

London Borough of Tower Hamlets Pension Fund

Annual Report and Accounts

For the year ended 31 March 2026

TOWER HAMLETS

Contents

Introduction	3
Overall Fund Management	6
Governance and Training	11
Financial Performance	15
Fund Account, Net Assets Statement and Notes	20
Funding and Investments	60
Scheme Administration	67
Actuarial Report	80
Statement of Responsibilities	83
External Audit Opinion	85
Appendices	87

Introduction



Chair’s Foreword
Councillor Suluk Ahmed

I am pleased to present the Tower Hamlets Pension Fund’s (‘Pension Fund’ or ‘the Fund’) Annual Report and Accounts for the year ended 31 March 2026.

I would like to acknowledge and thank Councillor Ana Miah, who served as Chair of the Pensions Committee during 2025/26, and would like to extend this thanks to all Councillors who served on the Committee during that period. I am delighted to have been appointed the new Chair of the Pensions Committee from May 2026 and look forward to working with my fellow Pensions Committee members.

The 2025/26 financial year presented a mix of challenges and opportunities for the Fund, against a backdrop of economic uncertainty, persistent inflationary pressures, and a changing regulatory environment. Despite these headwinds, the Fund delivered a return exceeding 8% in the year, increasing its total value to £2.384 billion as at 31 March 2026. This was largely driven by a strong performance from the Fund’s holdings in global equities and diversified growth assets.

The 2025 actuarial valuation, which was completed in 2026, reflected the Fund’s healthy financial position. Following an improvement in funding levels, the Fund enacted a reduction in employer contribution rates from April 2026. This will deliver meaningful savings for scheme employers while ensuring a sustainable funding position in the long term.

As at 31 March 2026, approximately 86% of the Fund’s total assets were managed by the London Collective Investment Vehicle (London CIV). Following the UK Government's Fit for the Future reforms, the Fund is well positioned to meet the requirements for Local Government Pension Scheme (LGPS) asset pooling, with the majority of assets already invested through London CIV to achieve further scale and efficiency.

The Fund's Pensions Administration function continued to deliver a high standard of service throughout the year while progressing a number of initiatives to improve the experience for our members. Key milestones included the successful transition to a new online member portal, the implementation of the annual pension increase and the continued advancement of the Fund's data improvement programme.

The year also saw the successful delivery of the Pensions Dashboard project, with the Fund achieving its deadline in October 2025. Officers continue to support ongoing developments in preparation for the wider rollout of the Pensions Dashboards programme and to ensure the Fund remains well positioned to meet future regulatory requirements.

The Fund's progress during the year reflects the combined efforts of those involved in its governance and management. I would like to thank my fellow Committee members for their contribution throughout the year, as well as the Local Pension Board for its oversight and challenge. I also acknowledge the hard work and support of the Fund's officers and Pensions Administration Team in delivering services to members and employers.



Councillor Suluk Ahmed
Chair of the Pensions Committee

Overview of the Scheme

The Pension Fund is part of the LGPS and is governed by statute. The main regulations governing the operation of the Fund during the year were the Superannuation Act 1972 and the Local Government Pension Scheme Regulations 2013. Additionally, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 covers the investment aspects of the Fund. Pensions and entitlement to benefits are fully protected in law.

The London Borough of Tower Hamlets is the Administering Authority for the Pension Fund. Membership of the Fund is open to all employees of the Council including school employees with the exception of teachers (who have their own pension scheme). Other types of government-related employers, such as private contractors or charities, may be allowed to participate in the LGPS through an admission agreement. Employee contributions are determined by central government and are between 5.5% and 12.5% of pensionable pay. Employer contribution rates are set by the Fund actuary every 3 years following a valuation of the assets and liabilities of the Fund.

Under the LGPS Regulations, benefits payable to scheme members are guaranteed for those members, and therefore, members are not reliant on investment performance for their pension benefits. The contributions payable by scheme members are also defined in the Regulations. Participating employers are required to pay contributions into the Fund to meet the cost of funding employee benefits and as such, are required to meet any shortfall in funding the pension liabilities of scheme members.

The Local Government Pension Scheme Regulations 2013 introduced the new 2014 LGPS, which replaced the defined benefit final salary scheme that had operated since 2008 with a Career Average Revalued Earnings (CARE) scheme from 1 April 2014. This formed part of significant changes to public sector pension schemes, with other schemes introducing their reforms on 1 April 2015. It should be recognised that many members will have accrued benefits under both the 2008 and 2014 schemes, with some also holding benefits under the pre-2008 scheme.

The key characteristics of both schemes are outlined in the tables adjacent.

Key features of the 2014 CARE scheme
Pension benefits based on a 1/49th accrual basis for each year of pensionable service with benefits calculated on the career average pay revalued annually in line with inflation
Option to convert some pension to lump sum on retirement on a 1:12 ratio
Life assurance cover - 3x member's final pay applicable from joining date
Pensions for dependents - spouses, civil partners and eligible co-habiting partners and eligible children
An entitlement to have pension paid early on medical grounds
Pensions increase annually in line with the cost of living
Pre-2014 benefits guaranteed with a final salary link for any benefits earned prior to 1 April 2014
Option to pay 50% of the contribution rate to accrue 50% of the benefits

Key features of the 2008 final salary scheme
A guaranteed pension based on final pay and length of time in the Fund and an accrual rate of 1/60th per annum
Tax-free lump sum on benefits earned prior to 1 April 2008 and option to convert some of the tax-free lump sum on post 1 April 2008 service
Life assurance cover - 3x member's final pay applicable from joining date
Pensions for dependents - spouses, civil partners and eligible co-habiting partners and eligible children
An entitlement to have pension paid early on medical grounds
Pensions increase annually in line with the cost of living

Overall Fund Management



Responsible Officers

Administering Authority
London Borough of Tower Hamlets - *towerhamlets.gov.uk*

Responsible Finance Officers		
Officer	**Role**	**Tenure**
Ian Williams	S.151 Officer	From November 2026
Tina Stankley	Interim S.151 Officer	From September 2026 to November 2026
Richard Ennis	Interim S.151 Officer	March to September 2026
Abdulrazak Kassim	S.151 Officer	From June 2025 to March 2026
Julie Lorraine	S.151 Officer	To June 2025
Paul Audu	Interim Head of Pensions & Treasury	From January 2024

Members of the Pension Board	
Member	**Area of Representation**
John Jones	Independent Chair
David Stephen Thompson	Vice Chair and Employee Representative
John Gray	Employee Representative
Nneka Oroge	Employee Representative
Duwaine Brown	Employer Representative
Cllr Ahmodur Khan	Councillor and Employer Representative (from May 2026)
Annette McKenna	Employer Representative

Members of the Pensions Committee		
Councillor	**Area of Representation**	**Tenure**
Cllr Suluk Ahmed	Chair	From May 2026
Cllr Ana Miah	Chair	To May 2026
Cllr Saied Ahmed	Vice Chair	Appointed as Vice Chair in May 2026
Cllr Abu Talha Chowdhury	Councillor	From May 2026
Cllr Mohammed Hasan Mahmud	Councillor	From May 2026
Cllr Bellal Uddin	Councillor	From May 2026
Cllr Jonathan Purcell	Councillor	From May 2026
Cllr Victoria Lupton	Councillor	From May 2026
Cllr Amin Rahman	Vice Chair	To May 2026
Cllr Abdal Ullah	Councillor	To May 2026
Cllr Maisha Begum	Councillor	To May 2026
Cllr Peter Golds	Councillor	To May 2026
Cllr Kabir Hussain	Councillor	To May 2026

Union Representatives	
Representative	**Area of Representation**
Thomas French	Co-Optee – Unison (from July 2026)
Kehinde Akintunde	Co-Optee – GMB (to July 2026)

Scheme Management

Advisers	
Actuary	Hymans Robertson LLP *hymans.co.uk*
Investment Consultant	Mercer Ltd *mercer.com*
Independent Investment Adviser	Colin Robertson
Custodian	Northern Trust *northerntrust.com*
Legal Adviser	London Borough of Tower Hamlets Legal Services
External Auditor	Ernst and Young LLP *ey.com*

Investment Managers
BlackRock Investment Management (UK) Ltd *blackrock.com/uk*
Insight Investment Management (Global) Ltd *insightinvestment.com*
Legal & General Investment Management Ltd *lgim.com*
London CIV Ltd *londonciv.org.uk*
Schroders Real Estate Capital Partners *schroderscapital.com*

AVC Providers
Aviva *aviva.co.uk*
Utmost (formerly Equitable Life) *utmost.co.uk*

Bankers to the Fund
NatWest *natwest.com*

Asset Pool Operator
London CIV Ltd *londonciv.org.uk*

Risk Management

Overview

Risk management is a key component of the Pension Fund's governance framework and supports effective decision-making by both the Pensions Committee and the Pension Board. The Pension Fund maintains a risk register that monitors the key risks which could affect the Pension Fund's ability to meet its pension obligations to members, including adverse macroeconomic conditions and risks associated with third parties. The risk register is reviewed at each Pensions Committee meeting and annually by the Pension Board as part of the Fund's risk management oversight process.

