A copy of the draft response issued by the Local Government Association (LGA) can be found on their website:
www.lgpsregs.org/schemeregs/consultations.php
- 3.8 The response is broadly supportive of most of the proposals. However, it expresses concerns about the administrative workload required to implement some of the proposals, particularly those involving the backdating of survivor pensions.
- 3.9 The consultation also asks whether any changes could be phased in to reduce the administrative burden. The response recommends that the proposed requirements for reporting opt-out rates and gender pension gap data are introduced at a later stage.

Other governance updates

- 3.10 Virgin Media Judgement: The Government has confirmed that it will bring forward legislation to deal with issues arising from the Virgin Media v NTL Pension Trustees judgment. The High Court ruled in 2023 that amendments of pension schemes rules in respect of Section 9(2B) rights were void unless the scheme actuary certified that the scheme still met the contracting-out adequacy test. The Court of Appeal considered one area of the ruling in 2024 and upheld the High Court decision. The Government has confirmed it will introduce legislation to allow pension schemes to obtain actuarial certification retrospectively.
- 3.11 State Pension Age (SPa) review: On 21 July 2025, the Government launched the third review of the SPa. This review will consider whether the rules around SPa remain

appropriate, using the latest life expectancy data and other evidence. Under the Pensions Act 2014, the Government must regularly review the SPa. The first review concluded in 2017, and the second in 2023. The report for the third review must be published before 30 March 2029. As set out in the Act, the review will consider evidence from two reports:

- an independent report, led by Dr Suzy Morrissey, on specified factors relevant to the review of SPa
- a report from Government Actuary's Department (GAD) to examine the latest life expectancy projections data.

- 3.12 Administration charges: The Fund continues to monitor the performance of employers against the targets set within the current pension administration strategy and levies applicable administration charges in an effort to ensure the smooth running of the administration of the LGPS. Since last reported to the Committee, no additional administration charges have been levied. Please see below a table outlining the total charges that have been levied, against the total charges recovered since the implementation of the pension administration strategy:

Reason for additional administration charge	Number of charges levied 24/25	Amount of charges levied 24/25 (£)	Number of charges recovered	Amount of charges recovered 24/25 (£)
Late End of Year Returns	5	£12,700	5	£12,700
Late monthly contribution payment	2	£209	0	£0
Late monthly contribution schedule	5	£3,175	4	£2,900

- 3.13 Administration charges (cont): Of the remaining three invoices yet to be recovered, these relate to one scheme employer. These outstanding invoices will be pursued in accordance with the London Borough of Sutton's debt recovery policy.

4 Benefits to Sutton and its Residents

- 4.1 Not applicable.

5 Implications

- 5.1 There are no material implications resulting from the recommendation of this report.

Equalities Implications

- 5.2 There are no material equalities implications resulting from the recommendation of this report.

Climate Implications

- 5.3 There are no material climate implications resulting from the recommendation of this report.

6 Finance and Legal Commentary

Finance Comment

- 6.1 There are no material financial implications resulting from the recommendation of this report.

Financial Risks

- 6.2 There are none resulting from the recommendation of this report.

Legal Comment

- 6.3 The legal context is dealt with in the body of this report. There are no material legal implications resulting from the recommendation of this report.

- 6.4 Legal Risks

- 6.5 There are none resulting from the recommendation of this report.

7 Appendices and Background Documents

- 7.1 Appendices

Appendix Letter	Appendix Title
A	Risk Register Overview Report

- 7.2 Background Documents

Date of Expiry	Background Document
N/A	N/A

8 Consultations

Consultees	Yes/No	Officer	Date of Comments
Finance	Yes	Victoria Goddard Director of Finance	04/09/2025
Legal	Yes	Tracy Swan Head of Law, Property, Planning and Employment, South London Legal Partnership	04/09/2025
Commercial and Procurement	No	N/A	N/A
Others	No	N/A	N/A
Equalities Impact Assessment (EQIA)	No	N/A	N/A
Climate Impact Assessment (CIA)	No	N/A	N/A

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Appendix A - Risk Register Overview Report

Risk Summary

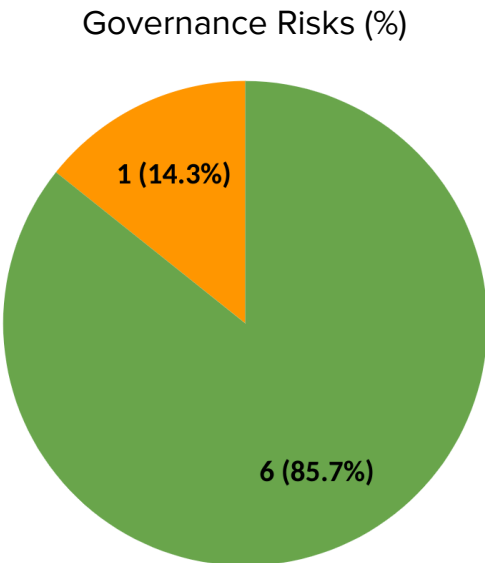
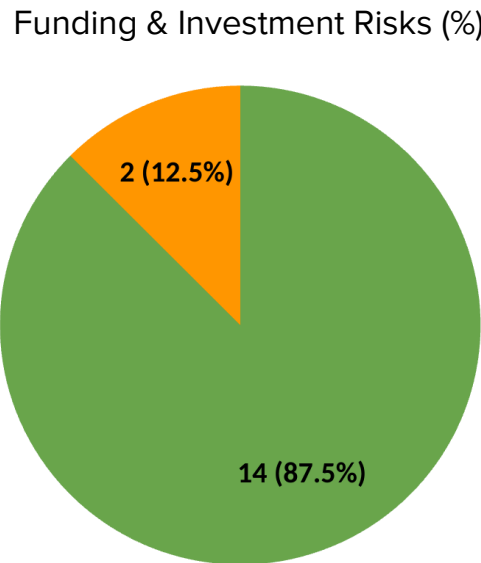
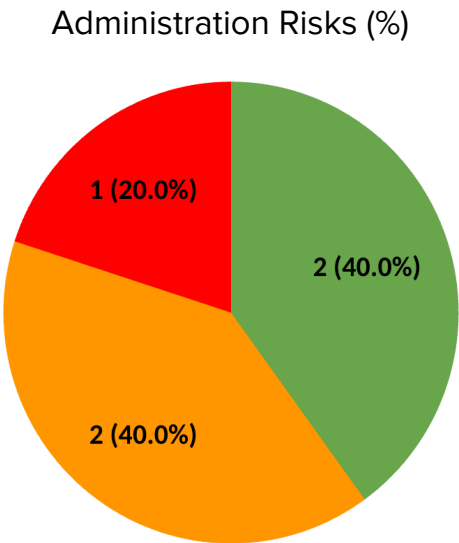
Risk Category	Commentary	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Administration	The average rating of the risks associated with Administration have remained static this quarter.	↔	↔	↔	↔
Funding & Investments	The average rating of the risks associated with Funding & Investments have remained static this quarter.	↔	↔	↔	↔
Governance	The average rating of the risks associated with governance have remained static this quarter.	↔	↔	↔	↔

Defining Risk

Risks are assessed by multiplying the potential impact of a risk with its likelihood of occurrence. Firstly, officers assess how likely a risk is to occur, they then assess what level of impact could that risk have on the Fund. Both likelihood and occurrence are then scored from 0 - 5, and given an overall risk rating using the following formula: likelihood x impact = risk. Once categorised, the risks are then allocated a green, amber or red risk rating as follows:

Risk Category	Risk Rating
Green	< 8
Amber	9 > 15
Red	16 >

Percentages of Risks April 2025



- Green Rating
- Amber Rating
- Red Rating


Movement of Risks April 2025

Risk	Commentary	Q2 2024	Q3 2024	Q4 2024	Q1 2025
-	-	-	-	-	-


Summary of Risks

Risk Area	Average NET Risk Rating	Comments
Administration	<p>Amber</p> <p>↔</p>	<p>The average risk rating of the risks associated with administration has remained static since the previous quarter.</p> <p>1x Red risks (High)</p> <ul style="list-style-type: none"> • Risk 27 - Failure by software provider to provide software compliant with LGPS Regulations <p>2x Amber risks (Medium)</p> <ul style="list-style-type: none"> • Risk 1 - Incomplete/inaccurate member data • Risk 20 - Impact and cost of changes to the LGPS Regulations (e.g. McCloud) <p>2x Green risks (Low)</p> <ul style="list-style-type: none"> • Risk 2 - Administration process failure / maladministration • Risk 24 - Failure by AVC provider to provide adequate services


Risk Area	Average NET Risk Rating	Comments
Funding & Investments	Green	<p>The average risk rating of the risks associated with funding & investment has remained static since the previous quarter.</p> <p>0x Red risks (High)</p> <p>2x Amber risks (Medium)</p> <ul style="list-style-type: none"> • Risk 5 - Unfavourable trend in pay and/or price inflation causing pay increases to increase above valuation assumptions for some employers in the fund. • Risk 28 - Government Reform and “fit for the future” consultation

		<p>14x Green risks (Low)</p> <ul style="list-style-type: none"> • Risk 4 - Unfavourable trend in interest rates, bond and gilt yields • Risk 6 - Employer failure to pay contributions in full or on time • Risk 7 - Increase in pensioners' life expectancy (mortality / longevity) • Risk 8 - Failure to maintain adequate policies on employer exits/admissions resulting in additional strain on the Fund at exit or exit credits being made • Risk 9 - Failure to set appropriate contribution rates that are sufficient to maintain desired funding levels over planning time horizon • Risk 10 - Inadequate monitoring of funding strategy and investment strategy • Risk 11 - An employer ceasing to exist with insufficient funding adequacy or a bond • Risk 16 - Geopolitical/market events impact on scheme funding and investment valuation volatility • Risk 17 - Active investment manager under-performance • Risk 18 - Inadequate cash flow planning and monitoring. Illiquidity or insufficient liquid assets to meet short/medium term obligations. • Risk 19 - Inadequate monitoring of fund managers' and custodian's performance on a regular basis • Risk 21 - Expected regulatory changes on climate reporting (TCFD/IFRS requirements), RI, investment pooling and governance. • Risk 23 - Inadequate segregation of Pension Fund cash from that of the Council • Risk 26 - Climate Change
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Risk Area	Average NET Risk Rating	Comments
Governance	Green	<p>The average risk rating of the risks associated with funding and investments has remained static since the previous quarter.</p> <p>0x Red risks (High)</p> <p>1x Amber risks (Medium)</p> <ul style="list-style-type: none"> • Risk 3 - Failure to protect the Fund's key information & data as a result of malicious cyber-attack

		<p>6x Green risks (Low)</p> <ul style="list-style-type: none">• Risk 12 - Lack of knowledge and skills on the Pension Committee and Pension Board resulting in incorrect decisions being made for the Fund.• Risk 13 - Annual Report does not comply with the LGPS Regulations and CIPFA code of practice• Risk 14 - Pension Fund Committee acts upon inappropriate or defective professional advice resulting in incorrect decisions being made for the Fund.• Risk 15 - Failure by Officers to interpret rules or legislation correctly resulting in a breach of the law.• Risk 22 - Loss of experienced pension staff and lack of expertise/capacity of Officers involved in the Fund.• Risk 25 - Loss of administration software and member data due to operational disaster (e.g. fire, flood, pandemic)
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Report Title	Work Programme Update		
Committee	Pension Committee		
Committee Date	7 October 2025		
Committee Chair	Councillor Cryss Mennaceur		
Report From	Richard Simpson, Strategic Director of Resources		
Report Authors	Katherine Gray - Head of Pensions Investments and Treasury Lisa Doswell - Pensions Finance and Investments Manager		
Wards Affected	Council Business		
Ambitious for Sutton priorities	An efficient and well-run Council		
Open/Exempt	Open		
Signed		Date	22 September 2025

1 Summary

- 1.1 A draft programme of work for Pension Committee meetings during the next year is set out for review.

2 Recommendation

- 2.1 To note the updated Work Programme for the Committee.

3 Background and Key Information

- 3.1 The following Work Programme sets out the proposed indicative agenda items for the committee meetings that are due to take place over the next year.
- 3.2 The list of agenda items for the forthcoming year will be further varied should developments between now and the meeting dates necessitate. The Chair will be informed of any proposed changes.

December 2025

Training
7th October in person responsible investment training session
Actuarial methods, Standards and Practices (Module 8)
Public
Pension Administration Performance Update
Pension Administration Projects Update
Governance and Risk Update
Work Programme Update
Budget Monitoring - 2025-26 Six Month Update & 2024-25 Outturn vs Budget
Quarterly Investment Performance and LCIV Update
2024-25 Pension Fund Accounts Audit Findings
Responsible Investment and Stewardship Update
Exempt
Investment consultant monitoring report and LCIV report
Investment Strategy Review
Triennial Valuation and Funding Strategy Statement

March 2026

Training
Pensions Administration (Module 3)
Public
Business Plan 2026-29 and Budget 2026-27
Pension Administration Performance Update
Pension Administration Projects Update
Governance and Risk Update
Work Programme Update
Quarterly Investment Performance
Responsible Investment Policy
Exempt

Investment Strategy Implementation
Investment consultant monitoring report and LCIV report

June 2026

Training
TBC
Public
Report on Work of Pension Board 2025-26 (Pension Board Chair)
Pension Administration Performance Update
Pension Administration Projects Update
Governance and Risk Update
Work Programme Update
Quarterly Investment Performance
Exempt
Investment consultant monitoring report and LCIV report

September 2026

Training
TBC
Public
Pension Administration Performance Update
Pension Administration Projects Update
Triennial Valuation (Assumptions and Fund Results)
Annual Report & Accounts 2025-26
Governance and Risk Update
Work Programme Update
Quarterly Investment Performance
Exempt
Investment consultant monitoring report and LCIV report

4 Benefits to Sutton and its Residents

- 4.1 The Pension Fund is run for the benefit of its members.

5 Implications

5.1 There are no material implications resulting from the recommendation of this report.

Equalities Implications

5.2 There are no material equalities implications arising from the recommendation of this report.

Climate Implications

5.3 There are no material climate implications resulting from the recommendation of this report.

6 Finance and Legal Commentary

Finance Comment

6.1 None

Financial Risks

6.2 None.

Legal Comment

6.3 There are no legal implications arising from the recommendation in this report.

Legal Risks

6.4 There are no legal risks arising from the recommendation in this report.

7 Appendices and Background Documents

7.1 Appendices

Appendix Letter	Appendix Title
N/A	N/A

7.2 Background Documents

Date of Expiry	Background Document
N/A	N/A

8 Audit Trail and Consultations

Consultees	Yes/No	Officer	Date of Comments
Finance	Yes	Victoria Goddard Director of Finance	04/09/2025
Legal	Yes	Tracy Swan Head of Law, Property, Planning and Employment	10/09/2025
Commercial and Procurement	No	N/A	N/A
Others	No	N/A	N/A
Equalities Impact Assessment (EQIA)	No	N/A	N/A
Climate Impact Assessment (CIA)	No	N/A	N/A

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Report Title	Investment and Manager Performance to 30 June 2025		
Committee	Pension Committee		
Committee Date	7 October 2025		
Committee Chair	Councillor Cryss Mennaceur		
Report From	Richard Simpson, Strategic Director of Resources		
Report Authors	Katherine Gray, Head of Pensions Investments and Treasury Lisa Doswell, Pensions Finance and Investments Manager		
Wards Affected	Council Business		
Ambitious for Sutton priorities	An efficient and well-run Council		
Open/Exempt	Open, with the exception of Appendices B and C, by virtue of paragraph 3, Schedule 12A of the Local Government Act 1972.		
Signed		Date	22 September 2025

1 Summary

- 1.1 The investment performance of the Fund is reviewed on a quarterly basis. The market value of the Fund's assets at 30 June 2025 was £1,018m, an increase of £52m, over the previous quarter (£966m as at 31 March 2025), taking the value of the Fund's investments to over a billion for the first time.
- 1.2 Following the formal triennial valuation as at 31 March 2022, an updated position as at 30 June 2025 is provided. Additionally, the progression of the funding level since the valuation has been set out, along with the Fund's cashflow forecast for the next three years.
- 1.3 An update has been provided on the London Collective Investment Vehicle (LCIV).

2 Recommendations

- 2.1 To note the performance of the Fund during the quarter ended 30 June 2025.
- 2.2 To note the Fund's actual asset allocation, funding level and cashflow position as at 30 June 2025.

- 2.3 To note the update on the LCIV.
- 2.4 Delegate authority to the Section 151 Officer for signing an Investment Management Agreement (IMA) with the London CIV (LCIV) in order for the management and oversight of private market assets to be transferred to the pool.
- 2.5 Delegate authority to the Section 151 Officer in conjunction with the Chair of the Pension Committee to carry out an open procurement exercise for an independent advisor for the Fund and to make the appointment decision.