Funding and Investment Risk

The Fund's primary long-term risk is that the Fund will not hold sufficient assets to pay members' benefits when due. Factors such as poor investment performance or changes in financial or demographic assumptions may cause a shortfall in funding. The Fund manages this risk by undertaking an actuarial valuation every three years and maintaining a Funding Strategy Statement (FSS). This provides an overview of the Fund's financial position and determines future contribution requirements.

Investment risk is where investment returns on the Fund's portfolio fall below expectations, or that economic conditions adversely impact the value of the Fund's assets. The Fund mitigates this risk by maintaining a portfolio which is diversified across different asset classes, thus managing exposure to market risks (including price, credit, currency, market and interest rate risks). The Fund also maintains an Investment Strategy Statement (ISS) which outlines how the Fund will invest its assets and its approach to risk.

Cyber Risk

The Pension Fund has adopted the Council's data security procedures to maintain effective controls and monitors cyber risks through its overall risk management framework. Regular cyber security awareness training is mandatory for all staff, helping to ensure employees remain vigilant and can identify, respond to, and report cyber threats and data breaches appropriately. Access to sensitive member information, security data and key systems is controlled through role-based permissions, helping to safeguard confidential information.

Employer Risks

To mitigate risks associated with pension administration, the Fund has implemented a Pension Administration Strategy (PAS), which sets out the quality and performance standards expected of scheme employers. The PAS clearly defines the roles and responsibilities of both the Administering Authority and participating employers.

This framework helps ensure that the Fund and its employers work collaboratively to provide accurate data in a timely manner and report member events in accordance with the service standards set out in the PAS. The Fund also retains the right to impose fines on employers whose performance consistently falls below the required standards, including instances of late contribution payments or delays in submitting data returns.

The Pension Fund also maintains a Members' Communications Strategy, which is designed to keep key stakeholders informed of Fund developments through the most appropriate communication channels. Its aim is to provide an effective communication framework that supports the efficient and successful operation of the scheme while enhancing outcomes for stakeholders and members.

Risk Management

Other Investment Risk

Fund managers may employ a range of measures to mitigate risk wherever possible. These may include investment processes designed to avoid overpaying for assets, as well as the oversight of fund manager risk to review and challenge investment approaches and underlying assumptions.

The Pension Fund employs an Investment Advisor, Mercer Ltd, to support and advise the Pensions Committee. The Fund monitors its investment managers at least quarterly and reviews and reports on their performance. Particular attention is given to the actions taken by investment managers in response to changing market conditions. Pension Fund officers also ensure that all activities are carried out in accordance with best practice and remain compliant with the principles set out in the Investment Strategy Statement (ISS) and the Funding Strategy Statement (FSS).

Third-Party Risks

Third-party risks such as late payments of contributions from employers are robustly monitored, as laid out in the PAS. The receipt and calculation of employer pension contributions is monitored monthly. Employers are required to complete a return, which reconciles to the contribution payment and verifies the calculation of both employee and employer contributions.

To mitigate the third-party risks regarding the custodianship of assets and overall fund management, assurance over third party operations is sought by requesting relevant documentation, such as AAF 01/20 and ISAE 3402 assurance reports. These documents report on the internal controls of these service organisations. Any significant weaknesses in controls are reviewed and reported as necessary to the Pensions Committee.

Fund Manager	Type of Assurance	Assurance Level	Reporting Accountant
BlackRock	ISAE 3402	Reasonable	Deloitte
Insight	SSAE 18, SSAE 3402	Reasonable	KPMG
LGIM	AAF 01/20, ISAE 3402	Reasonable	KPMG
London CIV	Third party controls	N/A	N/A
Schroders	ISAE 3402, EIR and AAF 01/20	Reasonable	EY

Governance and Training



Overview of Governance

Delegated Powers

The London Borough of Tower Hamlets is the Administering Authority for the Fund and uses delegated powers, as set out in the Council's Constitution, to authorise the Pensions Committee and Fund officers to make decisions on its behalf.

Pensions Committee

The Pensions Committee has delegated responsibility for the management of the Fund and oversees the governance framework within which the Fund operates. It is responsible for setting the investment policy on behalf of the Council and the other employers participating in the Fund. The Pensions Committee is supported by a professional investment consultant, an independent adviser, and the Corporate Director of Resources, who has delegated authority for the day-to-day administration of the Fund.

Details of the Pensions Committee

In 2025/26, the Pensions Committee approved the Fund's 2024/25 Annual Report and Accounts and subsequently approved the FSS Statement and the Council's contribution-rate strategy. The Committee reviewed the Fund's in-year portfolio rebalancing, monitored quarterly investment performance and prepared for the transfer of investment management responsibilities to London CIV under the Government's 'Fit for the Future' reforms. In addition, the Committee approved its training strategy and the Fund's 2026/27 Business Plan and Budget.

Pension Board

The London Borough of Tower Hamlets approved the establishment of a Local Pension Board in September 2015 to support regulatory compliance and help ensure the effective and efficient governance and administration of the Fund. The Pension Board operates in accordance with its Terms of Reference and comprises three Employer Representatives, three Employee Representatives and an Independent Chair.

Details of the Pension Board

The Chair of the Pension Board outlines the work undertaken during the year, which includes areas such as training, review of pension administration and monitoring the Fund's risk register.

Overview of Governance (continued)

Voting Rights

Information on the voting rights and record of attendances at meetings for each member of the Pension Committee and the Pension Board can be found on their respective web pages on the Tower Hamlets Democracy Portal.

Managing Conflicts of Interest

A conflict of interest is defined as a financial or other interest that is likely to prejudice an individual's ability to exercise their duties as a member of the Pensions Committee or the Pension Board objectively. This does not include any financial or other interest arising solely from that individual's membership of the scheme. A standing agenda item is included at each Committee and Board meeting to allow members to declare any personal or prejudicial interests. Further declarations are required whenever agenda items arise that may give rise to a potential conflict of interest for a Committee or Board member. The Governance Officer maintains a register of declared conflicts of interest for members of the Pensions Committee and the Pension Board, as well as for key officers of the Fund.

Governance Overview – London CIV

London CIV Limited is an FCA-authorised and regulated company limited by shares, of which all 32 London LGPS funds are shareholders, alongside Buckinghamshire Pension Fund which has recently joined the London pool. In addition to London CIV's Articles of Association, a Shareholder Agreement is in place that sets out the matters reserved for shareholder approval. These include key decisions such as the approval of the budget, business plan and strategic objectives. London CIV hosts a number of meetings throughout the year to provide opportunities for shareholders to discuss and consider these matters, including two General Meetings, four Shareholder Committee meetings and four Sustainability Working Group meetings. London CIV also publishes an Annual Report, which provides an overview of the organisation's key activities, developments and achievements during the year.

Knowledge and Skills

CIPFA Code of Practice on Public Sector Pensions – Finance Knowledge and Skills

The London Borough of Tower Hamlets recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills. The Fund adopts the Chartered Institute of Public Finance and Accountancy's (CIPFA) Pensions Finance Knowledge and Skills Framework: Technical Guidance for Elected Representatives and Non-executives in the Public Sector (2010) which provides the basis for a training and development programme for the Pensions Committee. The Fund also adopts the key recommendations of CIPFA's Code of Practice on Public Sector Pensions: Finance Knowledge and Skills (2021).

To put this into action, the Fund publishes an Annual Training Plan which sets out the proposed training programme for members of the Pensions Committee and Pension Board, and which contains six core training sessions and six detailed masterclasses. For this year, the topics included the 2025 Triennial Valuation, updating the Fund risk register and the implications on the Government's Fit for the Future proposals.

In addition to this, members have been enrolled in the LGPS Online Learning Academy (LOLA) which contains several modules spanning pensions administration, investments and actuarial methods. The Council's Secretariat is responsible for maintaining training records which are held by the Council centrally.

A useful glossary of terms used by the Pension Fund can be found on the Pension Fund website:

Tower Hamlets Pension Fund

Pensions Knowledge and Skills Framework for Pensions Committee Members

Legislative and governance framework

- General pensions framework
- Scheme-specific legislation for LGPS
- Pensions regulators and advisors
- Constitutional framework for pension fund committees within administering authorities
- Pension scheme governance

Accounting and auditing standards

- Accounts and Audit regulations
- Role of internal and external audit

Procurement of financial services and relationship management

- Procurement requirements of UK and EU legislation
- Supplier risk management

Investment performance and risk management

- Monitoring of investment performance
- Performance of advisors
- Performance of the Pensions Committee
- Performance of support services

Financial markets and investment products

- Investment strategy
- Financial markets
- Regulatory requirements regarding investment products

Actuarial methods, standards and practices

- Valuations, funding strategy and inter-valuation monitoring
- Ill-health and early retirement
- Admitted bodies
- Outsourcing and bulk transfers

Financial Performance



Financial Performance

Financial Summary

Income and expenditure of the Fund over the past five years is shown below. During 2025/26, the Fund's value increased by £192.2m, with an overall net increase in the Fund's value of £428m over the five-year period. Movements in the Fund's income and expenditure reflect changes in underlying asset performance, as well as changes in the Fund's membership. Contribution income varies with the number of active members, pay levels, employer rates, and transfers, while benefit expenses are driven by retirements, pensioner longevity and pension increases. A summary of the Fund's member composition can be found in Note 1 of the Statement of Accounts on page 23.

Financial Summary	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Contributions receivable and transfers in	(76,766)	(80,546)	(85,361)	(90,620)	(101,776)
Benefits payable and payments to and on account of leavers	68,951	73,694	83,744	97,268	102,252
Net (additions)/withdrawals from dealings with members	**(7,815)**	**(6,852)**	**(1,617)**	**6,648**	**476**
Management expenses	17,193	16,207	15,449	15,208	17,170
Net investment income and taxes on income	(27,183)	(30,820)	(25,755)	(24,464)	(30,125)
Change in market value	(49,485)	107,272	(195,556)	(44,244)	(179,753)
Net (increase)/decrease in fund value	**(67,290)**	**85,807**	**(207,479)**	**(46,852)**	**(192,232)**

Financial Performance (continued)

Analysis of Dealings with Scheme Members

As shown in the table below, net contributions from members have varied over the past five years. While the overall employer contribution rate has decreased, the value of contributions received in absolute terms has increased due to growth in members' pensionable pay and a greater number of active members contributing to the Fund. At the same time, annual pension increases have raised the value of benefits paid. Transfers in have increased compared to the previous year, reflecting more members electing to move their benefits into the LBTH scheme.

Analysis of Dealings with Scheme Members	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Contributions receivable					
Members	(13,860)	(15,029)	(15,869)	(16,988)	(18,401)
Employers	(55,865)	(57,105)	(62,636)	(67,915)	(70,764)
Transfers in	(7,041)	(8,412)	(6,856)	(5,717)	(12,611)
Total	**(76,766)**	**(80,546)**	**(85,361)**	**(90,620)**	**(101,776)**
Benefits payable					
Pensions	51,057	53,525	59,533	65,243	69,939
Lump sum retirement and death benefits	11,923	11,473	13,388	17,366	17,106
Transfers out	5,709	8,375	10,529	14,427	14,818
Refunds to members leaving service	262	321	294	232	389
Total	**68,951**	**73,694**	**83,744**	**97,268**	**102,252**
Net Dealings with Members	**(7,815)**	**(6,852)**	**(1,617)**	**6,648**	**476**

Financial Performance (continued)

Analysis of Management Expenses

The costs of managing the Pension Fund are split into three areas: administration expenses, oversight and governance costs and investment management expenses.

Analysis of Management Expenses	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Administration costs	1,654	1,990	2,433	2,170	2,238
Investment management costs	15,086	13,710	12,653	12,443	14,060
Oversight and governance costs	453	507	363	595	872
Total	17,193	16,207	15,449	15,208	17,170

Analysis of Non-Investment Assets and Liabilities

Compared to the prior year, current assets saw a significant increase from £16.1m to £56.8m. The main driver for the rise in current assets is an increase in cash holdings, arising from proceeds received from investment redemptions as part of the portfolio rebalancing process. Interest earned on investments has also contributed to the rise in the Fund's cash reserves.

Financial Performance (continued)

Counter Fraud Initiatives

Tower Hamlets Council and the Pension Fund have a statutory obligation to protect the public funds it administers. As part of this responsibility, the Council participates in the National Fraud Initiative, a government-led data matching scheme that helps identify fraud by detecting inconsistencies across public records. This initiative assists in identifying issues such as overpayments by flagging cases where pension recipients may have passed away, relocated overseas, or are receiving duplicate benefits. Identifying such inconsistencies allows the Fund to investigate and take corrective action.

To further reduce the risk of overpayments, the Council provides information on the Tell Us Once service, which allows residents to report a death just once, ensuring relevant departments are notified promptly.

Overpayments and Write-offs

The Fund monitors and actively manages the recovery of pension overpayments, which may arise due to delayed notification of a member's death or changes in personal circumstances. When an overpayment is identified, the Fund must balance its responsibility to protect scheme assets with the need to act fairly, reasonably and sensitively in individual cases. The recovery threshold is set at £150.

The Pension Fund maintains a policy which outlines the approach to managing overpayments. This may be viewed here:

Overpayments Policy

In 2025/26, there were 48 overpayments to members and at the time of writing 59% of the total value of those overpayments had been recovered by the Pension Fund.

Contribution Rates for 2025/26

Members of the LGPS pay a contribution rate which is dependent on their salary band. The bands and contribution rates for 2025/26 are set out in the table below.

Annual Pensionable Pay	Rate
Up to £17,800	5.5%
£17,801 to £28,000	5.8%
£28,001 to £45,600	6.5%
£45,601 to £57,700	6.8%
£57,701 to £81,000	8.5%
£81,001 to £114,800	9.9%
£114,801 to £135,300	10.5%
£135,301 to £203,000	11.4%
£203,001 or more	12.5%

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. The most commonly applied employer contribution rate within the Fund was 18.6% in 2025/26 and decreased to 11.5% from 1st April 2026 following the 2025 triennial actuarial valuation.

The Fund recorded 6 instances of late payments by employers, ranging from 1 to 61 days. LGPS Pension Regulations state that contributions must be paid to the Fund by the 19th day of the month following deduction, or the 22nd day if paid electronically. The Fund reserves to right to levy interest on an employer for the late payment of contributions, but this was not exercised during the 2025/26 financial year.

Fund Account, Net Assets Statement and Notes



PENSION FUND ACCOUNTS

PENSION FUND ACCOUNT	Note	31 March 2025 £'000	31 March 2026 £'000
DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME			
Contributions	7	(84,903)	(89,165)
Transfers in from other pension funds	8	(5,717)	(12,611)
Benefits	9	82,609	87,045
Payments to and on account of leavers	10	14,659	15,207
NET (ADDITIONS)/WITHDRAWALS FROM DEALINGS WITH MEMBERS		**6,648**	**476**
Management expenses	11	15,208	17,170
NET (ADDITIONS)/WITHDRAWALS INCLUDING FUND MANAGEMENT EXPENSES		**21,856**	**17,646**
RETURN ON INVESTMENTS			
Investment Income	12	(24,525)	(30,182)
Taxes on Income		61	57
Change in market value of investments	14a	(44,244)	(179,753)
NET RETURN ON INVESTMENTS		**(68,708)**	**(209,878)**
Net (increase)/decrease in the Fund during the year		(46,852)	(192,232)
Add: Opening net assets of the scheme		(2,145,069)	(2,191,921)
CLOSING NET ASSETS OF THE SCHEME		**(2,191,921)**	**(2,384,153)**

NET ASSETS STATEMENT AS AT		31 March 2025 £'000	31 March 2026 £'000
Investment Assets	14	2,181,229	2,374,536
Investment Liabilities	14	(256)	(44,000)
TOTAL NET INVESTMENTS		**2,180,973**	**2,330,536**
Current Assets	21	16,056	56,774
Current Liabilities	22	(5,108)	(3,157)
TOTAL CURRENT ASSETS		**10,948**	**53,617**
CLOSING NET ASSETS OF THE SCHEME		**2,191,921**	**2,384,153**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 1 : DESCRIPTION OF THE FUND

The London Borough of Tower Hamlets Pension Fund (‘the Fund’ or 'the Pension Fund') is part of the Local Government Pension Scheme ('LGPS') and is administered by the London Borough of Tower Hamlets ('the Council').

a) General

The LGPS 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 Fund is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of the Council and a range of other organisations. Teachers, police and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the London Borough of Tower Hamlets Pensions Committee which is a Committee of the London Borough of Tower Hamlets.

b) Membership of the Fund

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 Tower Hamlets Pension Fund include the following:

- Scheduled bodies include local authorities, academies, colleges and similar 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.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 1 : DESCRIPTION OF THE FUND continued

The following table sets out the membership of the London Borough of Tower Hamlets Pension Fund as at 31 March 2026.

	31 March 2025	31 March 2026
Number of active employees		
LBTH	7,190	7,634
Other employers	944	1,088
	8,134	**8,722**
Number of pensioners		
LBTH	7,016	7,208
Other employers	592	641
	7,608	**7,849**
Number of deferred pensioners		
LBTH	7,751	7,768
Other employers	695	726
	8,446	**8,494**
Total number of members in pension scheme	**24,188**	**25,065**

c) Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made to the scheme in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2026. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2025 which covers the three financial years to 31 March 2029 and these rates have been applied from 1 April 2026.

Currently, employer contribution rates range from 17.6% to 62.4% of pensionable pay, plus deficit funding contributions.

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 LGPS became a career average ('CARE') scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

A range of other benefits which are also provided and include early retirement, disability pensions and death benefits are explained on the LGPS website.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 2: BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2025/26 financial year and its financial position at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code), which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

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

The accounts have been prepared on a going concern basis. The administering authority is confident that the Fund will have sufficient resources to meet obligations as they fall due over the foreseeable future.

NOTE 2A: GOING CONCERN

The accounts are prepared on a going concern basis. In carrying out its assessment that this basis is appropriate, made to 31 March 2026, the Council, as administering authority of the Pension Fund, has considered the additional qualitative and quantitative key requirements:

The basis for preparation is supported by legislation for local authorities, and the Code requirements on the basis of the continuation of services.

The Fund is cashflow positive meaning that the contributions received from the employers and members of the scheme exceed the benefits amount paid out. All employers within the Fund are paying contributions as per the rates and adjustment certificate.