3 Background and Key Information

- 3.1 The Fund's total market value increased to £1,018m over the quarter from the end of March 2025 to the end of June 2025.
- 3.2 The table below sets out the one year and longer term performance numbers, both absolute and against benchmark:

Performance Indicator	Q1 2025/26	1-Year	3-Year	5-Year
Fund Return	3.9%	5.6%	8.1%	6.5%
Benchmark	3.1%	6.1%	7.8%	7.2%
Relative Performance	0.8%	-0.5%	0.3%	-0.7%

- 3.3 The Fund outperformed the benchmark by 0.8% over the quarter, with a return of 3.9% against a benchmark of 3.1%. Over the one-year period, the Fund returned 5.6% against a benchmark return of 6.1%. The three-year return of 8.1% compares favourably against the benchmark return of 7.8% and also against the actuary's expected return (discount rate) of 4.3%. The five-year return underperformed by -0.7% (6.5% vs 7.2%).
- 3.4 Overall, the Fund's outperformance was driven mostly by its high allocation to equities and strong manager performance, mainly from the LCIV Sustainable Equity Fund (+1.5% outperformance) and the LCIV Global Equity Fund (+0.7% outperformance).
- 3.5 The second quarter of 2025 was characterised by rising geopolitical tensions and tariffs. Despite these factors, global equities rose 5.1% in unhedged sterling terms and 9.7% in local currency terms, as the easing of global trade and geopolitical tensions supported risky assets. UK real yields rose across the curve over the quarter, and while headline and services inflation continued to exhibit a deflationary trend, some upside risks emerged from higher energy prices. Spreads on UK investment-grade credit tightened.

- 3.6 LCIV Sustainable Equity Fund (RBC) returned +6.5% over the quarter, outperforming its benchmark by 1.5% (6.5% vs 5.0%). The return of the AI theme was particularly beneficial for growth-oriented stocks such as Microsoft and NVIDIA. On the whole, the sub-fund's exposure to the information technology sector (Microsoft, NVIDIA) was the largest contributor to performance, while Healthcare (UnitedHealth) and Consumer Discretionary (AutoZone) detracted the most. The sub-fund's null weight in Apple and Alphabet also added to performance.
- 3.7 LCIV Global Equity Fund (Newton) returned +5.9% over the quarter, outperforming its benchmark by 0.7% (5.9% vs 5.2%). This was mainly due to strong stock selection, particularly within the industrials sector (GE Vernova, Ferguson Enterprises, Johnson Controls International) and the technology sector (NVIDIA, Microsoft, Taiwan Semiconductor Manufacturing) which benefited from renewed enthusiasm for AI-related stocks. Regional positioning, with an overweight position to Western Europe and an underweight position to North America, also contributed positively.
- 3.8 The LCIV MAC Fund (CQS and PIMCO) returned +2.5% over the quarter, outperforming its target by 0.4% (2.5% vs 2.1%). The fund delivered positive returns, supported by high coupon income and price appreciation in resilient credit markets. Key positive contributions came from high yield bonds, emerging market debt, senior secured loans, and investment-grade debt.
- 3.9 There were no significant investments or disinvestments over the quarter. However, distributions amounting to approximately £4.2m were received from the LCIV Private Debt (c. £1.3m), Renewable Infrastructure (c. £0.3m), and Partners Infrastructure Funds (c. £2.6m). Remaining funds in the LCIV Diversified Growth Fund have now been fully drawn down to meet capital calls in the infrastructure, private debt, and impact funds. These calls will now be met using the cash in the money market fund. Officers will continue to monitor this position to consider if and when rebalancing is required.
- 3.10 Full details of the Fund's asset allocation and individual manager performance are included in Appendix A for consideration by the Committee, provided by the Fund's investment advisers, Mercer.

Asset Allocations

- 3.11 The table below shows the strategic asset allocation agreed by the Committee and included within the Fund's Investment Strategy Statement (ISS) alongside the Fund's actual asset allocation as at 30 June 2025.

Asset Class	Strategic Target %	Strategic Ranges %	Actual Strategic Allocation at 30/06/25 %	Over/under weight %
Global Equity	50.0	45.0-55.0	55.5	+5.5

Total Growth	50.0	45.0-55.0	55.5	
Property	10.0	8.0-12.0	4.0	-6.0
Infrastructure	10.0	8.0-12.0	7.7	-2.3
Multi-asset credit	9.0	7.0-11.0	10.5	+1.5
Private Debt	5.0	3.5-6.5	3.2	-1.8
Impact	10.0	8.0-12.0	2.7	-7.3
Total Income	44.0	34.5-53.5	28.1	
Index Linked Gilts	6.0	4.5-7.5	7.1	+1.1
Total Protection	6.0	4.5-7.5	7.1	
Cash	0.0	0.0-2.0	9.3	+9.3
Total Fund	100.0		100.0	

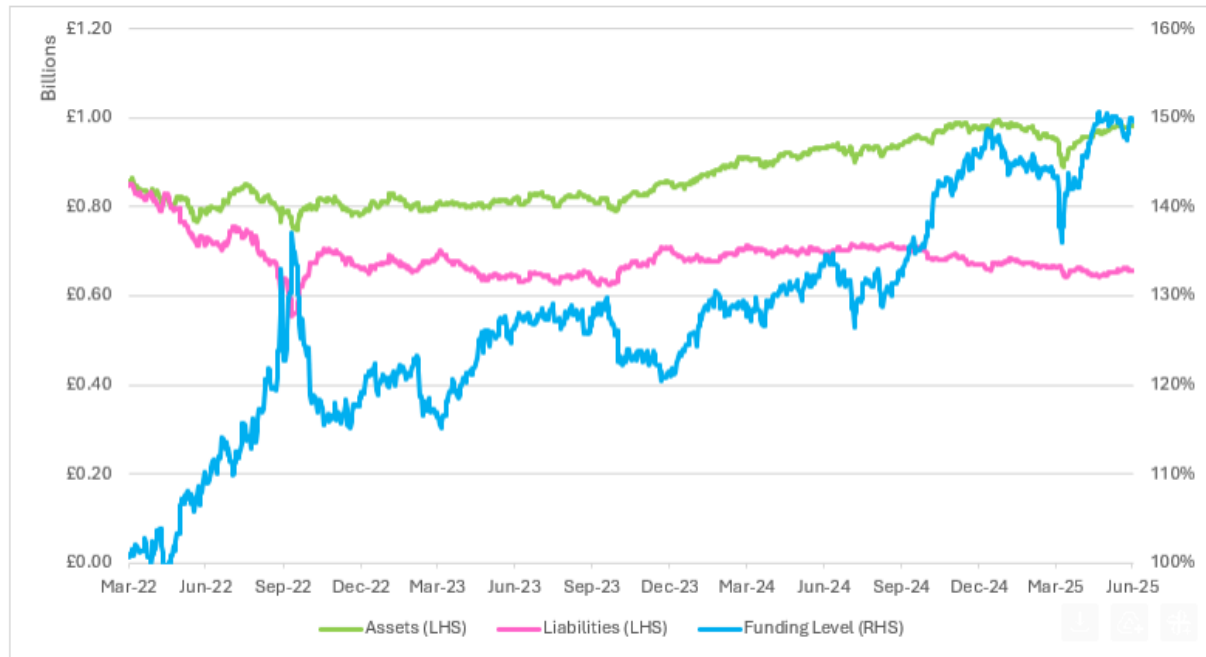
- 3.12 The Fund's actual allocation as at 30 June 2025 is marginally outside of the strategic asset allocation ranges in Global Equity, Infrastructure and private debt and more substantially outside the ranges in Property, Impact and Cash. These are highlighted in red to flag them as areas to be addressed. Further details and actions planned for these areas are set out in the table below;

Asset Class	Details and Actions
Property	<p>This asset class has struggled in the last few years compared to other asset classes, which has impacted the value of the Fund's property investments.</p> <p>LaSalle's fund is currently winding down and is in the process of returning capital to investors.</p> <p>The portfolio allocation to this asset class will be reviewed as part of the investment strategy review following the triennial valuation. It should also be noted that the Fund has exposure to this asset class through its Impact allocations, for example in the LCIV Housing Fund.</p>
Impact	<p>The LCIV UK Housing Fund and London Fund sit within this asset class. The drawdown process for these private market funds takes 4 years to complete and the timing and amount of capital calls is not easily predicted.</p> <p>LCIV currently estimates that for the Housing Fund £4-5m will be called each quarter until the fund is fully drawn down by around June 2026.</p> <p>LCIV currently estimates that for the London Fund £1-2m will be called each quarter until the end of the investment period.</p> <p>The portfolio allocation to this asset class will be reviewed as part of the investment strategy review following the triennial valuation.</p>
Cash	<p>Cash balances rose significantly two years ago following the termination of the LCIV Total Global Return Fund (Pyrford), when the resulting funds</p>

	<p>were transferred to a money market fund and held awaiting capital calls for the Impact funds.</p> <p>Impact capital calls were initially met from the remaining holding in the LCIV Diversified Growth Fund (Baillie Gifford) until this was used up in March 2025. The level of cash will start to decline now that it is being used to meet all capital calls for Impact and Infrastructure funds.</p> <p>The return on cash has been attractive over the past few years, which has supported the case for holding it.</p>
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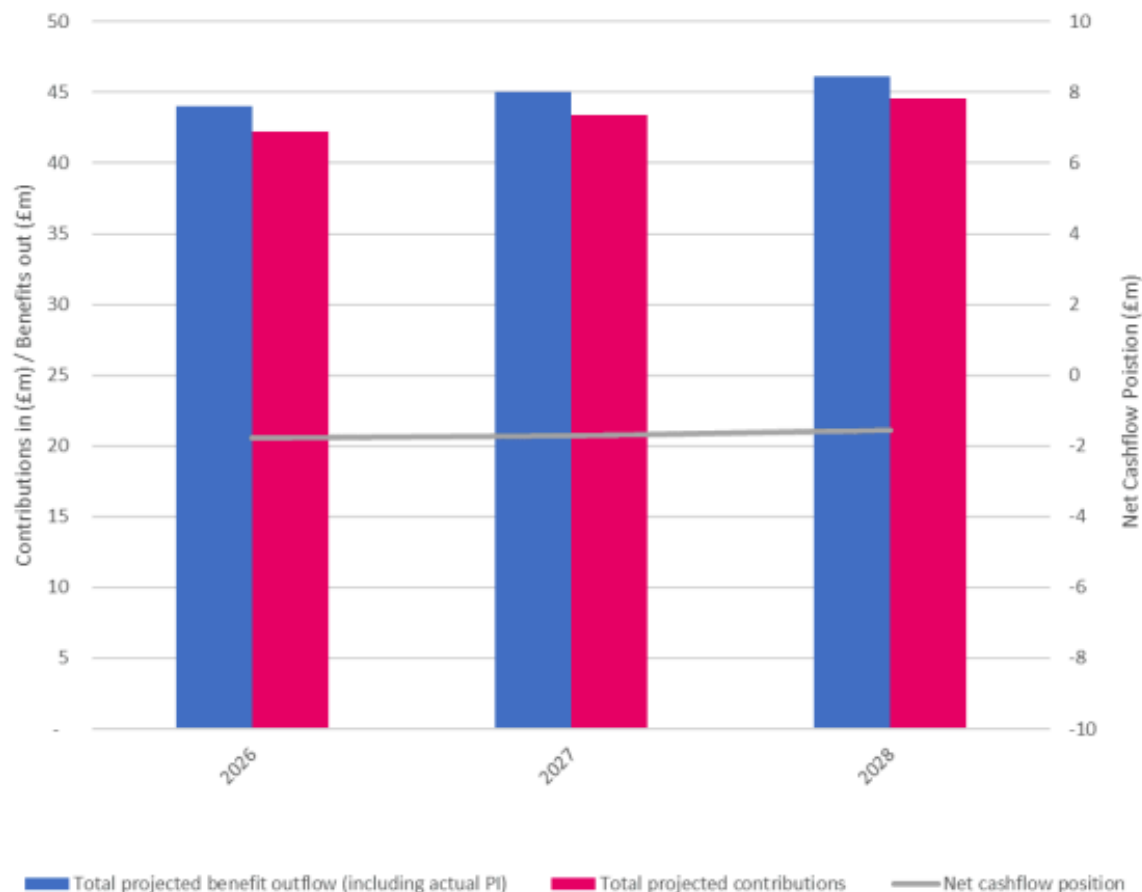
Funding Level as at 30 June 2025

- 3.13 The funding level as at 30 June 2025 was 150%. This compares favourably to the result of the previous triennial valuation of 31 March 2022, where the funding level was 101%.
- 3.14 It must be noted that quarterly updates are not based on a full valuation (which is normally done every three years); instead they are based on a roll forward of the last formal valuation (2022) and updated with recent market and economic factors.
- 3.15 Since the last formal valuation in March 2022, the expected return on the Fund's assets have increased markedly as interest rates have risen. This has reduced the value placed on the liabilities, substantially leading to an increase in funding level. The allowance for expected returns is being evaluated as part of the 2025 triennial valuation process. This includes examining what levels of prudence to take in making the discount rate assumption. As a result, the current funding level as at 31 March 2025 will differ to the funding level based on the 2025 valuation of the Fund.
- 3.16 The funding level has increased slightly since 31 March 2025, however, as set out above, the position at 31 March 2025 (and onwards) will ultimately be determined as part of the 2025 valuation.
- 3.17 The chart below shows how the funding level has progressed since the Triennial Valuation was undertaken in March 2022 and it also shows the assets and liabilities that comprise the funding level over the same time period:



Strategic Cashflows

- 3.18 The chart below reflects the entire Fund, including all employers. It shows the projected benefit outflows versus projected contribution income for the next 3 years i.e. the Fund's net cashflow position from dealing with members, excluding transfers in and out. These are based on the expected cashflows calculated as part of the 2022 triennial valuation and have not taken into account any new membership data since the previous valuation, however, an approximate allowance has been made for the cashflows set out in the Council's draft 2024/25 accounts.
- 3.19 The cashflow position has changed since the previous update, with the Fund moving into a cashflow negative position for the next 3 years. The draft 2024/25 accounts show the Fund's benefits paid out has increased against the previous year (by around 23%), thus driving the change in cashflow position which affects the cashflow prediction for the following years. However, the margins are not to the extent that it eliminates the possibility of cash positivity over the short to medium term.



LCIV Update

Pooling Position

- 3.20 As of 30 June 2025, total assets deemed pooled by LCIV Client Funds was £35.5bn, of which £19bn are in funds managed by London CIV. The remaining assets are managed passively by either Legal and General Investment Management ('LGIM'), or BlackRock, but reported through the London CIV.
- 3.21 As at 30 June 2025 the Fund had £630.0m (31 March 2025: £602.1m) invested directly in LCIV pooled funds and £213.1m (31 March 2025: £204.8m) invested indirectly through the LGIM passive funds, which represents 82.8% (31 March 2025: 83.8%) of the Pension Fund's assets under management.

Fund Development and Investment Manager Monitoring

- 3.22 LCIV Emerging Market Equity Fund is transitioning to a multi-manager structure, with Acadian Asset Management appointed as the second manager. The investment objective will be adjusted to include explicit ESG and carbon emissions tests, with legal and operational processes expected to be completed by the end of September.

- 3.23 LCIV is developing its list of "prospects" or "reserve list" of managers for actively managed equity sub-funds, having shortlisted seven managers for global equity growth-style funds and three for 'core' global equity market exposure.
- 3.24 A review of the LCIV Global Alpha Growth Fund and LCIV Global Alpha Growth Paris Aligned Fund (managed by Baillie Gifford) was completed, noting positive changes in stock selection, portfolio construction, and risk management processes.
- 3.25 Reviews are planned in the next quarter for the LCIV Sustainable Equity Fund and Exclusion Funds (RBC), LCIV Global Equity Focus Fund (Longview), LCIV MAC Fund (CQS and PIMCO), and LCIV Alternative Credit Fund (CQS).