The statutory valuation at 31 March 2022 showed the Fund to have a funding level of 123% and the improved funding level resulted in many employers paying lower contribution rates from 1 April 2023 for the next three years. The latest statutory valuation at 31 March 2025 showed a funding level of 129% demonstrating further improvements which will reduce the income from contributions over the next 3 years starting from 1 April 2026. If benefits exceed contributions over the next three years it is expected that any shortfall will be able to be met through investment income or through disinvestments from liquid investments. More than 87% of the Fund's assets are readily liquid.

The Pension Fund has not utilised any borrowing during the 2026/27 financial year to date and is not expected to utilise any borrowing within the foreseeable future.

On this basis, the Pension Fund has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period. For this reason, alongside the statutory guidance, the Fund continue to adopt the going concern basis in preparing these financial statements.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution income

Normal contributions from both members and employers are accounted for on an accruals basis as follows:

Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund Actuary in the rates and adjustment certificate issued to the relevant employing body.

Any amount due in the year but unpaid will be classed as a current asset. Amounts not due until future years are classed as long term assets.

Augmentations such as additional employer contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfers values to and from other schemes relate to members who have either joined or left the Fund. Individual transfers in or out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

c) Investment income

Investment income arising from the underlying investments in pooled funds is either reinvested or taken as a cash dividend to support the Fund's cash requirements.

Interest income from the underlying investments of the pooled investment vehicles is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an investment asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an investment asset.

Changes in the value of investments are recognised as income and comprises all realised and unrealised profits and losses during the year.

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

(i) Administrative expenses

All staff costs of the pensions administration team are recharged directly to the Fund. Associated management and other overheads are apportioned to this activity and recharged as expenses to the Fund.

(ii) Oversight and governance

All costs associated with governance and oversight are recharged directly to the Fund.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(iii) Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11A and grossed up to increase the change in value of investments or to increase income if netted off from income received. Transaction costs met from the net asset value of the Fund are also grossed up and reported in Note 11A.

Where an investment manager's fee has not been received by the year end date an estimate based upon either the most recent available equivalent trailing reporting period or the market value of the Fund is used for inclusion in the fund account. Estimates were required at 31 March 2025, however, no estimates were required at 31 March 2026.

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

Net assets statement

g) Financial assets

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the 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 in the fund account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. The Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosure (PRAG/Investment Association, 2016) (see Note 17A).

h) Freehold and leasehold properties

The Fund has no direct investment in property.

i) Foreign currency transactions

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

j) Derivatives

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

k) Cash and cash equivalents

Cash comprises cash at bank and internally managed cash and includes deposits held by the Fund's external managers which are repayable on demand without penalty.

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

l) Financial assets at amortised cost

Financial assets classified as amortised cost are carried in the net asset statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

m) Financial liabilities

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

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

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard, IAS26, and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

The amount disclosed for the present value of promised retirement benefits relies on information about scheme members, such as their age and current salary or pension. Errors were identified in the information provided by the Council to the Actuary for the purposes of the valuation of present value of promised retirement benefits at 31 March 2020. The Council initiated a comprehensive data cleanse project in July 2024 which concluded in 2026 allowing the financial exposure to be quantified. Remedial action is currently underway to rectify the under and over payments of benefits and the project has transitioned from an operational risk to standard governance oversight.

o) Additional voluntary contributions

The London Borough of Tower Hamlets Pension Fund provides an additional voluntary contribution ('AVC') scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 23.

p) Contingent assets and contingent liabilities

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

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

q) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant costs have been charged to the Fund on the basis of time spent on pension activity. Costs incurred are shown in Note 25.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

r) Annual allowance (VSP, MSP) and lifetime allowance

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

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

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability

The net Pension Fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted actuarial guidelines (see Notes 5a and 19).

No critical judgements, apart from those involving estimations, have been made in the process of applying the Pension Fund's accounting policies.

NOTE 5: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statements for which there is a significant risk of adjustment the following year are as follows:

a) Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

For example:
A 0.1% decrease in the discount rate used would result in an increase in the pension liability of £32m.

A 0.1% increase in salary increase rate would increase the earnings inflation value of the liabilities by approximately £1m.

b) Valuation of Investments at Level 3

The Pension Fund contains investments in unitised pooled property funds and renewable energy infrastructure that are classified within the financial statements as level 3 investments. These funds are valued at £378.1 million according to non-exchange based market valuations. As a result of this, the final realised value of the pooled units may differ from the valuations presented in the accounts. Note 16 provides details of the key assumptions for the level 3 sensitivity analysis.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 6: EVENTS AFTER THE REPORTING DATE

The total market value of the Pension Fund was £2,384 million as at 31 March 2026 (£2,192 million 31 March 2025). The post-balance sheet period has been characterised by disruption in global markets and a spike in implied volatility. The difficult economic environment and cautious investor sentiment have been largely due to the continuing geopolitical tension and sluggish growth amongst the major economies. However, against the backdrop of heightened uncertainty, the Fund is positioned to capture opportunities presented by this environment.

The Fund's investment approach continues to be disciplined strategic investment and rebalancing within a diversified portfolio constructed to deliver long-term growth and resilience in periods of market disruptions.

The government's ongoing 'Fit for the Future' pensions review and LGPS pooling arrangements will impact the governance of the Fund and its strategic asset allocation. The government has confirmed its intention to implement significant changes to the LGPS in the short to medium term.

There have been no events occurring after the reporting date that would have a material impact on the financial statements.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 7: CONTRIBUTIONS RECEIVABLE

	2024/25 £'000	2025/26 £'000
Employees		
Council Employees' Normal Contributions	(15,772)	(17,028)
Admitted Bodies Employees' Normal Contributions	(91)	(61)
Scheduled Bodies Employees' Normal Contributions	(1,125)	(1,312)
Total	**(16,988)**	**(18,401)**
Employers		
Council Employers' Normal Contributions	(46,091)	(49,651)
Admitted Bodies Employers' Normal Contributions	(601)	(402)
Scheduled Bodies Employers' Normal Contributions	(3,889)	(4,573)
Total	**(50,581)**	**(54,626)**
Employers' Special Contributions*	(2,144)	(1,043)
Deficit Funding	(15,190)	(15,095)
Total	**(17,334)**	**(16,138)**
Grand Total	**(84,903)**	**(89,165)**

* Employers' Special Contributions represent lump sum payments made by employers to offset the financial shortfall created when a member retires early or is made redundant without an actuarial reduction to their pension.

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

	2024/25 £'000	2025/26 £'000
Transfer Values		
Transfer Values Received - Individual	(5,717)	(12,611)
Total	**(5,717)**	**(12,611)**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 9: BENEFITS PAYABLE

	2024/25 £'000	2025/26 £'000
Pensions	65,243	69,939
Lump Sum Retirement Benefits	15,647	14,440
Lump Sum Death Benefits	1,719	2,666
Total	**82,609**	**87,045**
By type of employer:		
Administering Authority	76,802	78,505
Scheduled Bodies	2,712	2,851
Admitted Bodies	3,095	5,689
Total	**82,609**	**87,045**

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024/25 £'000	2025/26 £'000
Transfer Values Paid	14,427	14,818
Refunds to Members Leaving Service	232	389
Total	**14,659**	**15,207**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 11: MANAGEMENT EXPENSES

	2024/25 £'000	2025/26 £'000
Administration	2,170	2,238
Investment Management Expenses	12,443	14,060
Oversight & Governance	595	872
Total	**15,208**	**17,170**

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

	Management Fees £'000	Transaction Costs £'000	2025/26 £'000
Pooled Investments	7,373	2,583	9,956
Pooled Property Investments	3,930	100	4,030
	11,303	**2,683**	**13,986**
Custody Fees			74
			14,060

	Management Fees £'000	Transaction Costs £'000	2024/25 £'000
Pooled Investments	6,654	2,831	9,485
Pooled Property Investments	2,577	307	2,884
	9,231	**3,138**	**12,369**
Custody Fees			74
			12,443

NOTE 12: INVESTMENT INCOME

	2024/25 £'000	2025/26 £'000
Pooled Property Investments	(6,848)	(7,997)
Pooled Investments -unit trusts and other managed funds	(17,411)	(21,820)
Interest on Cash Deposits	(266)	(365)
	(24,525)	**(30,182)**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 13: EXTERNAL AUDIT COSTS

	2024/25 £'000	2025/26 £'000
Audit Fees Payable in respect of external audit	120	174
Total	**120**	**174**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14: INVESTMENTS

	2024/25 £'000	2025/26 £'000
Long Term Investments		
London CIV Ltd	150	220
Total Long Term Investments	**150**	**220**
Investment assets		
Pooled Funds		
Fixed Income	437,131	670,763
Global Equity	1,092,827	1,047,261
Diversified Growth	286,910	250,256
Property	271,327	283,641
Infrastructure / Private Equity	83,960	94,500
Cash held for investments	8,519	23,785
Investment Income Due	209	3,914
Investment Income Other	196	196
Total Investment Assets	**2,181,079**	**2,374,316**
Investment Liabilities		
Amounts Payable for Purchases of Investments	(256)	(44,000)
Total Investment Liabilities	**(256)**	**(44,000)**
Net Investment Assets	**2,180,973**	**2,330,536**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market Value 31 Mar 2025 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in Market Value during the year £'000	Market Value 31 Mar 2026 £'000
Long Term Investments	150	70	0	0	220
Investment Assets					
Pooled Investments					
Fixed Income	437,131	245,920	(25,102)	12,814	670,763
Global Equity	1,092,827	4,116	(190,243)	140,561	1,047,261
Diversified Growth	286,910	2,701	(61,929)	22,574	250,256
Property	271,327	18,371	(8,044)	1,987	283,641
Infrastructure	83,960	11,218	(2,053)	1,375	94,500
	2,172,305	**282,396**	**(287,371)**	**179,311**	**2,346,641**
Other Investment Balances					
Cash held for investments	8,519			442	23,785
Amounts Payable for Purchases of Investments	(256)				(44,000)
Investment Income Due	209				3,914
Other	196				196
Net Investment Assets	**2,180,973**			**179,753**	**2,330,536**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES continued

	Market Value 31 Mar 2024 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in Market Value during the year £'000	Market Value 31 Mar 2025 £'000
Long Term Investments	150	0	0	0	150
Investment Assets					
Pooled Investments					
Fixed Income	216,338	260,486	(32,204)	(7,489)	437,131
Global Equity	1,352,609	3,821	(302,603)	39,000	1,092,827
Diversified Growth	261,173	45,681	(30,558)	10,614	286,910
Property	206,332	69,126	(9,549)	5,418	271,327
Infrastructure	67,974	21,193	(1,101)	(4,106)	83,960
	2,104,576	**400,307**	**(376,015)**	**43,437**	**2,172,305**
Other Investment Balances					
Cash held for investments	30,483			807	8,519
Amounts Receivable for Sales of Investments	11,012				0
Amounts Payable for Purchases of Investments	(2,551)				(256)
Investment Income Due	553				209
Other	196				196
Net Investment Assets	**2,144,269**			**44,244**	**2,180,973**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

All managers have discretion to buy and sell investments within the limits set by the Pensions Committee and their respective Investment Management Agreement. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against the benchmark on the investment manager.

Northern Trust Bank acts as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions and collection of income and complete a monthly reconciliation of its own portfolio valuation to external fund manager reports. The bank account for the Fund is held with National Westminster Bank.

Security	Market value as at 31 March 2025 £'000	% total of investment assets	Market value as at 31 March 2026 £'000	% total of investment assets
Investments managed by regional asset pool (London CIV)				
London LGPS CIV Global Alpha Growth Paris Aligned fund	399,824	18.3%	392,726	16.9%
London LGPS CIV Absolute Return fund	232,291	10.7%	250,258	10.7%
London LGPS CIV Sustainable Equity fund	198,484	9.1%	223,935	9.6%
London LGPS CIV Multi-Asset Credit fund	138,019	6.3%	146,185	6.3%
London LGPS CIV Renewable Infrastructure fund	83,967	3.9%	95,192	4.1%
London LGPS CIV UK Housing fund	43,152	2.0%	67,215	2.9%
London LGPS CIV Short Duration Buy and Maintain Credit fund	-	0.0%	49,784	2.1%
London LGPS CIV Diversified Growth fund	54,621	2.5%	0	0.0%
London CIV Ltd	150	0.0%	220	0.0%
	1,150,508	52.8%	**1,225,515**	52.6%
Investments managed outside of regional asset pool				
Legal & General	494,537	22.7%	431,657	18.5%
BlackRock	244,343	11.2%	395,042	17.0%
Schroders	236,474	10.8%	241,658	10.4%
Insight Investment	54,849	2.5%	80,333	3.4%
Legacy	196	0.0%	331	0.0%
Goldman Sachs	66	0.0%	0	0.0%
	1,030,465	47.2%	**1,149,021**	49.3%
	2,180,973	100.0%	**2,374,536**	101.9%
Interportfolio Amounts Payable for Trades	0	0.0%	(44,000)	(1.9)%
	2,180,973	100.0%	**2,330,536**	100.0%

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER continued

The following investments represent over 5% of the net assets of the fund. All of these companies are registered in the UK Security Market.

Security	Market value as at 31 March 2025 £'000	% total of net assets	Market value as at 31 March 2026 £'000	% total of net assets
BlackRock Aquilla Over 5 Years Index Linked fund	244,343	11.1%	395,040	16.6%
London LGPS CIV Global Alpha Growth Paris Aligned fund	399,824	18.2%	392,059	16.4%
Legal & General MSCI World Low Carbon Target Index Fund Hedged	379,696	17.3%	335,402	14.1%
London LGPS CIV Absolute Return fund	232,289	10.6%	250,256	10.5%
London LGPS CIV Sustainable Equity fund	198,484	9.1%	223,556	9.4%
London LGPS CIV Multi-Asset Credit fund	138,019	6.3%	146,185	6.1%
	1,592,655	72.6%	**1,742,498**	73.1%

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14C: STOCK LENDING

The Fund does not directly participate in stock lending arrangements and this also applies to investments held in pooled mandates where units are held in the total investment fund.

NOTE 14D: PROPERTY HOLDINGS

The Fund's investment property portfolio does not comprise directly owned properties.

NOTE 15: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

The objective for holding derivatives, if any are held, is mostly to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers. No derivatives were held at the year end (2025: nil).

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 16: FAIR VALUE – BASIS OF VALUATION

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

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

Level 1 - where the fair values are derived from unadjusted quoted process in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.
The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy 2024/25	Valuation hierarchy 2025/26	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Level 1					
Cash and cash equivalents	Level 1	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Amounts payable from investment payable	Level 1	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.

NOTE 16: FAIR VALUE – BASIS OF VALUATION continued

Description of asset	Valuation hierarchy 2024/25	Valuation hierarchy 2025/26	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Level 2					
Pooled Investments - Fixed Income Bonds (including Multi Asset Credit)	Level 2	Level 2	The NAV for the fund is calculated based on evaluated prices provided by independent pricing services.	Evaluated price feeds.	Not required.
Pooled Investments - Equities	Level 2	Level 2	The NAV for the fund is calculated based on evaluated prices provided by independent pricing services.	Evaluated price feeds.	Not required.
Pooled Investments - Diversified Growth / Absolute Return	Level 2	Level 2	The NAV for the fund is calculated based on evaluated prices provided by independent pricing services.	Evaluated price feeds.	Not required.
Level 3					
Pooled Investments - Property Funds	Level 3	Level 3	Valued by independent valuer's assessment of the property fund assets using PRAG guidance.	NAV-based pricing set on a forward pricing basis.	Valuations could be affected by changes to the value of the financial instrument.
Pooled Investments - Private Funds (Infrastructure and UK Property)	Level 3	Level 3	The valuations of the underlying funds are based on valuations prepared by the underlying funds which are reviewed by the investment manger.	Assessments of business and operational matters considered in the valuation process.	Valuations could be affected by changes to expected cashflows and other operational matters as the time lag between the valuation process and the analysis of the valuations.

NOTE 16: FAIR VALUE – BASIS OF VALUATION cont.

Sensitivity of Assets Valued at Level 3

The fund has determined that the valuation methods described above for level 3 investments 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 2026 and 31 March 2025.

Asset type	Potential variation in fair value	Value as at 31 March 2026	Potential value on increase £000	Potential value on decrease £000
Pooled Investments - Property	+/- 11%	283,641	314,842	252,440
Pooled Investments - Infrastructure	+/- 15%	94,500	108,675	80,325
Total investment assets		**378,141**	**423,517**	**332,765**

Asset type	Potential variation in fair value	Value as at 31 March 2025	Potential value on increase £000	Potential value on decrease £000
Pooled Investments - Property	+/- 11%	271,327	301,173	241,481
Pooled Investments - Infrastructure	+/- 15%	83,960	96,554	71,366
Total investment assets		**355,287**	**397,727**	**312,847**

The potential variation in fair value for the property pooled investments is derived from the change in value of the financial instrument.

The potential variation in fair value for the infrastructure private markets pooled investments is derived from business factors (market value +/- 5% and currency fluctuations +/- 10%).

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 16A: FAIR VALUE HIERARCHY

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

Values at 31 March 2026	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities		220		220
Pooled Investments - Fixed Income Bonds		670,763		670,763
Pooled Investments - Equities		1,047,261		1,047,261
Pooled Investments - Diversified Growth		250,256		250,256
Pooled Investments - Property			283,641	283,641
Pooled Investments - Infrastructure			94,500	94,500
	-	**1,968,500**	**378,141**	**2,346,641**

Values at 31 March 2025	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities		150		150
Pooled Investments - Fixed Income		437,131		437,131
Pooled Investments - Global Equities		1,092,827		1,092,827
Pooled Investments - Diversified Growth		286,910		286,910
Pooled Investments - Property			271,327	271,327
Pooled Investments - Infrastructure			83,960	83,960
	-	**1,817,018**	**355,287**	**2,172,305**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 16B : TRANSFERS BETWEEN LEVELS 1 AND 2

There were no transfers in the year.

NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Pooled Investments		Total
	Property	Infrastructure	
	£'000	£'000	£'000
Value at 31 March 2025	271,327	83,960	355,287
Transfers in	0	0	0
Transfers out	0	0	0
Purchases	18,371	11,218	29,589
Sales	(8,044)	(2,053)	(10,097)
Unrealised gains and losses*	1,833	1,375	3,208
Realised gains and losses*	154	0	154
Value at 31 March 2026	**283,641**	**94,500**	**378,141**

***** Unrealised and realised gains and losses are recognised in the changes in value of investments line of the fund account.