Progress towards “Fit for the Future”

- 3.26 As part of LCIV's Strategic Plan, which was approved by the government in April, London CIV is developing an Strategic Asset Allocation (SAA) Advice service to help partner funds establish long-term investment strategies that align with their funding objectives, risk tolerance, and regulatory responsibilities. The LCIV conducted an open procurement process and selected Mercer to support this. The next few months will focus on onboarding Mercer and the service is expected to be fully operational by January 2026.
- 3.27 Hamilton Lane has been engaged by the LCIV to monitor and report on all its private investments and has been reaching out to partner fund's illiquid market fund managers to gather information on existing mandates. This information will support the LCIV in drafting relevant Investment Management Agreements (IMAs).
- 3.28 Work is being progressed on planning for the transition of the Fund's remaining assets that currently sit outside of the pool. Work to produce an overarching IMA for all partner funds is being progressed for onboarding investments into existing LCIV funds. The IMA will have a separate appendix for each individual partner fund to reflect private market investments that will require different onboarding arrangements. Legal advice on the IMA has been jointly procured by all the partner funds. The Committee is requested to delegate authority to the Section 151 Officer for agreeing and signing the IMA agreement.
- 3.29 The government has set out a requirement for pension committees to appoint an independent adviser to enhance governance, provide independent scrutiny of investment performance and strategy and ensure long-term funding requirements are met. This advisor should be suitably qualified and sit on the Pensions Committee as a non-voting member to assist the committee in fulfilling its governance responsibilities. The Committee is requested to delegate authority to the Section 151 Officer to carry out an open procurement exercise for an independent advisor for the Fund and to make the appointment decision.

Launch of LGPS PASS

- 3.30 In early May the LCIV launched LGPS PASS; a selection of pension advisory and support services designed to help partner funds reduce costs and strengthen long-term sustainability within the LGPS community. The LCIV expects it to provide annual fee savings of +50% for those boroughs that take up the service, which a quarter of London CIV's partner funds have done so far.

Staffing Update

- 3.31 Rob Treich, LCIV's current Head of Public Markets will be retiring later this year. Rob will be replaced by James Beaumont at the end of August. James brings over 25 years of experience in asset management. He joins the LCIV following twelve years at Natixis Investment Managers, where he was most recently Head of its Multi-Asset Solutions business.
- 3.32 Going forward, Rob will support James during his transition into the role, while continuing to contribute to a number of investment projects.
- 3.33 The LCIV is going through a period of expansion where the team will continue to grow, not only in Investments but across the organisation.

Environmental, Social & Governance

- 3.34 Appendix B provides the Committee with additional information including manager ESG ratings, as this remains an area of increasing focus for the Fund.

4 Benefits to Sutton and its Residents

- 4.1 The Pension Fund is run for the benefit of its members.

5 Implications

- 5.1 Longer term implications of the investment performance of the Fund are considered triennially as part of the review of the Investment Strategy for the Fund.

Equalities Implications

- 5.2 There are no material equalities implications arising from the recommendations of this report.

Climate Implications

- 5.3 There are no material climate implications resulting from the recommendations of this report.

6 Finance and Legal Commentary

Finance Comment

- 6.1 None.

Financial Risks

6.2 None other than those discussed in this report.

Legal Comment

6.3 There are no legal implications arising from the recommendations in this report.

Legal Risks

6.4 There are no legal risks arising from this report.

7 Appendices and Background Documents

7.1 Appendices

Appendix Letter	Appendix Title
A	Quarterly Performance Report June 2025 (Mercer)
B (EXEMPT)	Supplement to Quarterly Performance Report (Mercer)
C (EXEMPT)	London CIV Quarterly Investment Report

7.2 Background Documents

Date of Expiry	Background Document
N/A	N/A

8 Audit Trail and Consultations

Consultees	Yes/No	Officer	Date of Comments
Finance	Yes	Victoria Goddard Director of Finance	04/09/2025
Legal	Yes	Tracy Swan Head of Law, Property, Planning and Employment	10/09/2025
Commercial and Procurement	No	N/A	N/A
Others	No	N/A	N/A

Equalities Impact Assessment (EQIA)	No	N/A	N/A
Climate Impact Assessment (CIA)	No	N/A	N/A

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London Borough of Sutton Pension Fund Monitoring Report Quarter to 30 June 2025

Sandy Dickson

August 2025

Important Notices

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- The value of investments can go down as well as up and you may not get back the amount you have invested. In addition investments denominated in a foreign currency will fluctuate with the value of the currency.
- The valuation of investments in property based portfolios, including forestry, is generally a matter of a valuer's opinion, rather than fact.
- When there is no (or limited) recognised or secondary market, for example, but not limited to property, hedge funds, private equity, infrastructure, forestry, swap and other derivative based funds or portfolios it may be difficult for you to obtain reliable information about the value of the investments or deal in the investments.
- Care should be taken when comparing private equity / infrastructure performance (which is generally a money-weighted performance) with quoted investment performance (which is generally a time-weighted performance). Direct comparisons are not always possible.

Sandy Dickson

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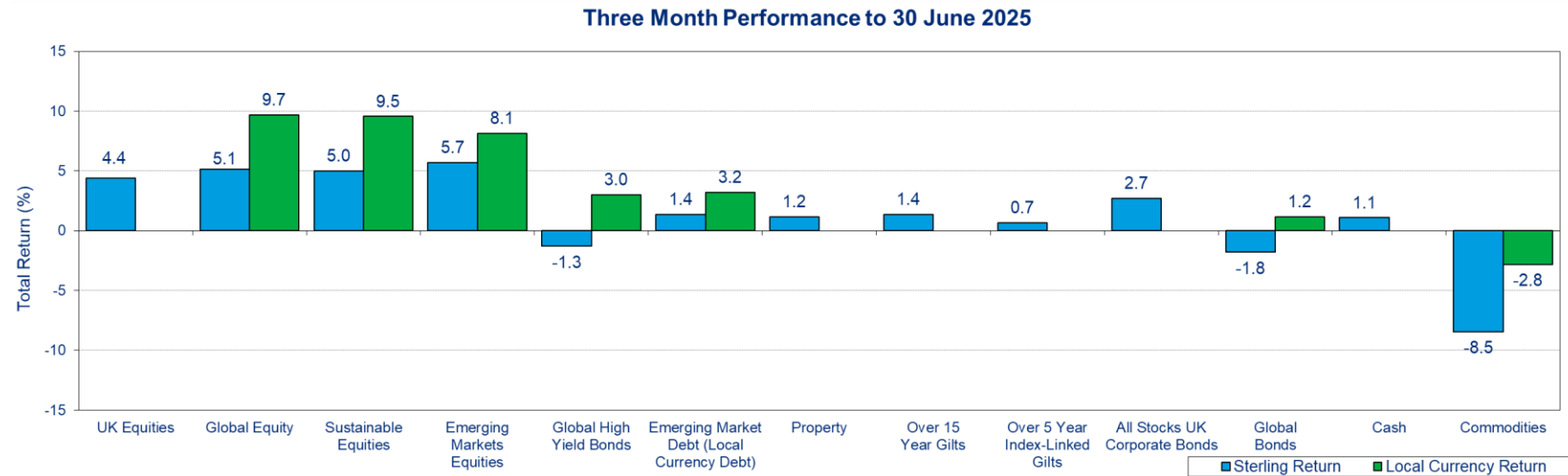


Overview

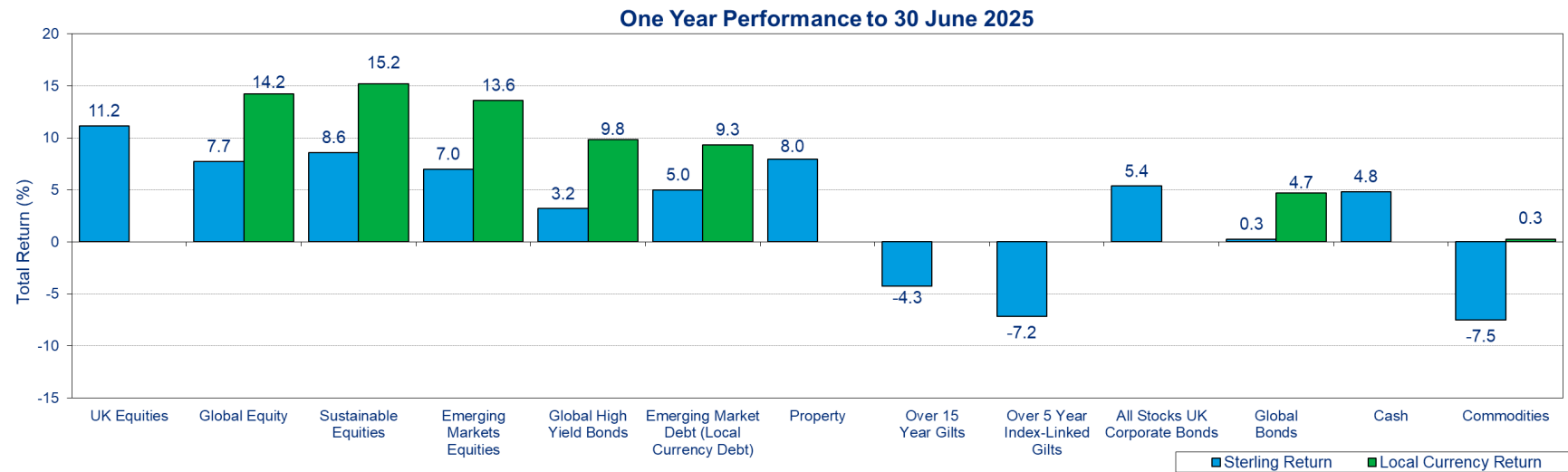
Executive Dashboard

Page 7 Asset Allocation		Page 8 Performance																	
<p>There were no significant investments or disinvestments over the quarter to 30 June 2025. With regards to the Fund's private market allocations there were distributions amounting to c. £4.2m that were made from the LCIV Private Debt (c. £1.3m), Renewable Infrastructure (c. £0.3m) and Partners Infrastructure Funds (c. £2.6m)</p>		<p>Short Term Performance</p> <p>The Fund outperformed the benchmark over the quarter. ●</p> <p>Key Contributors to Relative Performance - Quarter</p> <p>Manager contribution was positive for relative performance as equities and infrastructure mandates outperformed over the quarter. ●</p>																	
<p>Net cashflow over quarter +£14.8m</p>		<p>Outperformance by LCIV Sustainable Equity +1.5%</p>																	
<p>Overweight</p> <p>Growth +5.5%</p> <p>Protection +10.4%</p>		<p>Outperformance by LCIV Global Equity +0.7%</p>																	
<p>Underweight</p> <p>Income -15.9%</p>		<p>Longer Term Performance</p>																	
<p>Asset Allocation vs Ranges</p> <p>Over the quarter the asset allocation moved away from the benchmark as the growth assets outperformed income and protection assets. The benchmark allocation was updated over the quarter to reflect the allocation shown in the Investment Strategy Statement, which also drove the increased deviations from the benchmark allocation</p>		<table> <tr> <th></th><th>Fund</th><th>B'mark</th><th></th></tr> <tr> <td>1 Year (%)</td><td>5.6</td><td>6.1</td><td>●</td></tr> <tr> <td>3 Years (% p.a.)</td><td>8.1</td><td>7.8</td><td>●</td></tr> <tr> <td>5 Years (% p.a.)</td><td>6.5</td><td>7.2</td><td>●</td></tr> </table>			Fund	B'mark		1 Year (%)	5.6	6.1	●	3 Years (% p.a.)	8.1	7.8	●	5 Years (% p.a.)	6.5	7.2	●
	Fund	B'mark																	
1 Year (%)	5.6	6.1	●																
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Additional Comments																			
<p>Global equities rose 5.1% in unhedged sterling terms and 9.7% in local currency terms as the sterling appreciated against the US dollar.</p> <p>In Q2 2025, global equities rose as both the easing of global trade and geopolitical tensions supported risky assets.</p> <p>UK real yields rose across the curve over the previous quarter. Both headline and services inflation in the UK continued to exhibit a deflationary trend through the quarter, albeit with some upside risks emerging from higher energy prices</p> <p>Spreads on UK investment-grade credit tightened across the credit quality spectrum through the second quarter, with spreads for AA-rated credit down 6bps at 49bps, as well as BBB-rated credit down 11 bps at 120bps.</p> <p>Over Q2 2025, the Fund produced positive returns of 3.9% and outperformed its benchmark by 0.8%. The outperformance was driven mostly by the over allocation to equities and manager performance. LCIV Sustainable Equity and LCIV Global Equity were the largest contributors to outperformance over the quarter, outperforming their respective benchmarks by 1.5% and 0.7%.</p>																			

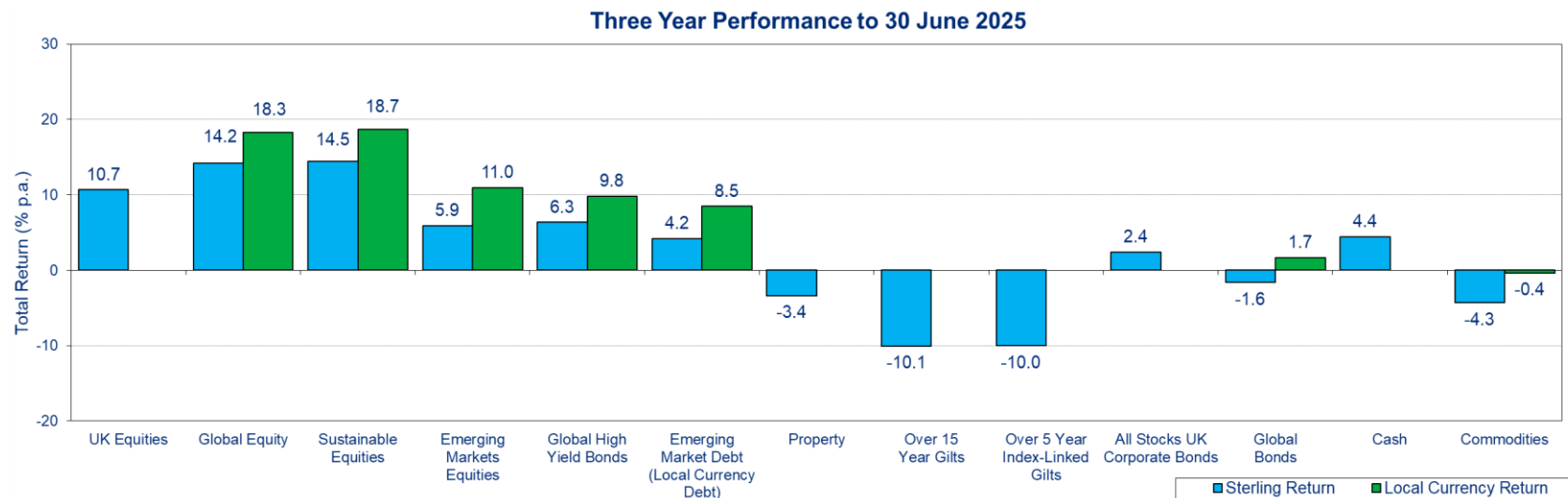
Market Index Performance



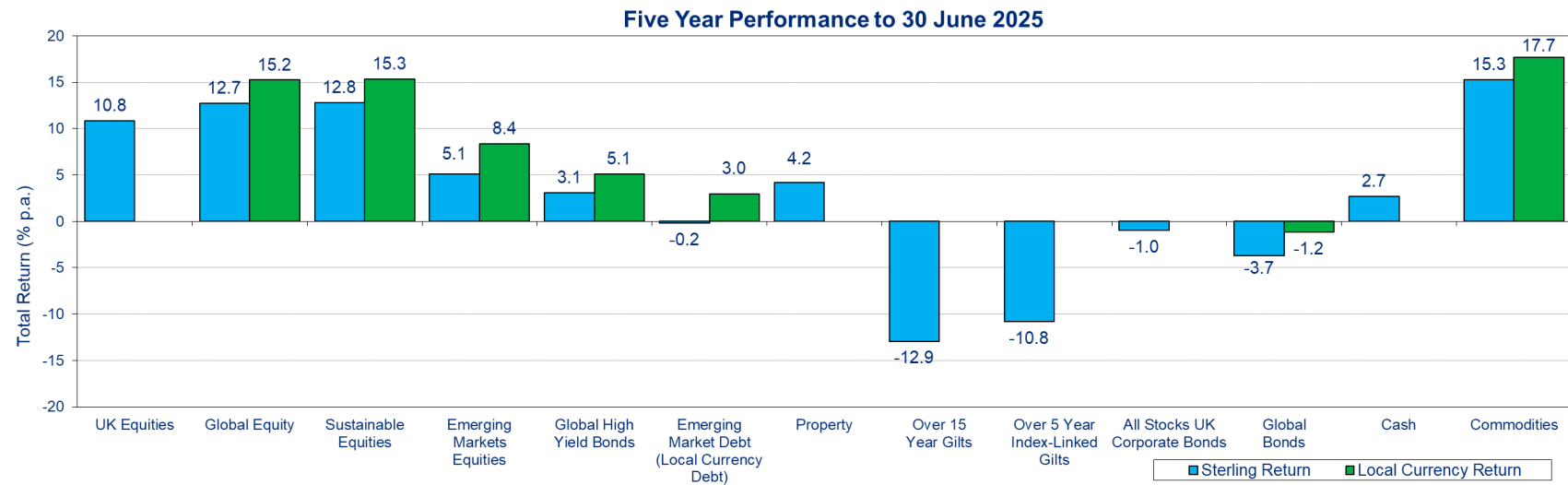
Source: LSEG Datastream.