	Pooled Investments		Total
	Property	Infrastructure	
	£'000	£'000	£'000
Value at 31 March 2024	206,332	67,974	274,306
Transfers in	482	0	482
Transfers out	0	0	0
Purchases	68,644	21,193	89,837
Sales	(9,549)	(1,101)	(10,650)
Unrealised gains and losses	4,057	(4,106)	(49)
Realised gains and losses	1,361	0	1,361
Value at 31 March 2025	**271,327**	**83,960**	**355,287**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Market Value as at 31 Mar 2025			Market Value as at 31 Mar 2026		
	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial assets						
Equities	150	-	-	220	-	-
Pooled investments						
Fixed Income	437,131	-	-	670,763	-	-
Global Equity	1,092,827	-	-	1,047,261	-	-
Diversified Growth	286,910	-	-	250,256	-	-
Property	271,327	-	-	283,641	-	-
Infrastructure	83,960	-	-	94,500	-	-
Cash held for investments	-	8,519	-	-	23,785	-
Cash at bank	-	11,478	-	-	50,730	-
Other investment balances	-	405	-	-	4,110	-
Debtors	-	329	-	-	111	-
	2,172,305	**20,731**	**-**	**2,346,641**	**78,736**	**-**
Financial liabilities						
Other investment balances	-	-	(256)	-	-	(44,000)
Creditors	-	-	(5,108)	-	-	(3,157)
	-	**-**	**(5,364)**	**-**	**-**	**(47,157)**
Total	**2,172,305**	**20,731**	**(5,364)**	**2,346,641**	**78,736**	**(47,157)**
Grand Total		**2,187,672**			**2,378,220**	

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Financial Assets	2024/25 £'000	2025/26 £'000
Fair value through profit or loss	(43,437)	(179,311)
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	(807)	(442)
Total Financial Assets	**(44,244)**	**(179,753)**

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

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

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management
The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members).

The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund and these are regularly reviewed by the Pensions Committee and Pension Board in the light of changing market and other conditions.

Credit risk
Credit risk is the risk that a counterparty to a financial instrument may fail to pay amounts due to the Pension Fund. The Fund carries out a review of its investment managers annual internal control reports to ensure that managers are diligent in their selection and use of counterparties and brokers.

Deposits are made with banks and financial institutions that are rated independently and meet the Council's credit criteria.

The Fund employs a custodian to provide secure safe-keeping of the Fund's assets and to ensure that all trades are settled in a timely manner.

Liquidity risk
This is the risk that the Fund might not have the cash flow required in order to meet its financial obligations when they become due. Over the years contributions have tended to be greater than benefits and this has ensured that sufficient cash has been available to meet payments.

The Fund currently operates two types of bank accounts. One type of bank account is held by the Fund's custodian, Northern Trust Bank, and holds cash relating to the investment activities and the other type is the LBTH Pension Fund bank accounts used for operational purposes.

Should the Fund have insufficient money available to meet its commitments it may under Regulation 5.2 borrow cash for up to 90 days. If there was a longer term shortfall then the Fund's assets could be sold to provide additional cash. A significant proportion of the Fund is made up of readily realisable assets. As at 31 March 2026, liquid assets were £2,005 million representing 84.1% of total assets of the Fund assets (£1,836 million as at 31 March 2025). The majority of these investments can be liquidated within a matter of days.

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 Sterling. The Fund aims to mitigate this risk through the use of hedging. The Pensions Committee recognises that a strengthening / weakening of the Pound Sterling against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

Overseas equities, fixed interest securities and equity protection swaps and some elements of the pooled investment vehicles are exposed to currency risk. The currency risk table demonstrates the change in value of these assets had there been a 10% change strengthening/weakening of the Pound against foreign currencies.

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

Market risk

This is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions.

Price risk

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 factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities regardless of being in a pool represent a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments with the exception of derivatives.

The Fund manages price risk of its portfolio by diversifying its investments across different asset classes and fund managers as required by regulations. Further, the Fund has a long-term investment horizon and can accept the price risk in its portfolio. The Fund can mitigate the price risk by regular reviews of its investment strategy in consultation with its investment advisors.

The price risk table below demonstrates the change in the net assets available to pay benefits if the market price has increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward exchange as these financial instruments are not subject to price risk.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Pensions Committee and its advisors regularly monitor the Fund's interest rate risk exposure during the year.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

Cash deposits held in the Pension Fund bank account are invested in accordance with the Council's approved Treasury Management Strategy.

The Fund holds a percentage of its portfolio in fixed interest securities to mitigate this risk should interest rates fall.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS cont.

Other Price Risk - sensitivity analysis

Asset type	Market Value as at 31 Mar 2026	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	23,785	0.6%	23,928	23,642
Pooled Investments:				
Fixed Income	670,763	8.7%	729,119	612,407
Global Equity	1,047,261	14.1%	1,194,925	899,597
Diversified Growth	250,256	6.2%	265,772	234,740
Property	283,641	8.0%	306,332	260,950
Infrastructure	94,500	10.7%	104,612	84,389
Other Investment income due	4,110	0.6%	4,135	4,085
Amounts receivable for sales	0	0.6%	0	0
Amounts payable for purchases	(44,000)	0.6%	(44,264)	(43,736)
Total investment assets	**2,330,316**		**2,584,559**	**2,076,074**

Asset type	Market Value as at 31 Mar 2025	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	8,519	0.6%	8,570	8,468
Pooled Investments:				
Fixed Income	437,131	8.7%	475,161	399,100
Global Equity	1,092,827	14.1%	1,246,916	938,738
Diversified Growth	286,910	6.2%	304,699	269,122
Property	271,327	8.0%	293,033	249,621
Infrastructure	83,960	10.7%	92,943	74,976
Other Investment income due	405	0.6%	407	402
Amounts receivable for sales	0	0.6%	0	0
Amounts payable for purchases	(256)	0.6%	(257)	(254)
Total investment assets	**2,180,823**		**2,421,472**	**1,940,173**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS cont.

Currency Exposure - asset type

Asset type	Market Value as at 31 Mar 2026 £'000	Change in year in the net assets available to pay benefits 5.6%	(5.6%)
Overseas Assets			
Overseas Fixed Income Funds	49,235	51,992	46,478
Overseas Equity Funds	431,645	455,817	407,473
Overseas Property Funds	47,533	50,195	44,871
Total change in assets available	**528,413**	**558,004**	**498,822**

Asset type	Market Value as at 31 Mar 2025 £'000	Change in year in the net assets available to pay benefits 5.6%	(5.6%)
Overseas Assets			
Overseas Fixed Income Funds	0	0	0
Overseas Equity Funds	494,519	522,212	466,826
Overseas Property Funds	45,064	47,588	42,540
Total change in assets available	**539,583**	**569,800**	**509,366**

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS cont.

Interest Rate Risk

Asset type	Market Value as at 31 Mar 2026	Market Value as at 31 Mar 2025
	£'000	£'000
Cash and cash equivalents		
Cash	23,785	8,519
Total	**23,785**	**8,519**

Interest rate risk sensitivity analysis

Asset type	Market Value as at 31 Mar 2026	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000	£'000	£'000
Cash and cash equivalents			
Cash	23,785	238	(238)
Total change in assets available	**23,785**	**238**	**-238**

Asset type	Market Value as at 31 Mar 2025	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000	£'000	£'000
Cash and cash equivalents			
Cash	8,519	85	(85)
Total change in assets available	**8,519**	**85**	**(85)**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS cont.

Credit Risk

Summary	Rating (S&P)	Market Value as at 31 Mar 2026 £'000	Market Value as at 31 Mar 2025 £'000
Money Market Funds			
Schroder Special Situations Fund Sterling Liquidity Plus A Accumulation	Not rated	14,599	8,009
Insight GBP Liquidity Fund Class 7	AAAm	80,303	54,768
Bank current accounts			
Northern Trust custody cash account	AA- and A-1+	9,186	510
National Westminster Bank Plc	A+ and A-1	50,730	11,478
Total		**154,818**	**74,765**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 19: FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The valuation that took place as at 31 March 2022 covers the period up to 31 March 2026, but the recent valuation as at 31 March 2025 will cover the three years beginning 1 April 2026.

The key elements of the funding policy are:

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

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 time. Solvency is achieved when the funds held plus future expected investments returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 10% of the 100% funding target then a deficit recovery plan will be put in place requiring additional employer contributions.

At the 2022 actuarial valuation, the Fund was assessed by the Fund Actuary as 123% funded which corresponded to a surplus of £373 million at the time. At the 2025 actuarial valuation, the Fund was assessed by the Fund Actuary as 129% with a surplus of £499 million. Contribution changes will be phased in over the three-year period ending 31 March 2029 for scheme employers and admitted bodies.

The table below summarises the whole Fund Primary and Secondary Contribution rates at the 2022 and 2025 triennial valuations:

	Valuation at 31 March 2022		Valuation at 31 March 2025	
Primary rate	20.90%		21.90%	
Secondary rate				
	2023/24	6.90%	2026/27	-9.70%
	2024/25	6.90%	2027/28	-4.50%
	2025/26	6.90%	2028/29	0.70%

NOTE 19: FUNDING ARRANGEMENTS continued

In addition to the primary contribution rate, most employers also pay a secondary contribution rate depending on the demographic and actuarial factors particular to each employer.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as shown below for both the 2022 and 2025 triennial valuations.

Financial assumptions:

	Valuation at 31 March 2022	Valuation at 31 March 2025
Discount rate	4.6% p.a.	5.4% p.a.
Benefit increases (CPI inflation)	2.7% p.a.	2.6% p.a.
Salary increases	2.7% p.a.	2.6% p.a.

Demographic assumptions:

	Valuation at 31 March 2022	Valuation at 31 March 2025
Average life expectancy at age 65		
Male pensioner	21.7 years	21.6 years
Male active/deferred	22.8 years	22.4 years
Female pensioner	24.2 years	24.1 years
Female active/deferred	25.7 years	25.3 years

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Actuarial Value of Promised Retirement Benefits

CIPFA's code of practice on Local Authority Accounting 2025/26 requires Administering Authorities of LGPS Funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The promised retirement benefits at 31 March 2026 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2025 using financial assumptions that comply with IAS19.

The actuarial present value of promised retirement benefits calculated in line with IAS19 assumptions is estimated to be £1,681 million (£1,620 million in 2024/25). The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made an allowance for unfunded benefits.

Actuarial present value of promised retirement benefits	31 Mar 2025 £m	31 Mar 2026 £m
Active members	581	528
Deferred members	316	301
Pensioners	723	852
	1,620	**1,681**

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2026 and 31 March 2025. The impact of the change in financial assumptions to 31 March 2026 is to decrease the actuarial present value by £51 million. The impact of the change in demographic assumptions is to decrease the actuarial present value by £44 million.

Demographic assumptions

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2025 model, with core parameterisation, initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Average future life expectancies at age 65 years	Males	Females
Current pensioners	21.7	24.2
Future pensioners	22.5	25.4

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS continued

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2026	Approximate % increase to promised retired benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2.0%	25
1 year increase in member life expectancy	4.0%	67
0.1% p.a. increase in the Salary Increase Rate	0.0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI) Inflation	2.0%	24

Financial assumptions

The financial assumptions used for the purpose of the calculation is set out in the table below:

Year ended	31-Mar-25	31-Mar-26
Pension increase rate (CPI)	2.80%	3.00%
Salary increase rate	2.80%	3.04%
Discount rate	5.80%	6.20%

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal in July 2024. The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments were made during the period 1997 to 2016 which could affect member benefits.

Whilst work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments, the Government has introduced legislation via the Pension Schemes Bill (2025) to allow for remediation provisions. The Bill introduces a statutory process enabling historic amendments to be validated retrospectively by way of a written actuarial confirmation stating that the historic benefit changes met the necessary standards. Once the Bill is fully introduced, a full assessment can be undertaken, but at the time of writing it cannot be concluded at this stage whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result, the Tower Hamlets Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 21: CURRENT ASSETS

	2024/25 £'000	2025/26 £'000
Cash at bank	11,478	50,730
Contributions due	4,241	5,686
Sundry debtors	329	111
Prepayments	8	247
Total	**16,056**	**56,774**

NOTE 22: CURRENT LIABILITIES

	2024/25 £'000	2025/26 £'000
Sundry creditors	(5,108)	(3,157)
Transfer values payable (leavers)	-	-
Benefits payable	-	-
Total	**(5,108)**	**(3,157)**

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

In accordance with Regulation 4 (1)(b) of the Pension Scheme (Management and Investment of Funds) Regulation 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

	2024/25 Market Value Contributions Paid		2025/26 Market Value Contributions Paid	
	£'000	£'000	£'000	£'000
Aviva	1,514	130	1,691	193
Equitable Life / Utmost Life	512	2	437	2
	2,026	**132**	**2,128**	**195**

AVCs were paid to Aviva and Utmost Life during the year.

The market value is as at 31 March 2026 for Aviva and is at 5 April 2026 for Utmost.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 24: AGENCY SERVICES

The Fund is fully reimbursed of all agency services costs paid on behalf of the administering authority.

NOTE 25: RELATED PARTY TRANSACTIONS

The London Borough of Tower Hamlets Pension Fund is administered by the Council.

The Council incurred costs of £1.590 million (£1.601 million 2024/25) relating to administration of the Fund and has been reimbursed by the Fund for these expenses. All monies owing to and from the Fund were paid in the year.

During the year no Committee Members or Council Chief Officers with direct responsibility for Pension Fund issues, have undertaken any declarable transactions with the Pension Fund, other than administrative services undertaken by the Council on behalf of the Pension Fund.

NOTE 25A: KEY MANAGEMENT

Key management for the Pension Fund include the Fund's management personnel, the Corporate Director for Resources, the Director of Finance Procurement and Audit, and the Head of Pensions and Treasury. There were no costs apportioned to the Pension Fund in respect of the Corporate Director for Resources post for 2024/25 and 2025/26.

Total remuneration payable to key management personnel from the Pension Fund is set out below:

	2024/25 £'000	2025/26 £'000
Short-term benefits	0	0
Post-employment benefits	104	55
	104	**55**

NOTE 26: CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund has committed £120 million to the London CIV UK Renewable Infrastructure fund and £100 million to the London CIV UK Housing fund with the outstanding commitment for each fund as at 31 March 2026 being £30.354 million and £39.576 million respectively.

The Fund had no contingent liabilities as at 31 March 2026.

Funding and Investments



Investment Strategy

Investment Strategy

The Investment Strategy Statement (ISS) is the document that sets out how an LGPS pension fund will invest its assets to meet long-term liabilities. The ISS is produced in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Regulations). It covers the Fund's investment objectives, asset allocation, restrictions on investment, risk management, and approaches to pooling and responsible investment.

The Pension Fund monitors its strategic asset allocation in line with the short-term and long-term targets set out in the ISS, ensuring a balanced and well-diversified investment portfolio.

The Fund monitors the principal risks that may affect funding levels, including systemic factors within financial markets and demographic changes such as increasing life expectancy. These risks are regularly assessed through the Fund's active risk management programme, with findings reported to both the Pensions Committee and the Pension Board. In implementing the ISS, the Fund seeks to achieve an appropriate balance between expected returns, risk and costs. While higher-risk asset classes may offer greater return potential, they also increase uncertainty and the possibility of adverse outcomes, whereas lower-risk investments generally provide greater stability but lower growth prospects. The Fund, therefore, keeps its asset allocation strategy under regular review to ensure that risk is managed appropriately and remains aligned with its long-term objectives.

Investment management fees reflect the expertise and services provided by fund managers, with passive strategies generally attracting lower costs due to their objective of tracking established market indices with minimal intervention. By contrast, actively managed funds typically charge higher fees in return for specialist expertise and the potential to outperform benchmark indices through tailored portfolio management. While higher fees do not guarantee stronger performance, they may support strategies designed to manage risk more effectively or enhance long-term returns.

The Fund's holdings showing target asset allocation and performance over the previous 5 years are shown below.

Asset Class	Strategic Allocation %	31 March 2026 Allocation %	Index Return 1-Year %	Index Return 3-Year %	Index Return 5-Year %
Global Equities	50.0	43.3	12.51	12.07	6.17
Pooled Bonds	0.0	5.4	N/A	N/A	N/A
Index-Linked Gilts	11.0	16.3	4.39	N/A	N/A
Multi-Asset Credit	6.0	6.0	5.92	8.40	4.51
Property	12.0	10.0	1.57	3.10	3.24
Diversified Growth	10.0	10.3	8.06	3.54	2.49
Renewable Infrastructure	6.0	3.9	-0.39	-2.00	N/A
UK Affordable Housing	5.0	2.7	0.74	N/A	N/A
Cash	0.0	2.1	N/A	N/A	N/A

Investment Performance

Review of Investments

This section provides an overview of the Fund's investment performance as at 31 March 2026, based on performance data and market analysis supplied by Pensions & Investment Research Consultants Ltd (PIRC). Each year, PIRC compiles a Local Authority Pension Performance Analytics report, ranking each LGPS fund according to their performance in the 1-year to 30-year time periods. The Fund's performance is assessed against both its customised benchmark and the PIRC local authority universe average, with a total of 61 funds in the universe.

The Fund delivered a positive return of 8.6% against a universe average of 9.6%, ranking the Fund's overall performance in the 62nd percentile for the year ending 31 March 2026, which places it in the second quartile compared to its peers.

While the Fund underperformed its benchmark in 2025/26, the Fund was on par with the local authority average over the 3 and 10-year periods, placing it in the 63rd and 40th percentiles respectively and demonstrating the Fund's long-term resilience.

The investment performance of the Fund in comparison to its benchmark for the period ended 31 March 2026 is shown below:

Total Fund Returns by Time Period	Total Fund Return %	Fund Benchmark Return %
1 year	8.6	11.6
3 years	7.3	10.2
5 years	4.0	7.6

Investment Policy

Funding Strategy Statement

The Funding Strategy Statement (FSS), prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013, sets out the Fund's approach to funding its liabilities, including its funding objectives, assumptions, and risk appetite. Its aim is to support stable contribution rates, maintain the Fund's solvency, and achieve long-term cost efficiencies. The FSS is closely linked to the Investment Strategy Statement (ISS), which explains how the investment strategy is designed to support these objectives by generating the returns required to meet the Fund's long-term liabilities.