Source: LSEG Datastream.



Source: LSEG Datastream.



Source: LSEG Datastream.

Total Fund Summary

2

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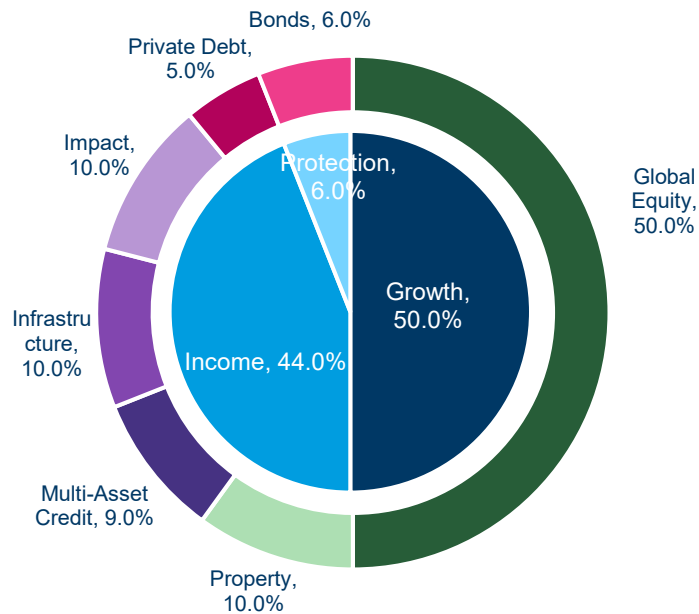
Agenda Item 12

Asset Allocation

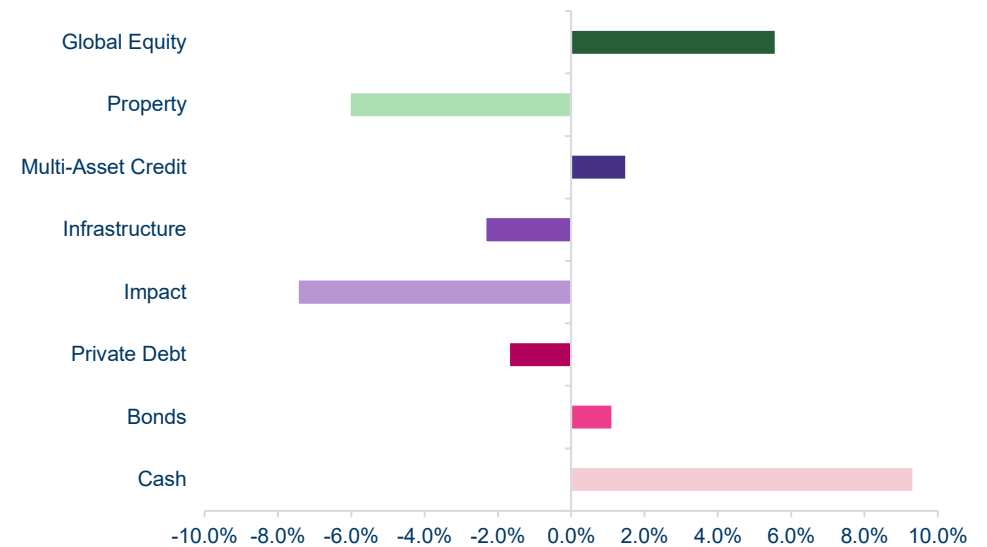
	31/03/2025 Market Value (£M)	Net Cashflow (£M)	Investment Growth/ Decline (£M)	30/06/2025 Market Value (£M)	31/03/2025 Allocation (%)	30/06/2025 Allocation (%)	30/06/2025 B'mark (%)	Ranges (%)
Total	966.1	14.8	36.8	1,017.7	100.0	100.0	100.0	-
Growth	533.3	-	31.1	564.5	55.2	55.5	50.0	45.0 - 55.0
Income	285.4	-4.3	4.9	286.0	29.5	28.1	44.0	34.5 - 53.5
Protection	147.3	19.1	0.8	167.2	15.2	16.4	6.0	4.5 - 7.5

Source: Investment Managers and Mercer.
Figures may not sum to total due to rounding.

Benchmark Asset Allocation as at 30 June 2025



Deviation from Benchmark Asset Allocation

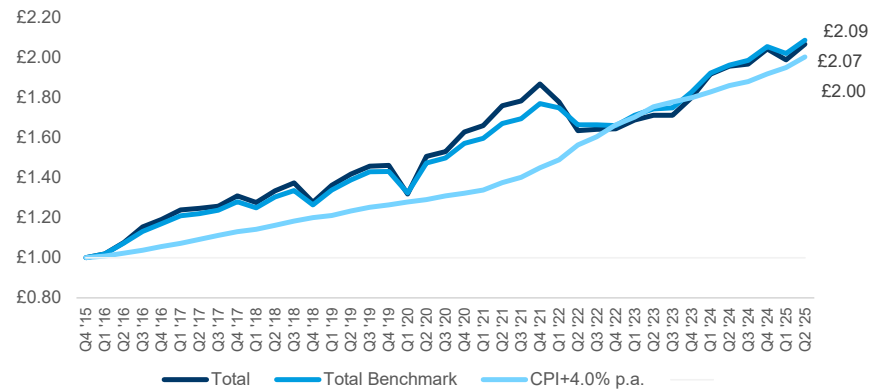


Investment Performance

Fund and benchmark returns (%)	3 Mth	1 Yr	3 Yrs (p.a.)	5 Yrs (p.a.)
Total	3.9	5.6	8.1	6.5
Benchmark	3.1	6.1	7.8	7.2
CPI+4.0% p.a.	2.7	7.7	8.6	9.2

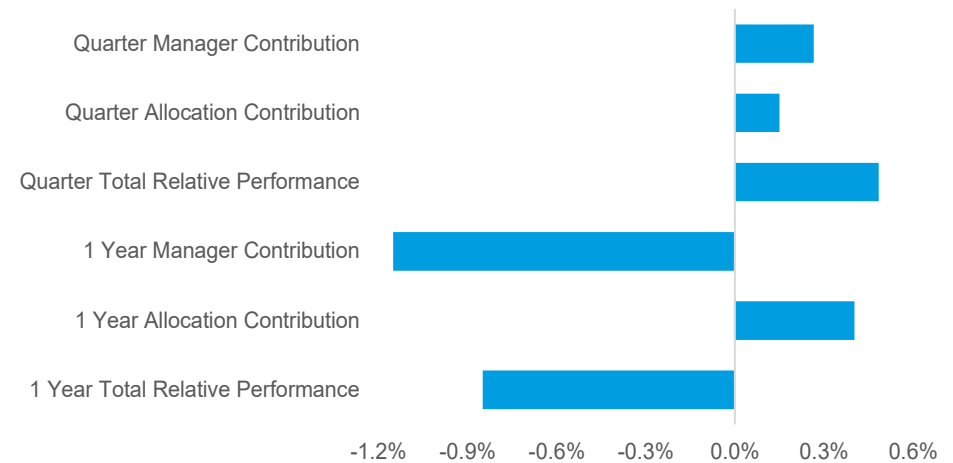
Figures shown are net of fees and based on performance provided by the Investment Managers, Hymans, Mercer estimates and LSEG Datastream.

Growth of a Pound



Beginning chart date: 31 December 2015.

Relative Performance Attribution



Investment Manager Summary

3

Manager Allocation

	Investment Manager	31/03/2025 Market Value (£M)	Net Cashflow (£M)	Investment Growth/ Decline (£M)	30/06/2025 Market Value (£M)	31/03/2025 Allocation (%)	30/06/2025 Allocation (%)	30/06/2025 B'mark (%)
Total		966.1	14.8	36.8	1,017.7	100.0	100.0	100.0
Growth		533.3	-	31.1	564.5	55.2	55.5	50.0
Global Equity		533.3	-	31.1	564.5	55.2	55.5	50.0
Global Equity	LCIV	136.3	-	7.9	144.2	14.1	14.2	14.0
Sustainable Equity	LCIV	132.0	-	8.5	140.5	13.7	13.8	14.0
Future World Equity	L&G	132.9	-	7.8	140.7	13.8	13.8	12.0
Passive Equity Progressive Paris-Aligned	LCIV	132.2	-	6.9	139.1	13.7	13.7	10.0
Income		285.4	-4.3	4.9	286.0	29.5	28.1	44.0
Property		40.9	-0.2	-0.6	40.2	4.2	4.0	10.0
Property	BlackRock	21.0	-0.2	0.3	21.1	2.2	2.1	-
Property	Aviva/LaSalle	4.5	-	-0.5	4.0	0.5	0.4	-
Property	Invesco	15.5	-	-0.4	15.1	1.6	1.5	-
Multi-Asset Credit		104.1	-	2.6	106.7	10.8	10.5	9.0
Multi-Asset Credit	LCIV	104.1	-	2.6	106.7	10.8	10.5	-
Infrastructure		78.3	-2.9	2.9	78.3	8.1	7.7	10.0
Infrastructure 2012	Partners Group	5.8	-	0.5	6.3	0.6	0.6	-
Infrastructure Direct 2015	Partners Group	7.5	-1.7	0.1	5.9	0.8	0.6	-
Infrastructure Global 2015	Partners Group	7.2	-0.1	0.6	7.7	0.7	0.8	-
Infrastructure Direct 2020	Partners Group	18.8	-0.8	1.7	19.7	1.9	1.9	-
Renewable Infrastructure	LCIV	39.0	-0.3	-	38.7	4.0	3.8	-
Impact		27.9	-	-	27.9	2.9	2.7	10.0
UK Housing Fund	LCIV	13.1	-	-	13.1	1.4	1.3	-
The London Fund LP	LCIV	14.8	-	-	14.8	1.5	1.5	-
Private Debt		34.1	-1.3	-	32.8	3.5	3.2	5.0
Private Debt	LCIV	34.1	-1.3	-	32.8	3.5	3.2	5.0
Protection		147.3	19.1	0.8	167.2	15.2	16.4	6.0
Bonds		71.9	-	0.5	72.4	7.4	7.1	6.0
Index-Linked Gilts Over 5 Years	L&G	71.9	-	0.5	72.4	7.4	7.1	6.0

	Investment Manager	31/03/2025 Market Value (£M)	Net Cashflow (£M)	Investment Growth/ Decline (£M)	30/06/2025 Market Value (£M)	31/03/2025 Allocation (%)	30/06/2025 Allocation (%)	30/06/2025 B'mark (%)
Cash		75.4	19.1	0.3	94.8	7.8	9.3	-
Sterling Liquidity	Aviva	29.7	19.2	0.3	49.2	3.1	4.8	-
Sterling Liquidity	Federated Hermes	43.7	-	-	43.7	4.5	4.3	-
Cash		2.0	-0.1	-	1.9	0.2	0.2	-

Source: Investment Managers and Mercer. Figures may not sum to total due to rounding.

Aviva Property valuation as at end of quarter is estimated based on the number of units held and the NAV as at 30 June 2025, due to the unavailability of data at the time of writing.

The London Fund LP mandate valuation at end of quarter is estimated based on final valuation at 30 September 2024 plus any drawdowns or distributions occurred over Q4 2024, Q1 and Q2 2025.

LCIV Renewable Infrastructure, LCIV UK Housing Fund and LCIV Private Debt mandates valuations are rolled forward estimation provided by LCIV.

Manager Performance

Fund and benchmark returns (%)	Investment Manager	3 Mth	B'mark	1 Yr	B'mark	3 Yrs (p.a.)	B'mark (p.a.)	5 Yrs (p.a.)	B'mark (p.a.)
Total		3.9	3.1	5.6	6.1	8.1	7.8	6.5	7.2
Global Equity	LCIV	5.9	5.2	8.0	7.6	15.0	13.2	12.3	11.8
Sustainable Equity	LCIV	6.5	5.0	5.7	7.2	8.2	13.6	-	-
Future World Equity	L&G	5.9	5.8	7.9	7.6	13.5	13.2	-	-
Passive Equity Progressive Paris-Aligned	LCIV	5.3	5.3	7.7	7.8	-	-	-	-
Property	BlackRock	1.0	1.3	4.9	6.2	-5.5	-4.2	2.1	2.5
Property	Aviva/LaSalle	-9.3	1.3	0.0	6.2	-6.2	-3.4	0.6	3.0
Property	Invesco	-2.0	1.5	-5.5	6.0	-3.2	6.8	0.3	7.3
Multi-Asset Credit	LCIV	2.5	2.1	8.9	8.8	8.6	8.4	-	-
Infrastructure 2012	Partners Group	8.8	1.9	1.5	8.0	4.6	4.6	7.8	2.7
Infrastructure Direct 2015	Partners Group	2.1	1.9	12.4	8.0	17.2	4.6	16.6	2.7
Infrastructure Global 2015	Partners Group	9.5	1.9	14.7	8.0	12.5	4.6	14.1	2.7
Infrastructure Direct 2020	Partners Group	8.9	1.9	21.4	8.0	17.3	4.6	-	-
Renewable Infrastructure	LCIV	0.0	0.0	-5.7	5.3	-0.5	4.0	-	-
UK Housing Fund	LCIV	0.0	0.0	-0.5	4.5	-	-	-	-
The London Fund LP	LCIV	0.0	0.0	2.5	4.5	-	-	-	-
Private Debt	LCIV	0.0	0.0	3.3	4.5	5.4	3.5	-	-
Index-Linked Gilts Over 5 Years	L&G	0.7	0.7	-7.2	-7.2	-10.0	-10.0	-10.8	-10.8
Sterling Liquidity	Aviva	1.1	1.1	4.9	4.8	-	-	-	-
Sterling Liquidity	Federated Hermes	0.0	1.1	-	-	-	-	-	-

Figures shown are net of fees and based on performance provided by the Investment Managers, Hymans, Mercer estimates and LSEG Datastream.

Total includes quarterly returns for Partners Group Infrastructure mandates, LCIV Renewable Infrastructure and LCIV Private Debt calculated by Mercer using a Modified Dietz approach based on data provided by Partners Group and LCIV. Over the long term, performances are chain linked using quarterly Total performances. Performance for Partners Group Infrastructure mandates, LCIV Renewable Infrastructure, LCIV UK Housing Fund, The London Fund portfolios and LCIV Private Debt are calculated by Mercer using an IRR approach.

Aviva/LaSalle and Blackrock Property Q2 2025 performances are estimated due to the unavailability of data at the time of writing.

Investment Manager Deep Dive

4

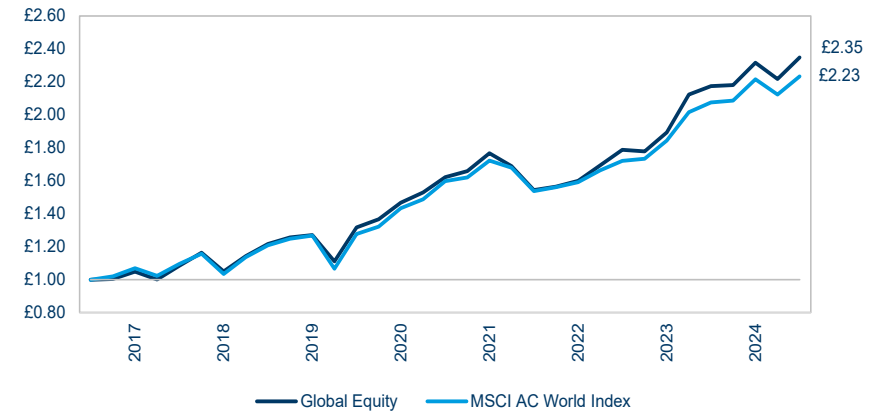
Newton – Global Equity (LCIV)

Investment Performance to 30 June 2025

Fund and benchmark returns (%)	3 Mth	1 Yr	3 Yrs (p.a.)	Inception (p.a.)	Inception Date
Global Equity (net)	5.9	8.0	15.0	11.2	22 May 2017
Global Equity (gross)	5.9	8.2	15.2	11.4	
MSCI AC World Index	5.2	7.6	13.2	10.6	
Target (net)	5.6	9.1	14.7	12.1	

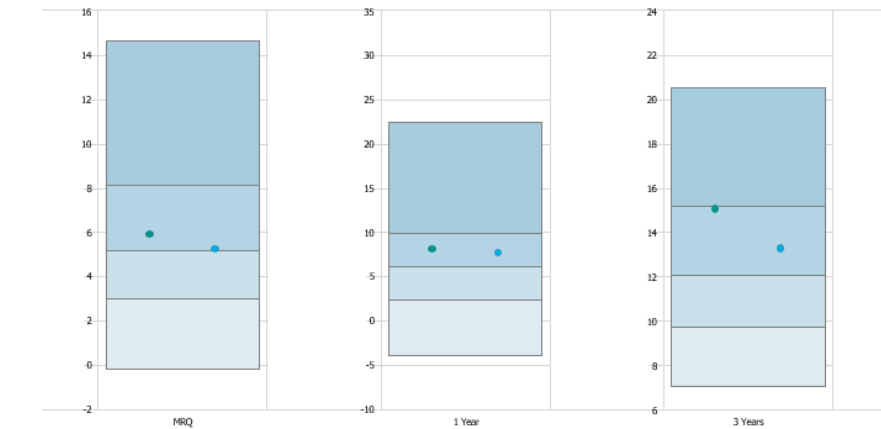
Figures shown are based on performance provided by LCIV, Mercer estimates and LSEG Datastream.

Growth of a Pound Since Inception (Net of Fees)



Performance vs Mercer Universe

Newton - Global Equity (Representative Account)
Return in GBP (after fees) over 3 mths, 1 yr, 3 yrs ending June 25

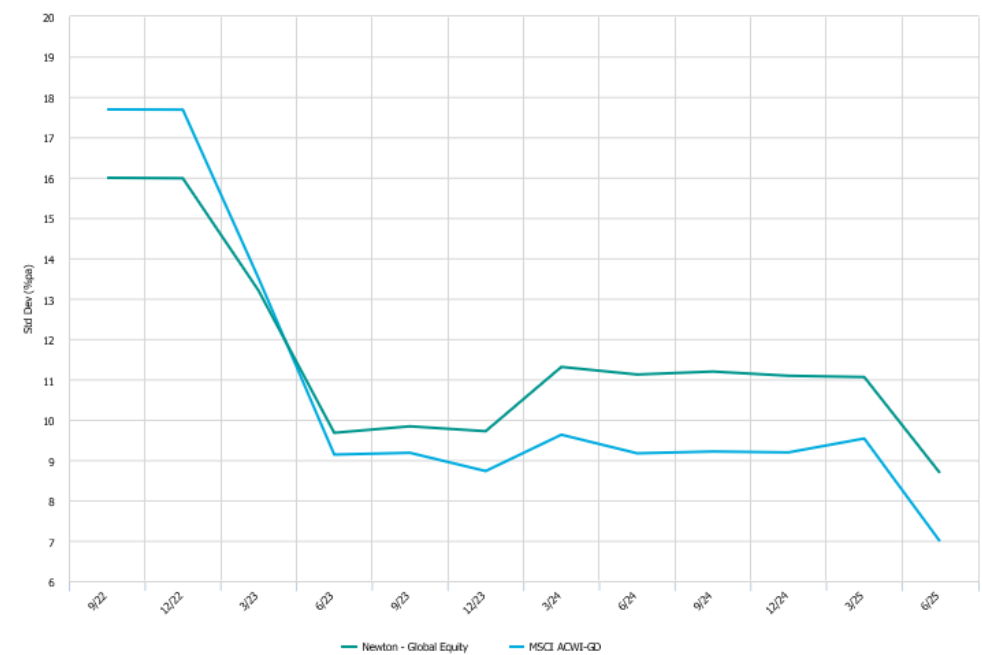


Universe: Mercer Global Equity - Core All Countries

	MRQ	1 Year	3 Years
5th percentile	14.6	22.4	20.5
25th percentile	8.1	9.9	15.1
Median	5.2	6.1	12.1
75th percentile	3.0	2.3	9.7
95th percentile	-0.2	-4.0	7.0
# of Observations	226	223	206
Newton - Global Equity	5.9	8.0	15.0
MSCI ACWI-GD	5.2	7.6	13.3

Rolling 3 Year Annualised Standard Deviation

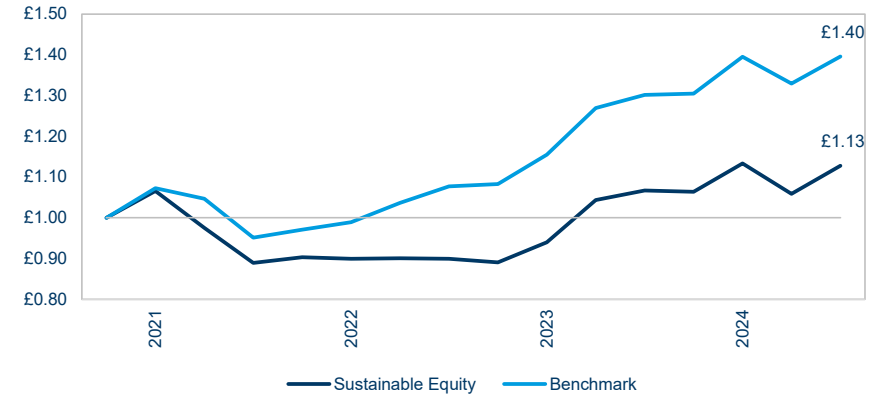
Newton - Global Equity (Representative Account)
Rolling 3 Year Std Deviation in GBP (after fees)



RBC – Sustainable Equity (LCIV)**Investment Performance to 30 June 2025**

Fund and benchmark returns (%)	3 Mth	1 Yr	3 Yrs (p.a.)	Inception (p.a.)	Inception Date
Sustainable Equity (net)	6.5	5.7	8.2	3.1	05 Aug 2021
Sustainable Equity (gross)	6.6	6.0	8.6	3.5	
Benchmark	5.0	7.2	13.6	9.1	
Target (net)	5.5	9.2	15.6	11.1	

Figures shown are based on performance provided by LCIV, Mercer estimates and LSEG Datastream.

Growth of a Pound Since Inception (Net of Fees)

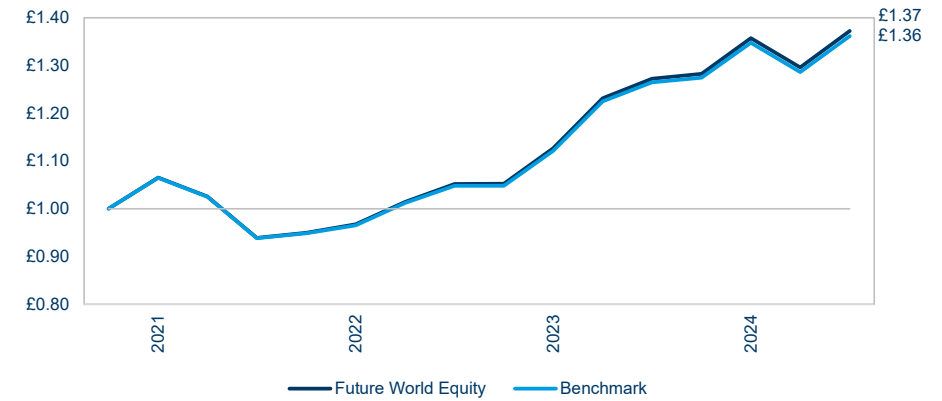
L&G - Future World Equity

Investment Performance to 30 June 2025

Fund and benchmark returns (%)	3 Mth	1 Yr	3 Yrs (p.a.)	Inception (p.a.)	Inception Date
Future World Equity (gross)	5.9	7.9	13.5	8.5	23 Sep 2021
Future World Equity (net)	5.9	7.9	13.5	8.5	
Benchmark	5.8	7.6	13.2	8.3	
Excess Return (vs. gross)	0.1	0.3	0.3	0.2	

Figures shown are based on performance provided by L&G, Mercer estimates and LSEG Datastream.

Growth of a Pound Since Inception (Net of Fees)



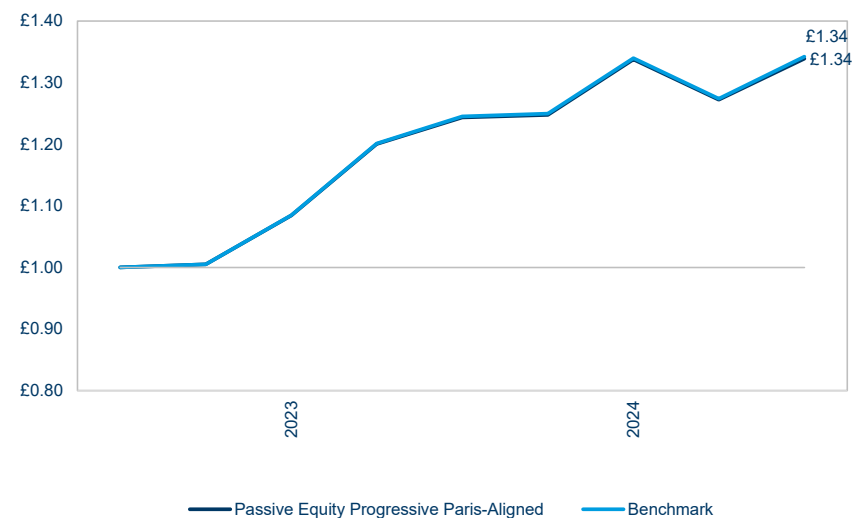
LCIV - Passive Equity Progressive Paris-Aligned

Investment Performance to 30 June 2025

Fund and benchmark returns (%)	3 Mth	1 Yr	Inception (p.a.)	Inception Date
Passive Equity Progressive Paris-Aligned (net)	5.3	7.7	17.0	24 May 2023
Passive Equity Progressive Paris-Aligned (gross)	5.3	7.7	17.1	
S&P Developed Ex-Korea LargeMidCap Net Zero 2050 Paris-Aligned ESG Index (GBP)	5.3	7.8	17.2	
Excess Return (vs. net)	0.0	-0.1	-0.2	

Figures shown are based on performance provided by LCIV, Mercer estimates and LSEG Datastream.

Growth of a Pound Since Inception (Net of Fees)



BlackRock – Property

Investment Performance to 30 June 2025

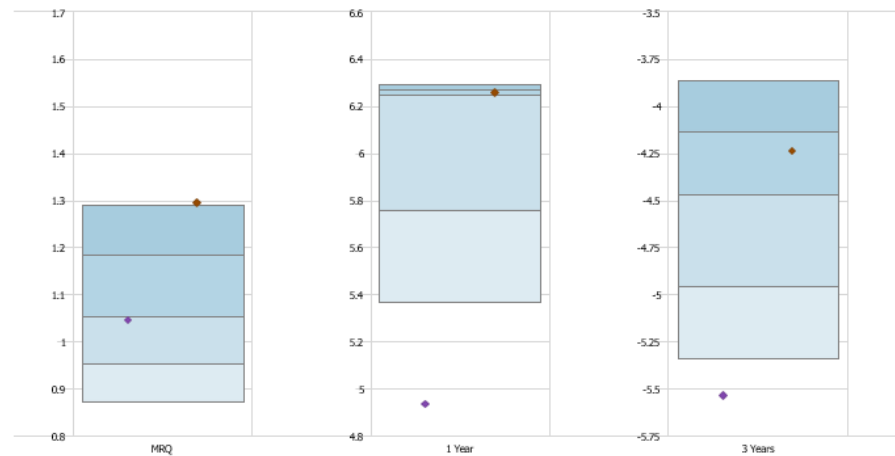
Fund and benchmark returns (%)	3 Mth	1 Yr	3 Yrs (p.a.)	5 Yrs (p.a.)	Inception (p.a.)	Inception Date
Property (gross)	1.3	6.0	-4.6	3.1	3.8	31/03/2016
Property (net)	1.0	4.9	-5.5	2.1	2.8	
Benchmark	1.3	6.2	-4.2	2.5	2.8	

Figures shown based on performance provided by BlackRock, Mercer estimates and LSEG Datastream.

Quarterly performance was estimated for Q2 2025 due to unavailability of data at the time of writing. Benchmark was MSCI UK Pooled Property Funds Index prior to 30 September 2023, MSCI All Property Funds Median Index thereafter.

Performance vs Mercer Universe

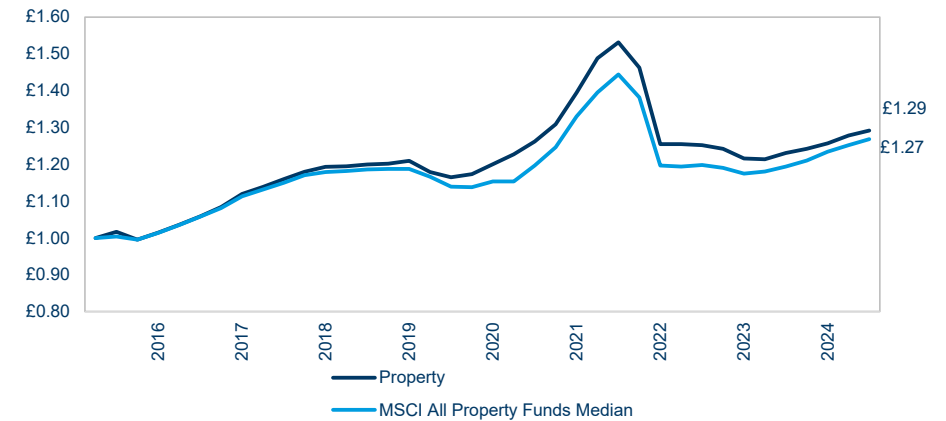
BlackRock - Property (Representative Account)
Return in GBP (after fees) over 3 mths, 1 yr, 3 yrs ending June 25



Universe: Mercer Real Estate UK Core (Net)

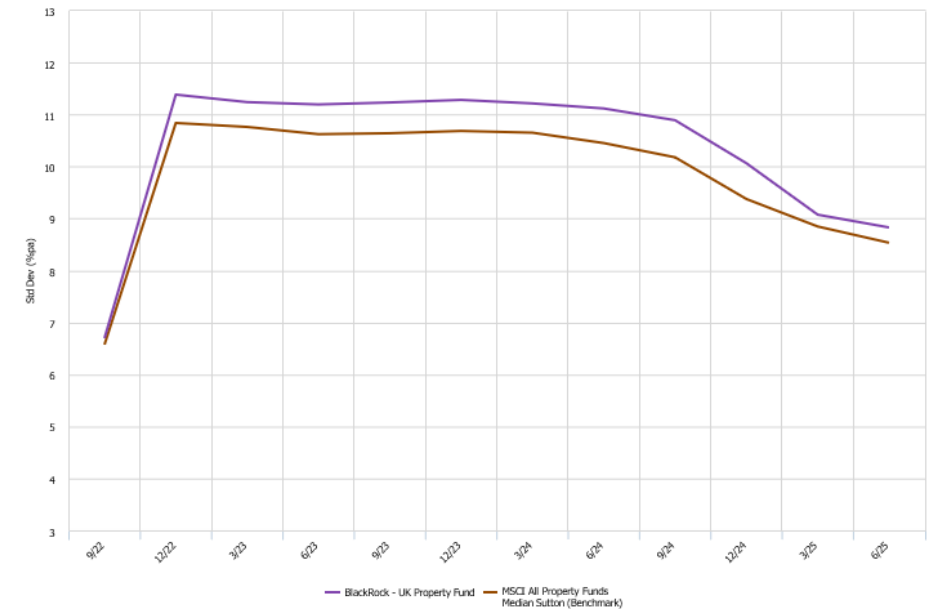
	MRQ	1 Year	3 Years
5th percentile	1.3	6.3	-3.9
25th percentile	1.2	6.3	-4.1
Median	1.1	6.2	-4.5
75th percentile	1.0	5.8	-5.0
95th percentile	0.9	5.4	-5.3
# of Observations	3	3	3
BlackRock - UK Property Fund	1.0	4.9	-5.5
MSCI All Property Funds Median Sutton (Benchmark)	1.3	6.3	-4.2

Growth of a Pound Since Inception (Net of Fees)



Rolling 3 Year Annualised Standard Deviation

BlackRock - Property (Representative Account)
Rolling 3 Year Std Deviation in GBP (after fees)



Aviva/LaSalle – Property

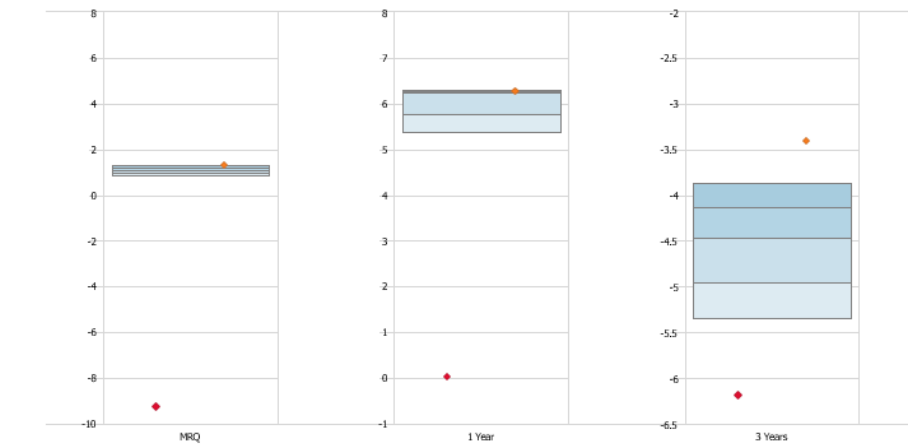
Investment Performance to 30 June 2025

Fund and benchmark returns (%)	3 Mth	1 Yr	3 Yrs (p.a.)	Inception (p.a.)	Inception Date
Property (gross)	-9.2	0.1	-6.0	4.2	31 Jul 2011
Property (net)	-9.3	0.0	-6.2	4.0	
MSCI All Property Funds Median	1.3	6.2	-3.4	5.4	

Figures shown are based on performance provided by LaSalle, Mercer estimates and LSEG Datastream. Quarterly performance was estimated for Q1 and Q2 2025 due to unavailability of data at the time of writing. Benchmark calculated as the roll up of quarterly median returns.

Performance vs Mercer Universe

Aviva/LaSalle - Property
Return in GBP (after fees) over 3 mths, 1 yr, 3 yrs ending June 25

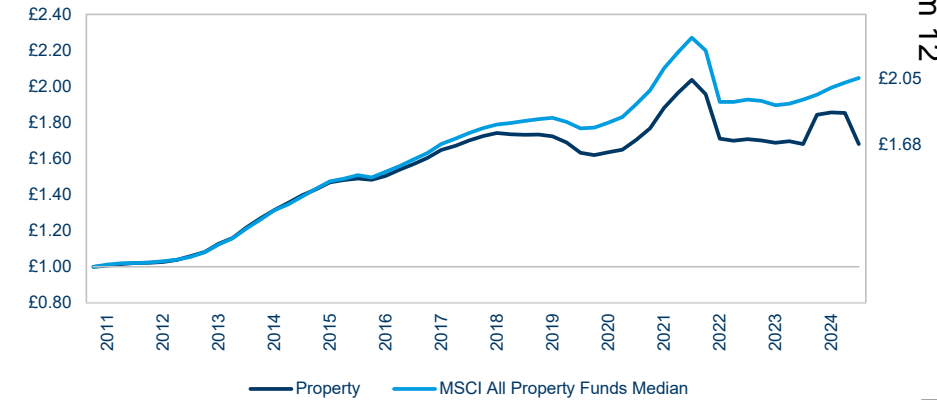


Universe: Mercer Real Estate UK Core (Net)

	MRQ	1 Year	3 Years
5th percentile	1.3	6.3	-3.9
25th percentile	1.2	6.3	-4.1
Median	1.1	6.2	-4.5
75th percentile	1.0	5.8	-5.0
95th percentile	0.9	5.4	-5.3
# of Observations	3	3	3
Aviva La salle - Property	-9.3	0.0	-6.2
MSCI All Property Funds Median (Benchmark)	1.3	6.3	-3.4

One and three year benchmark performance shown in the above chart represents the roll up of the quarterly median performance figures which will not tie up with the equivalent benchmark performance reported by the manager (which represents the median performance for the one and three year periods). Quarterly performance was estimated due to unavailability of data at the time of writing.

Growth of a Pound Since Inception (Net of Fees)



Rolling 3 Year Annualised Standard Deviation

Aviva/LaSalle - Property
Rolling 3 Year Std Deviation in GBP (after fees)



Invesco – Property

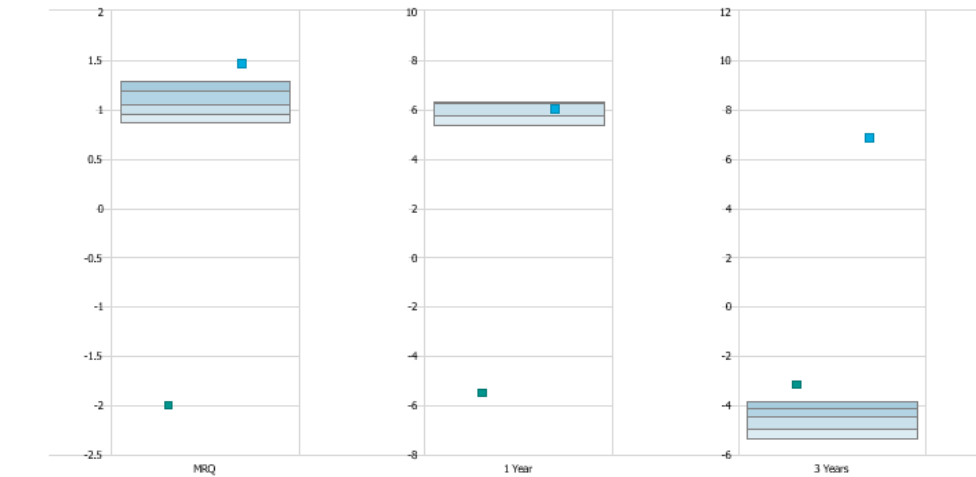
Investment Performance to 30 June 2025

Fund and benchmark returns (%)	3 Mth	1 Yr	3 Yrs (p.a.)	Inception (p.a.)	Inception Date
Property (gross)	-1.8	-4.9	-2.5	0.1	31 Dec 2016
Property (net)	-2.0	-5.5	-3.2	-0.6	
Benchmark	1.5	6.0	6.8	7.6	

Figures shown are based on performance provided by Invesco, Mercer estimates and LSEG Datastream. Benchmark was Absolute 8.0% p.a. prior to 30 September 2023, Absolute 6.0% p.a. thereafter.

Performance vs Mercer Universe

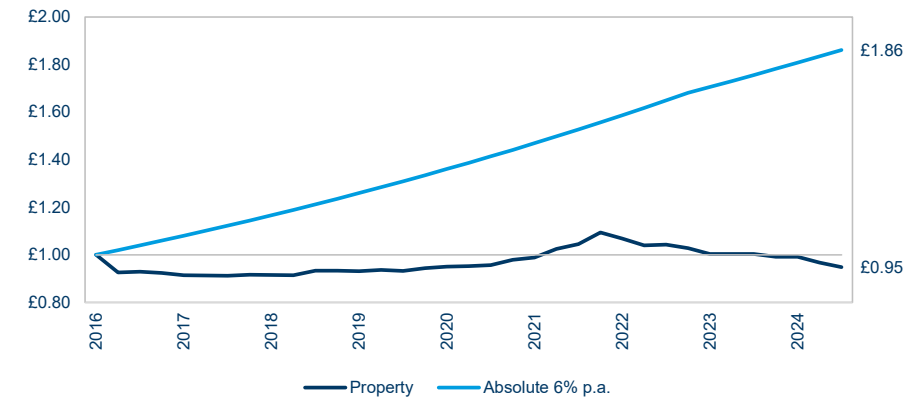
Invesco - Property
Return in GBP (after fees) over 3 mths, 1 yr, 3 yrs ending June 25



Universe: Mercer Real Estate UK Core (Net)

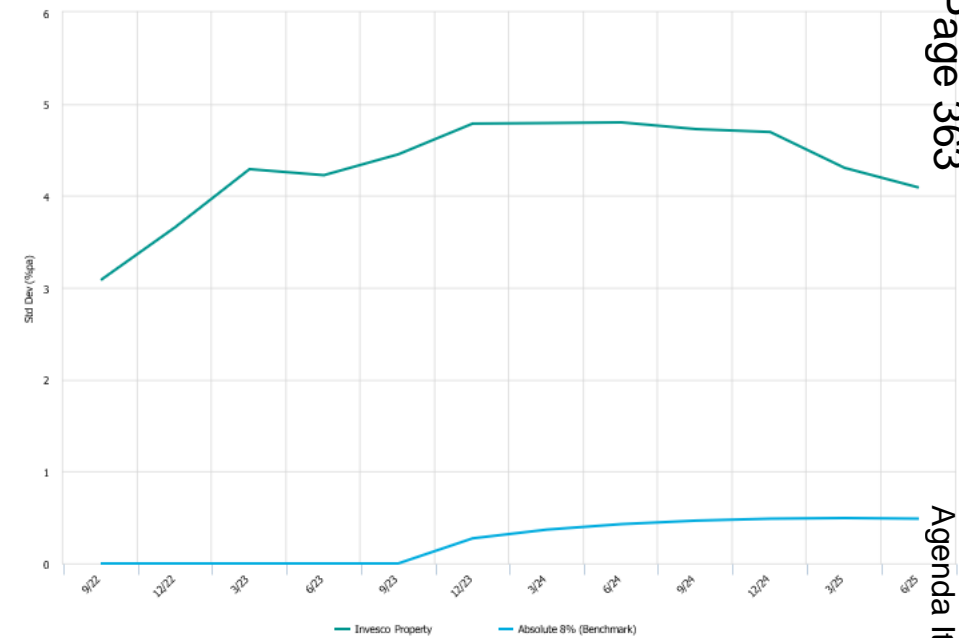
	MRQ	1 Year	3 Years
5th percentile	1.3	6.3	-3.9
25th percentile	1.2	6.3	-4.1
Median	1.1	6.2	-4.5
75th percentile	1.0	5.8	-5.0
95th percentile	0.9	5.4	-5.3
# of Observations	3	3	3
Invesco Property	-2.0	-5.5	-3.2
Absolute 8% (Benchmark)	1.5	6.0	6.8

Growth of a Pound Since Inception (Net of Fees)



Rolling 3 Year Annualised Standard Deviation

Invesco - Property
Rolling 3 Year Std Deviation in GBP (after fees)



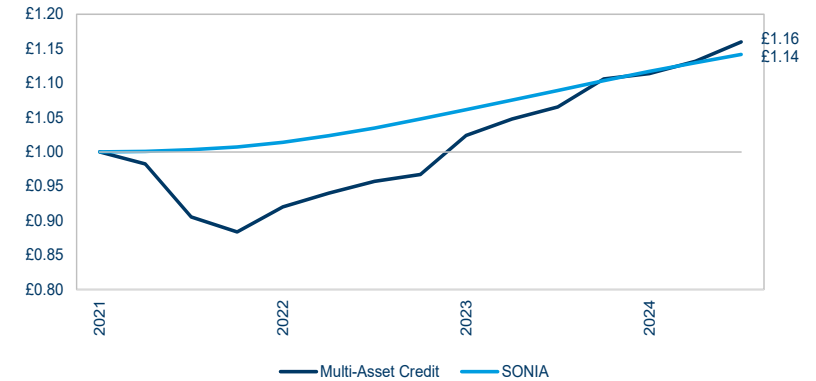
LCIV – Multi-Asset Credit (LCIV)

Investment Performance to 30 June 2025

Fund and benchmark returns (%)	3 Mth	1 Yr	3 Yrs (p.a.)	Inception (p.a.)	Inception Date
Multi-Asset Credit (gross)	2.6	9.3	8.9	4.7	30 Nov 2021
Multi-Asset Credit (net)	2.5	8.9	8.6	4.5	
SONIA	1.1	4.8	4.4	3.8	
Target (gross)	2.1	8.8	8.4	7.8	

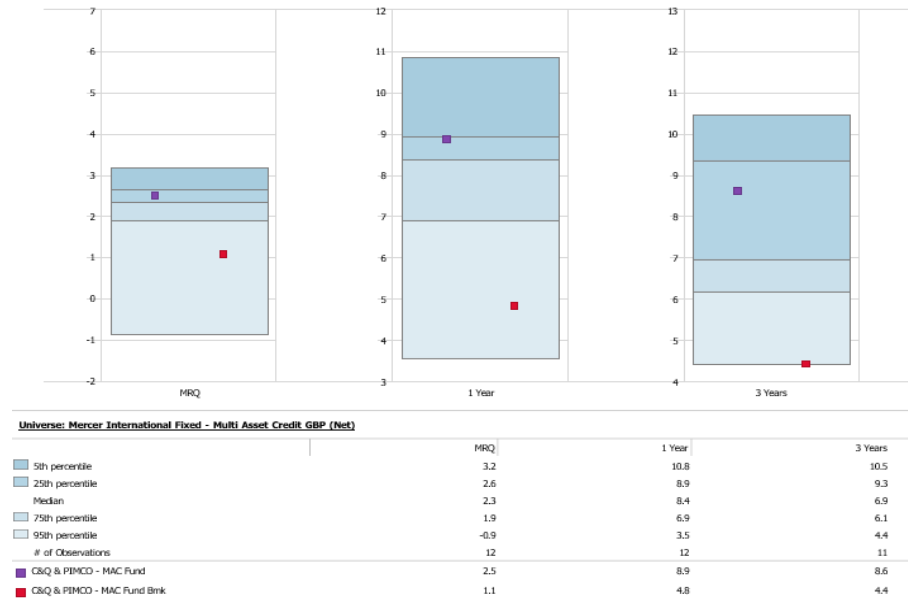
Figures shown are based on performance provided by LCIV, Mercer estimates and LSEG Datastream.

Growth of a Pound Since Inception (Net of Fees)



Performance vs Mercer Universe

CQS & PIMCO (LCIV) – Multi-Asset Credit
Return in GBP (after fees) over 3 mths, 1 yr, 3 yrs ending June 25



Private Markets

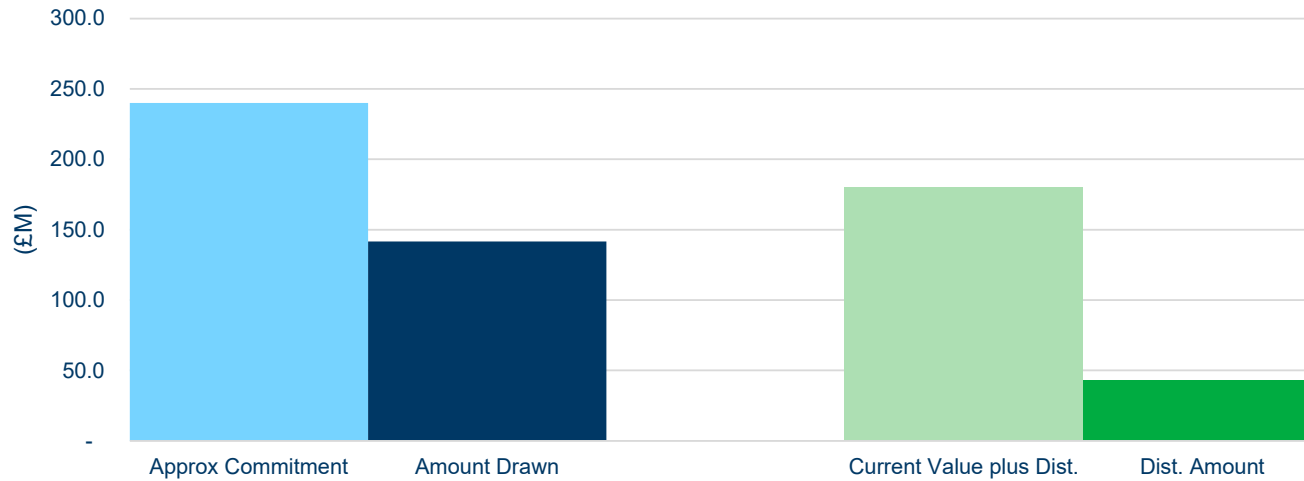
Fund	Approx. Commitment (£M)	Amount Drawn (£M)	Amount Drawn (%)	Dist. Amount (£M)	Amount Undrawn (£M)	Current Value (£M)	IRR (%)	TVPI (%)	Vintage Year
Total	240.1	141.7	59.0	42.6	98.4	137.1	-	-	
Infrastructure	140.1	88.4	63.1	42.6	51.7	78.3	-	-	
Infrastructure 2012	24.3	20.2	82.9	25.3	4.1	6.3	10.4	1.7	2012
Infrastructure Direct 2015	9.7	8.2	84.9	8.9	1.5	5.9	14.0	1.8	2017
Infrastructure Global 2015	9.7	8.2	85.0	6.6	1.5	7.7	11.7	1.7	2017
Infrastructure Direct 2020	21.4	15.3	71.5	1.8	6.1	19.7	15.4	1.4	2021
Renewable Infrastructure	75.0	36.5	48.6	-	38.5	38.7	2.4	1.0	2022
Impact	60.0	26.4	44.0	-	33.6	27.9	-	-	
UK Housing Fund	30.0	13.1	43.6	-	16.9	13.1	-1.5	1.0	2024
The London Fund LP	30.0	13.3	44.4	-	16.7	14.8	-2.2	1.0	2024
Private Debt	40.0	26.9	67.2	-	13.1	32.8	7.1	1.2	2021

Source: Partners Group, LCIV, Mercer estimates and LSEG Datastream.

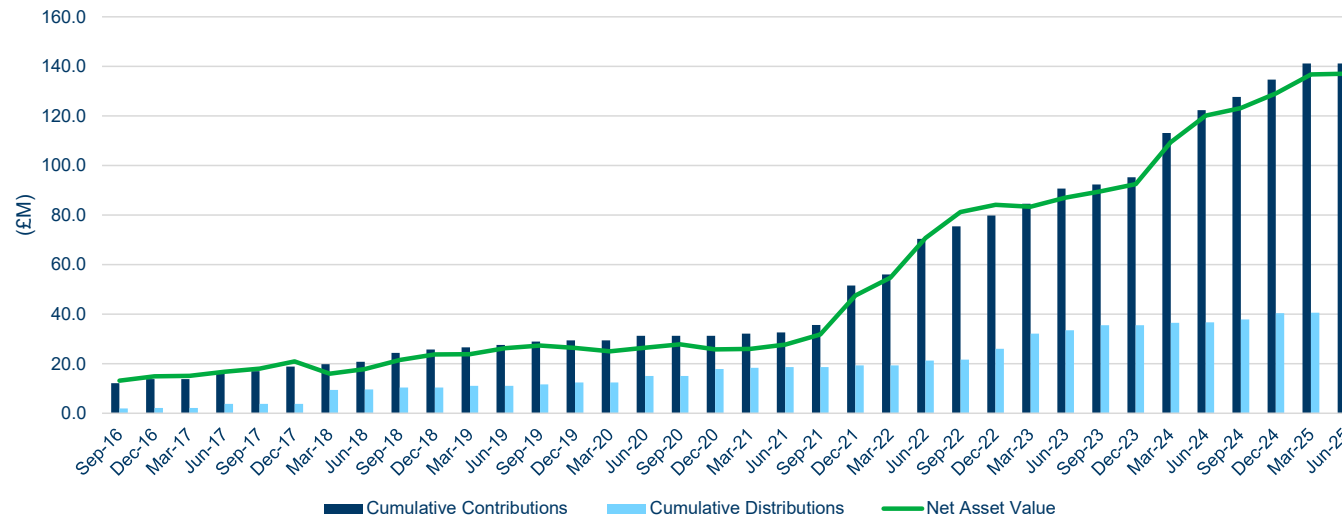
Key: IRR = internal rate of return, shown over the period since the Fund's initial investment; TVPI = Total Value to Paid In ratio (current value plus distributions / total contributions).

Infrastructure 2012, Infrastructure Direct 2015, Infrastructure Global 2015 and Infrastructure Direct 2020 funds native currency is EUR. Data shown in GBP, converted from EUR using exchange rates sourced from LSEG Datastream at the date of the report.

Figures are based on the last available capital account statement plus any cashflows since then to the report date.

Drawdown and Distribution Details as at 30 June 2025

Data shown in sterling, converted (where applicable) from EUR using exchange rates sourced from LSEG Datastream at the date of the report.

Historical Cashflow and Asset Value Analysis to 30 June 2025

Data shown in GBP, converted (where applicable) from EUR using exchange rates sourced from LSEG Datastream at the date of the report. Details of drawdowns, distributions and asset values prior to 1 January 2016 are unavailable.

Appendix

5

Appendix A

Benchmarks

Name	Investment Manager	31/03/2025 B'mark (%)	30/06/2025 B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Total		100.0	100.0	-	-	-
Growth		51.5	50.0	-	-	-
Global Equity		50.0	50.0	-	-	-
Global Equity	Newton (LCIV)	14.0	14.0	MSCI AC World Index	+1.5% p.a. (net of fees)	2.0% - 6.0% p.a.
Sustainable Equity	RBC (LCIV)	14.0	14.0	MSCI World (NDR) Index	+2.0% p.a. (net of fees)	-
Future World Equity	L&G	12.0	12.0	Solactive L&G ESG Global Markets Net	To match the benchmark	-
Passive Equity Progressive Paris-Aligned	LCIV	10.0	10.0	S&P Developed Ex-Korea LargeMidCap Net Zero 2050 Paris-Aligned ESG Index (GBP)	-	-
Diversified Growth		1.5	-	UK Base Rate +3.5% p.a. (net of fees)	-	-
Income		36.5	44.0	-	-	-
Property		7.5	10.0	-	-	-
Property	BlackRock	-	-	MSCI All Pooled Property Funds Median	-	-
Property	Aviva/LaSalle	-	-	MSCI All Pooled Property Funds Median	-	-
Property	Invesco	-	-	Absolute 6% p.a.	-	-
Multi-Asset Credit		9.0	9.0	-	-	-
Multi-Asset Credit	CQS & PIMCO (LCIV)	-	-	SONIA +4% p.a. (gross of fees)	-	4.0% - 6.0% p.a.
Infrastructure		10.0	10.0	-	-	-
Infrastructure 2012	Partners Group	-	-	Absolute 8% p.a.	-	-
Infrastructure Direct 2015	Partners Group	-	-	Absolute 8% p.a.	-	-
Infrastructure Global 2015	Partners Group	-	-	Absolute 8% p.a.	-	-
Infrastructure Direct 2020	Partners Group	-	-	Absolute 8% p.a.	-	-
Renewable Infrastructure	LCIV	-	-	Absolute 7% p.a.	-	-
Impact		5.0	10.0	-	-	-
UK Housing Fund	LCIV	-	-	Absolute 6% p.a.	-	-
The London Fund LP	LCIV	-	-	Absolute 6% p.a.	-	-
Private Debt		5.0	5.0	-	-	-

Name	Investment Manager	31/03/2025 B'mark (%)	30/06/2025 B'mark (%)	Performance Benchmark	Performance Target	Tracking Error Expectation
Private Debt	LCIV	5.0	5.0	Absolute 6% p.a.	-	-
Protection		12.0	6.0	-	-	-
Bonds		6.0	6.0	-	-	-
Index-Linked Gilts Over 5 Years	L&G	6.0	6.0	FTSE A Over 5 Years Index-Linked Gilts Index	To match the benchmark	-
Cash		6.0	-	-	-	-
Sterling Liquidity	Aviva	6.0	-	SONIA	-	-
Sterling Liquidity	Federated Hermes		-	SONIA	-	-
Cash		-	-	-	-	-

Individual benchmark and targets changed on 30 September 2023 for the following portfolios:

BlackRock Property (previous benchmark was MSCI UK Pooled Property Funds Index)

Invesco Property (previous benchmark was Absolute 8.0% p.a.)

Partners Group Infrastructure, LCIV Impact and LCIV Private Debt (previous benchmark was zero benchmark)

Invesco Property target is unleveraged return of 8.0%-9.0%.

CQS (LCIV) Multi-Asset Credit target is to outperform SONIA by 4.0%-5.0% p.a. (net of fees).

Appendix E

Detailed Attribution Analysis – Quarter



Please note that the relative return and relative weight charts use unrounded performance and allocation figures to calculate the relative difference, hence the numbers are not directly comparable to the implied relative difference given in the performance and allocation tables.

Explanation of Attribution Analysis Chart

The purpose of the attribution analysis chart is to give a visual representation of the contribution of each portfolio to the relative performance of the Total Scheme against the Total Benchmark". The contribution is apportioned between "Manager Contribution" and "Allocation Contribution. Further explanation of the terms used in the chart is given below. Contributions are calculated on a monthly basis; longer term (including quarterly) contributions are the sum of the monthly contributions.

Relative Weight - This is the difference in percentage terms of the actual Scheme allocation and benchmark allocation at both the start and end of the period. A bar greater (less) than zero indicates that the Scheme was overweight (underweight) to that portfolio.

Relative Performance - This shows the relative performance of the portfolio against its benchmark performance. A bar greater than zero indicates there was outperformance, whereas a bar less than zero indicates underperformance.

Manager Contribution - This shows the contribution at a total level of the relative performance achieved by the portfolio, taking into account the initial actual allocation. A larger allocation will lead to a greater contribution at a total level (all other things being equal).

Positive (negative) relative performance will result in positive (negative) manager contribution. Note that for passive mandates manager contributions should be close to zero, given its performance objective of tracking the benchmark. In calculation terms this is as follows:

$$\text{Manager Contribution} = (\text{Performance}_{pi} - \text{Performance}_{bi}) \times \text{Initial Actual Allocation}_{pi}$$

Allocation Contribution - The allocation contribution shows whether a portfolio underweight / overweight position has had a positive or negative effect on the Total Scheme outperformance / underperformance in relation to the Total Scheme Benchmark.

For example, an overweight allocation to a portfolio whose benchmark performance was superior to that of the Total Scheme Benchmark would result in a positive contribution. In calculation terms this is as follows:

$$\text{Allocation Contribution} = (\text{Performance}_{bi} - \text{Performance}_{bT}) \times (\text{Actual Allocation}_{pi} - \text{Benchmark Allocation}_{bi})$$

Please note that the relative return and relative weight figures shown in the chart use unrounded performance and allocation figures to calculate the relative differences. Therefore, the numbers are not directly comparable to the implied relative differences given in the performance table and allocation tables.

Key: pi = portfolio i ; bi = portfolio i benchmark; bT = Total Fund benchmark

Appendix F

Manager Performance as at 31 March 2025

	Investment Manager	3 Mth	B'mark	1 Yr	B'mark	3 Yrs (p.a.)	B'mark (p.a.)	5 Yrs (p.a.)	B'mark (p.a.)
Total		-2.7	-1.7	3.7	5.0	3.8	4.9	8.6	8.8
Global Equity	LCIV	-4.3	-4.2	4.5	5.3	9.5	8.1	14.8	14.8
Sustainable Equity	LCIV	-6.6	-4.7	1.4	4.8	2.8	8.3	-	-
Future World Equity	L&G	-4.5	-4.5	5.2	5.0	8.1	7.9	-	-
Passive Equity Progressive Paris-Aligned	LCIV	-4.9	-4.9	6.0	6.1	-	-	-	-
Property	BlackRock	1.7	1.4	5.3	6.0	-4.9	-3.5	1.6	1.8
Property	Aviva/LaSalle	-0.2	1.4	9.3	6.1	-1.9	-2.6	1.9	2.3
Property	Invesco	-2.4	1.5	-3.6	6.0	-1.9	7.0	0.6	7.4
Multi-Asset Credit	LCIV	1.6	2.1	8.0	9.2	4.8	8.3	-	-
Infrastructure 2012	Partners Group	1.7	1.9	-6.3	8.0	4.9	3.9	8.9	2.3
Infrastructure Direct 2015	Partners Group	5.5	1.9	12.1	8.0	14.9	3.9	19.1	2.3
Infrastructure Global 2015	Partners Group	3.1	1.9	7.9	8.0	8.7	3.9	14.8	2.3
Infrastructure Direct 2020	Partners Group	3.1	1.9	14.2	8.0	14.0	3.9	-	-
Renewable Infrastructure	LCIV	-2.9	1.7	-6.7	7.0	-	-	-	-
UK Housing Fund	LCIV	-0.8	1.5	-1.2	6.0	-	-	-	-
The London Fund LP	LCIV	0.0	1.5	7.6	6.0	-	-	-	-
Private Debt	LCIV	4.1	1.5	5.1	6.0	7.1	3.0	-	-
Index-Linked Gilts Over 5 Years	L&G	-2.0	-2.0	-10.5	-10.4	-16.6	-16.6	-9.0	-9.0
Sterling Liquidity	Aviva	1.1	1.1	5.1	5.1	-	-	-	-
Sterling Liquidity	Federated Hermes	0.0	1.1	-	-	-	-	-	-

Figures shown are net of fees and based on performance provided by the Investment Managers, Hymans, Mercer estimates and LSEG Datastream.

Total includes quarterly returns for Partners Group Infrastructure mandates, LCIV Renewable Infrastructure and LCIV Private Debt calculated by Mercer using a Modified Dietz approach based on data provided by Partners Group and LCIV. Over the long term, performances are chain linked using quarterly Total performances. Performance for Partners Group Infrastructure mandates, LCIV Renewable Infrastructure, LCIV UK Housing Fund, The London Fund portfolios and LCIV Private Debt are calculated by Mercer using an IRR approach.

Aviva/LaSalle Property performance for Q1 2025 was re-calculated by Mercer due to queries regarding LaSalle's methodology.

Appendix G

MARKET BACKGROUND Q2 2025

Financial markets were primarily driven by trade and geopolitics-led developments through the second quarter of 2025. Tariff uncertainty under US President Donald Trump fuelled concerns over not just the growth and inflation outlook, but also the potential impact on fiscal and monetary policy. While most developed market (“DM”) central banks continued cutting rates, policymakers expressed caution against headwinds emerging from tariff-induced disruptions. Although the US Federal Reserve (“Fed”) left rates unchanged in Q2, it revised growth and inflation forecasts for the year. Market sentiment continued to be influenced by a soft-landing narrative in the US. In Europe, Germany’s political landscape under new Chancellor Merz and spending plans under the draft budget for 2025 took centre-stage. Meanwhile, the geopolitical landscape became increasingly uncertain towards the end of the quarter amidst the Israel-Iran conflict, which was soon followed by a ceasefire deal. Overall, bond yields were lower across DM, while global equities ended the quarter on a positive note.

US real GDP fell at an annual rate of 0.5% in Q1 2025, down from a 2.4% increase in Q4 2024. Headline US inflation increased to 2.4% in May 2025, consistent with the 2.4% recorded at the end of March. Core inflation remained steady at 2.8% in May, unchanged from 2.8% at the end of March. The Fed, at its June meeting, decided to maintain the target range for the federal funds rate at 4.25% to 4.50%. The 2025 median dot in the Summary of Economic Projections (“SEP”) still implied two cuts in 2025.

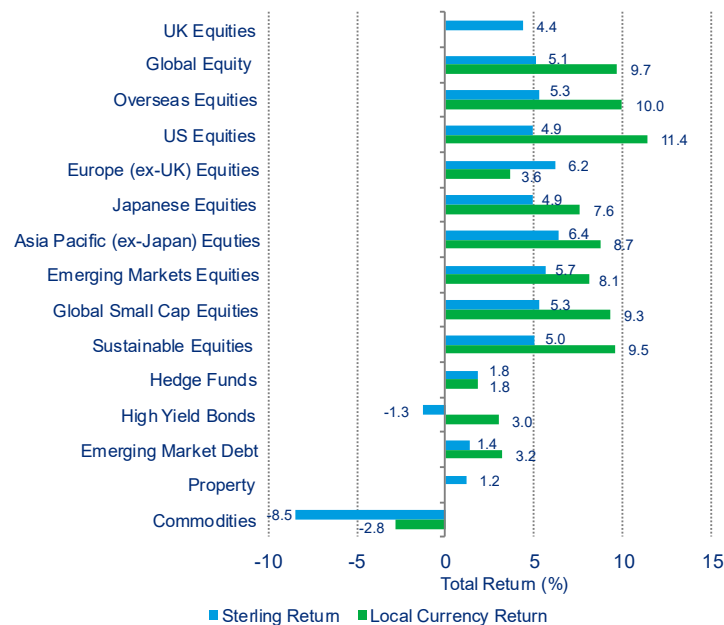
China’s GDP growth accelerated to 5.4% in Q1 2025, matching Q4 GDP growth, driven by robust industrial output and retail sales. China’s inflation fell to 0.1% year-on-year in May 2025. The People’s Bank of China (“PBoC”) kept its one-year policy loan rate, known as the medium-term lending facility (“MLF”), unchanged at 2.0%.

Japan’s economy contracted by 0.2% on an annualized basis in Q1 2025 due to a decline in net exports amid rising uncertainty over US trade tariffs. Additionally, government spending fell for the first time in five quarters. In the latest meeting in June, the Bank of Japan (“BoJ”) kept its key short-term interest rate at 0.5%, amidst rising growth risks.

In Q1 2025, seasonally adjusted GDP increased by 0.6% in the euro area. The European Central Bank (“ECB”) reduced interest rates following their June meeting to 2.0%, citing increased uncertainty due to rising geopolitical tensions. Headline inflation in the eurozone slowed to 2.0% in June from 2.2% in March.

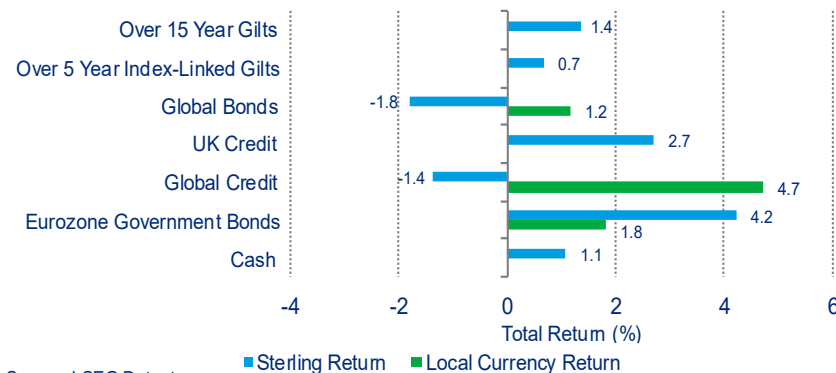
The UK economy grew by 0.7% in Q1 2025 up from 0.1% recorded in Q4 2024. Headline inflation in the UK rose to 3.4% in May up from 2.6% in March, primarily due to higher prices of food, furniture, and household goods. In its June meeting, the Bank of England (“BoE”) maintained interest rates at 4.5% citing growing risks from a cooling labour market.

Growth Assets - Index performance



Source: LSEG Datastream. Property performance is shown for the two months to 31 May 2025

Defensive Assets- Index Performance



Source: LSEG Datastream

Equity Market Review

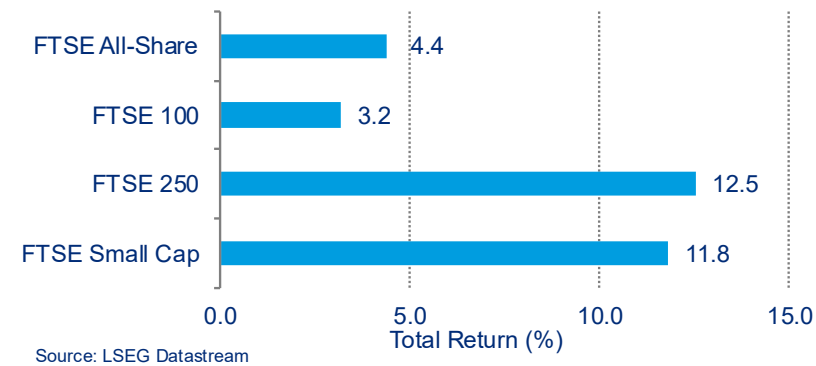
Global equities rose 5.1% in unhedged sterling terms and 9.7% in local currency terms as the sterling appreciated against the US dollar.

In Q2 2025, global equities rose as both the easing of global trade and geopolitical tensions supported risky assets. Q2 2025 had begun with global equities being volatile following President Trump's tariff announcement on April 2, "Liberation Day." Nonetheless, a 90-day tariff suspension aided recovery, with both the US and China agreeing to the suspension.

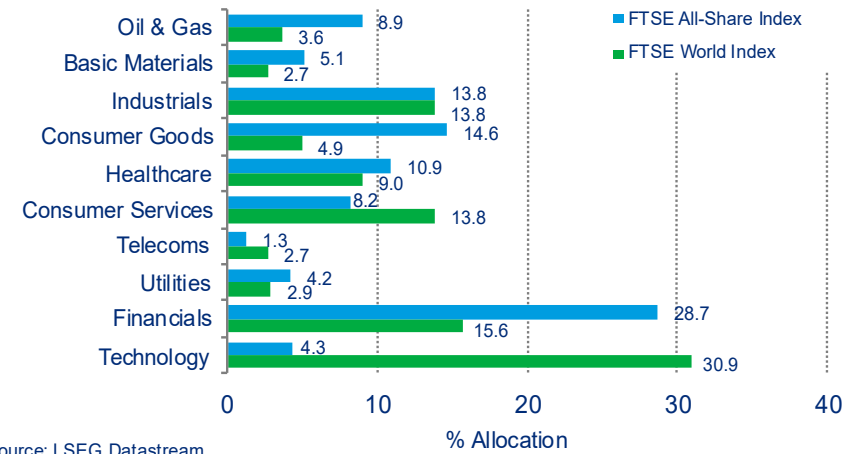
Within equities, emerging markets ("EM") outperformed DMs. EM equities returned 5.7% in sterling terms (8.1% local currency). Taiwan and Korea benefited from renewed investor optimism about artificial intelligence and appreciating currencies. US equities rose 4.9% in sterling terms, compared to 11.4% in local currency terms. US equities were positive due to easing trade tariff fears and strong Q1 corporate earnings. Japanese equities returned 4.9% in sterling terms and 7.6% in local currency terms driven by risk on sentiment. European (ex-UK) equities returned 6.2% in sterling terms and 3.6% in local terms. Delay in reciprocal tariffs as well as the rate cut by the ECB and decent corporate earnings supported European equities. Small-cap equities rose 5.3% in sterling terms (9.3% in local currency), amid easing concerns around the global economic outlook.

The FTSE All Share index returned 4.4% over the quarter, with the large-cap FTSE 100 index returning 3.2%. More domestically focused equities (FTSE 250) produced returns of 12.5%. The small-cap index produced a positive 11.8% return.

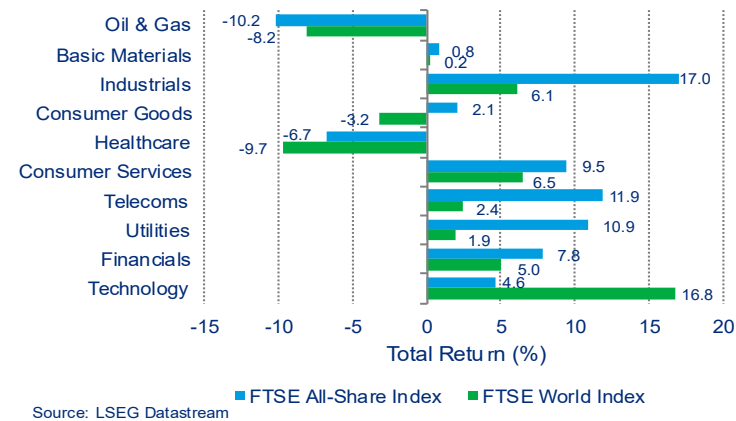
Percentage Performance by Market Cap – Q2 2025



Industry Tier Allocation at 30 June 2025

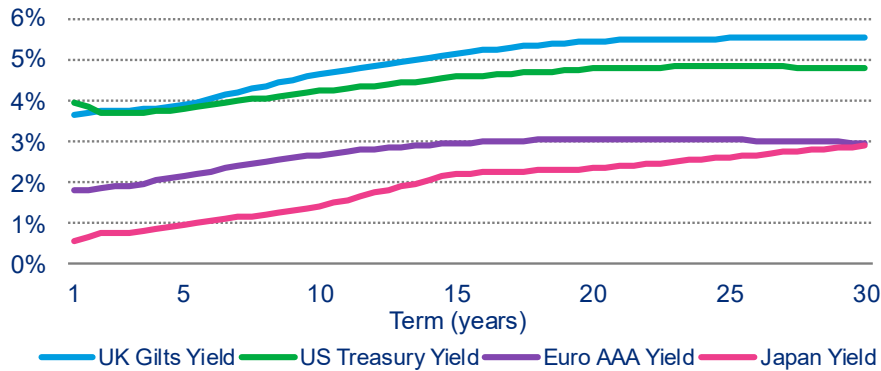


Percentage performance by Industry Tier- Three months to 30 June 2025



Bond Market Review

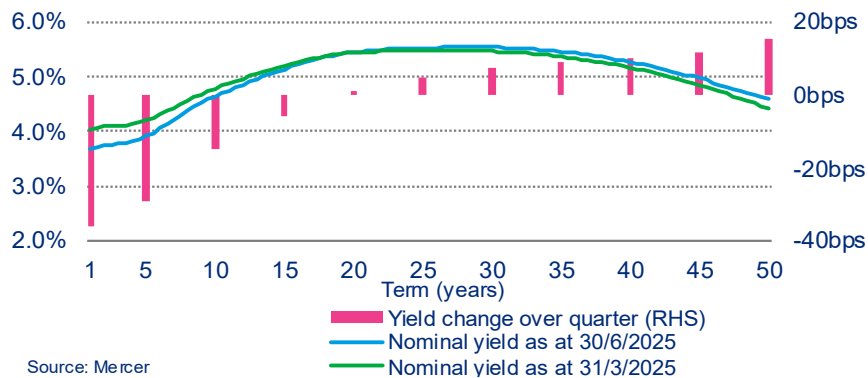
Government Bond Yield Curves



Source: Mercer and Bloomberg

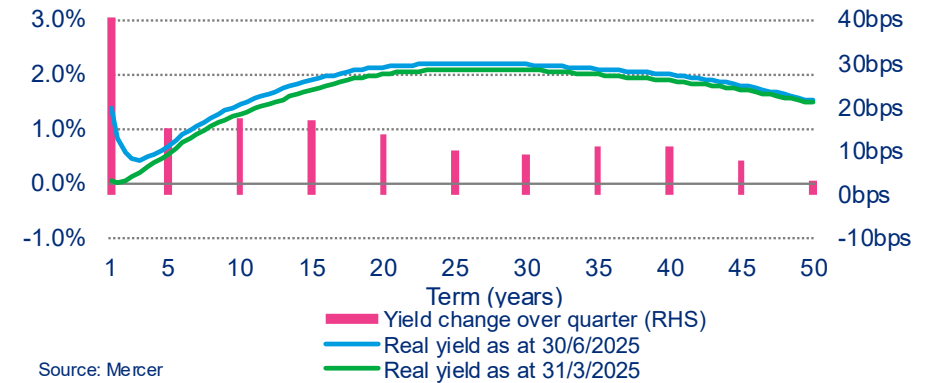
Global government bond yields were mostly down over the second quarter. In the US, the treasury curve steepened with long-term yields moving higher amidst macro volatility and fiscal spending concerns after the House passed the 'One Big Beautiful Bill'. In contrast, German bond yields moved lower across the curve. Meanwhile, in the UK, gilt yields declined sharply during the quarter amid expectations of more rate cuts by the BoE. The 10-year benchmark bond yield in the US rose 0.02%, closing the quarter at 4.23%. In contrast, the UK and German 10-year yield fell 0.19% and 0.13%, respectively. The 10-year JGB yield also decreased by 0.06% during the quarter as tariff headwinds lowered BoJ rate hike bets.

Changes in the UK Bond Yield Curve over the Quarter



Source: Mercer

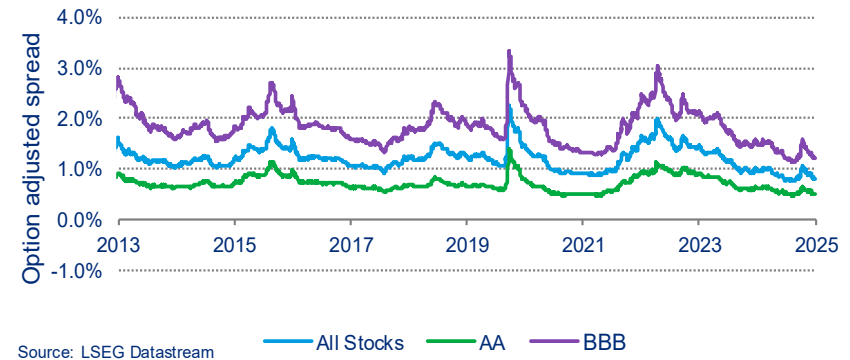
Changes in the UK Index-Linked Gilt Yield Curve over the Quarter



Source: Mercer

UK real yields rose across the curve over the previous quarter. Both headline and services inflation in the UK continued to exhibit a deflationary trend through the quarter, albeit with some upside risks emerging from higher energy prices. While the BoE cut rates by 25bps in Q2, the Monetary Policy Committee ("MPC") maintained a 'gradual and careful' assessment of the timing of further easing citing "elevated global uncertainty". UK 5-year, 10-year and 30-year breakeven rates finished the quarter at 3.10%, 3.03% and 3.04%, respectively, with the 10-year at the lowest level since December 2020.

ICE BofAML Sterling Non-Gilts Indices Credit Spreads

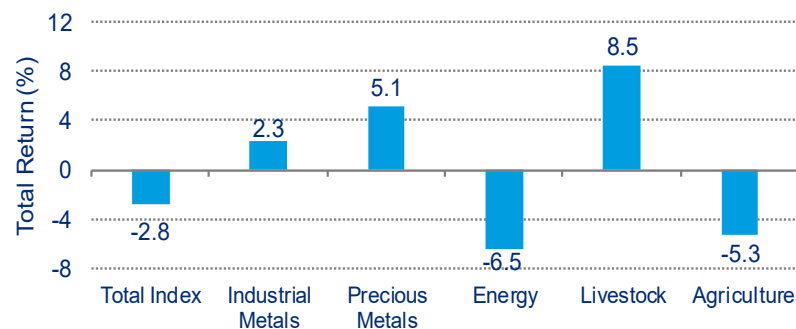


Source: LSEG Datastream

Spreads on UK investment-grade credit tightened across the credit quality spectrum through the second quarter, with spreads for AA-rated credit down 6bps at 49bps, as well as BBB-rated credit down 11 bps at 120bps.

Commodities

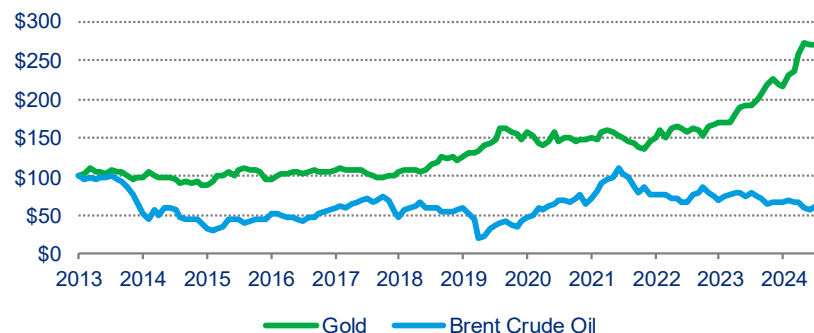
S&P GSCI Index in US Dollars - Commodities Q2 2025 Sector Performance



Source: LSEG Datastream

Commodity prices fell during the quarter, driven by declining energy prices, particularly oil and natural gas. The global oil market is in surplus due to slowing global growth and increased production by OPEC. Precious metals registered a positive return, driven by higher gold and silver prices. Within industrial metals, copper prices were higher, fuelled by increased demand from China. Agriculture prices fell over the quarter amidst a decline in coffee prices. Livestock prices were higher as cattle and hog prices rose considerably.

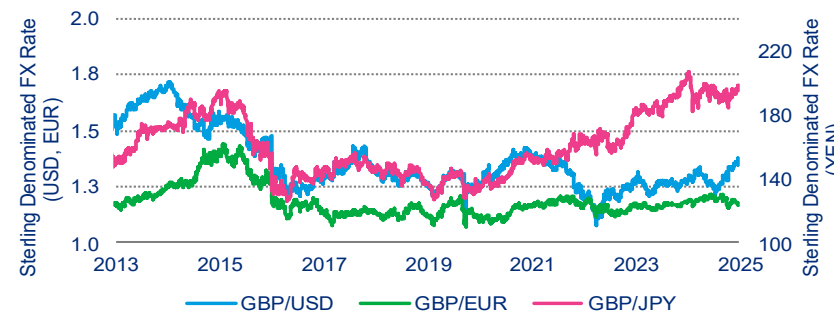
Change in US Dollar Price to 30 June 2025 - Gold and Brent Crude Oil - Rebased to \$100 on 31 December 2013



Source: LSEG Datastream

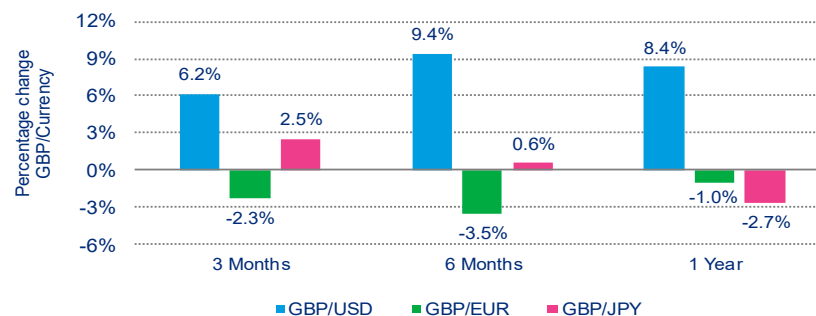
Currency Market Review

Sterling Denominated FX Rates



Source: LSEG Datastream

Change in Sterling against Foreign Currencies



Source: LSEG Datastream

In the second quarter of 2025, sterling strengthened against the US dollar and Japanese yen, whilst weakened against the Euro. Sterling appreciated 6.2% and 2.5% against USD and JPY, respectively, while depreciating 2.3% against EUR. The US dollar fell ~7% over the quarter on the back of waning US exceptionalism amidst signs of a gradual slowdown. On a 12-month basis, sterling strengthened 8.4% against USD, while declining 1% and 2.7% against EUR and JPY, respectively.

Other Assets

UK property as measured by the MSCI Index increased by 1.7% over the second quarter of 2025.

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This appendix was written on 2 July 2025 and updated later on to include final figures for property.



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