The Fund must be able to pay benefits when they fall due, through a combination of employee and employer contributions and income from investments. If investment returns or income fall short, then higher contributions may be required from employers.

During the year, the Fund completed its 2025 triennial valuation, which considered the Fund's assets, liabilities, and membership profile. The purpose of the valuation is to determine contribution rates that are both prudent and sustainable for the three-year period commencing on 1 April 2026, whilst ensuring that contribution rates remain at an appropriate level to support the Fund's funding objectives.

The Fund's funding position is estimated to have improved to 129%, representing an increase of 6% compared with the previous triennial valuation. This demonstrates that the funding position is well positioned to meet the Fund’s long-term liabilities.

Code of Transparency

Following the move towards greater transparency in investment management fees across the LGPS, the Scheme Advisory Board (SAB) which is the statutory body that supports the Administering Authority in fulfilling their statutory obligations, introduced the Code of Transparency for LGPS asset managers. Enhanced transparency is also reflected in the revised CIPFA accounting requirements for annual reports and accounts, and forms part of the government's guidance and criteria relating to LGPS investment pooling.

The Code promotes the provision of clear, consistent, and comparable information on investment costs and fees between asset managers and administering authorities who have signed up to the Code. Signatories are required to complete a reporting template that captures the management expenses associated with the operation of their investment funds, including both direct and indirect costs.

The SAB is able to remove signatories that are found to be non-compliant following concerns raised by an administering authority. The Fund uses the completed templates provided by its investment managers to compile a detailed analysis of investment management expenses. This information supports effective oversight and decision-making and helps to assess the value delivered by managers.

Investment Policy

Investment Administration and Custodianship

The Fund's investments are managed through a combination of pooled and directly appointed mandates. For pooled assets, London CIV, which acts as the pooling vehicle for London LGPS funds, is responsible for overseeing and administering sub-funds, appointing and monitoring underlying fund managers, negotiating management fees, and providing consolidated reporting on performance, costs, and stewardship activities.

The Pension Fund's mandates with Legal & General and BlackRock are deemed as being under pooled management. These investments are not in an authorised London CIV sub-fund, but the mandates are monitored and overseen by the pool on behalf of the Fund.

Underlying fund managers carry out the day-to-day management of assets within their mandates, including security selection, portfolio rebalancing, trade execution, and cashflow management. Northern Trust is the Fund's custodian and is responsible for the safe-keeping of securities, settlement of trades, collection of income and reconciliation of holdings. They provide independent investment reporting on valuations, cashflows, and transactions to ensure that the Fund's assets are accurately recorded and securely managed.

The Pension Fund officers also maintain oversight, monitor performance and risk, and provide quarterly reporting to the Pensions Committee and the Pension Board.

Responsible Investment

The Fund's Responsible Investment Policy formalises its beliefs and principles in relation to environmental, social and governance (ESG) considerations, with the aim of safeguarding the long-term sustainability of its investments.

The Fund's Policy on responsible investment can be found here:

Responsible Investment and Climate Change Policy

The Fund's investment managers, acting in the best financial interests of the Fund, are expected to take account of all material ESG factors that may affect the performance of an asset when making decisions regarding the acquisition, retention, or disposal of investments on behalf of the Fund. Further information on how the Fund has delegated its voting rights as a responsible investor is set out in the Fund's ISS.

The United Nations Principles for Responsible Investment (UN PRI) comprise a framework of principles developed in recognition of the growing importance of ESG considerations within investment decision-making and ownership practices. All underlying investment managers which manage investments within the Pension Fund's portfolio are signatories to the UN PRI and are required to publish transparency reports detailing their compliance against the principles and associated reporting framework.

London CIV, the Fund's pooling operator, together with the Fund's investment managers, are also signatories to the UK Stewardship Code. The Code sets out the core principles of effective stewardship and promotes a high standard of transparency among asset owners and asset managers. London CIV also reports on Task Force for Climate-Related Disclosures (TCFD), which outlines climate-related risks and opportunities inherent in their operations, as well as their approach to decarbonisation.

More can be found London CIV's 2025 TCFD report:

TCFD Product Report for the reporting year ending 31 December 2025

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which aims to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. Further details can be found on the LAPFF website:

LAPFF Forum

Pooling

Overview

London CIV was formed as a collaborative venture by London local authorities in 2014 to pool their pension fund investments in order to deliver cost efficiencies and improve performance.

London CIV was launched in December 2015, as a fully authorised and regulated investment management company and its founding members are the London boroughs and the City of London Corporation. London CIV was set up as one of eight regional pools in England and Wales to deliver investment strategies for individual LGPS funds. Current regulations allow London CIV to operate Authorised Contractual Schemes (ACS), the UK version of a Tax Transparent Fund (TTF), for its public market investments.

Fit for the Future

In July 2024, the Chancellor launched the UK Pensions Investment Review, which included proposals in three key areas to improve the scale and efficiency of the LGPS. In November 2024, the Government published its Fit for the Future consultation which included proposals in three key areas of the LGPS, namely to reform asset pooling, boost investment in local areas of the UK, and strengthen the governance of administering authorities and LGPS pools.

As part of the Government's pooling reforms, during the year the Pension Fund has worked on transferring remaining unpooled assets to a London CIV sub-fund or placing them under the management of the pool. The Fund will continue setting its individual investment strategy, with implementation being delegated to London CIV. To facilitate this, London CIV has developed its own in-house Pension Advisory and Support Service (LGPS PASS), which is designed to help reduce costs and strengthen long-term sustainability within the LGPS community. Investment services available will support activities such as cash flow forecasting, climate analytics, the triennial valuation and strategic asset allocation.

Cost savings resulting from asset pooling

London CIV produce an annual net savings report for the year, which shows the management fees incurred by the Pension Fund and the estimated management expenses for the Fund's investments had they been invested outside the London CIV pool. The net saving is the difference between these two figures.

In 2025/26, the indicative savings had the Fund invested directly outside of London CIV totalled £1.4m. The annual net savings for London CIV and passive funds is £2.4 million.

Pool set-up and ongoing costs

The table below shows the pool set-up and ongoing costs paid to London CIV during 2025/26 and since inception:

Type of Cost	2025/26 £'000	Cumulative £'000
Set-up costs		
Shareholding at cost		220
Development Funding Charge	73	497
Annual Service Charge	25	150
Ongoing Investment Management costs		
Investment Management costs	85	484
Total	183	1,351

Asset Tables

Pooled Assets

As at 31 March 2026, the Fund held the following investments with the London CIV authorised contractual sub-funds:

- Global Alpha Equity
- Multi-Asset Credit
- Short-Duration Buy and Maintain Credit
- Absolute Return
- Sustainable Equity Fund

The Fund held the following private market funds with London CIV as at 31 March 2026:

- Renewable Infrastructure
- UK Housing

Additionally, the Fund's passive equity investments through Legal & General and its index-linked gilts investments held with BlackRock are arranged through London CIV's negotiated mandate where the Fund benefits from lower negotiated fees. Approximately 86% of the Fund's assets are pooled or under pool management.

Another component of the Fit for the Future consultation is for greater emphasis to be placed on investment in the UK. The tables on the right illustrate investments made by the Fund, which are either made directly in UK equities or bonds, or which are exposed to projects based in the UK, such as infrastructure.

The Fund has committed £100 million to invest in the London CIV UK Housing Fund, which is designed to support the delivery of high-quality affordable housing across the UK. In line with the Fund's ISS, the target allocation to the UK Housing Fund is 5%. The actual allocation as at 31 March 2026 was 2.7% of the Fund's total holdings.

Following the year end, the Fund's remaining unpooled property mandate was transitioned into a pooled vehicle through London CIV.

Asset Table

Values as at 31 March 2026 £m	Pooled	Under pool management	Not pooled	Total
Equities	615	432		1,047
Bonds	195	396	80	671
Property	61		223	284
Diversified Growth Funds	250			250
Infrastructure	95			95
Cash and Net Current Assets	-37		74	37
Total	**1,179**	**828**	**377**	**2,384**

Supplementary Table – UK Investment

Values as at 31 March 2026 £m	Pooled	Under pool management	Not pooled	Total
UK Listed Equities	54	13		67
UK Government Bonds	58	396		454
UK Infrastructure	25			25
UK Corporate Bonds	26			26
UK Private Debt	62			62
Other	14			14
Total	**239**	**409**		**648**

UK Levelling Up

Values as at 31 March 2026 £m	Pooled	Under pool management	Not pooled	Total
London CIV UK Housing Fund	61			61
Total	**61**			**61**

Scheme Administration



The Pensions Administration Function

The Tower Hamlets Pensions Team

The Pensions Administration Team is responsible for the day-to-day administration and delivery of the LGPS as a service, ensuring members receive accurate, timely and compliant pension services. The Team is a contact point for employees who wish to join the scheme, for advice on procedures and, for queries and complaints.

The Administration function is accountable to the Pensions Committee, Pension Board, participating employers and scheme members. The Team are fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to delivering excellent customer care.

The team's responsibilities include the following:

- Ensuring the accuracy of pensions records, including the preparation and distribution of the Annual Benefit Statements to all scheme members
- The timely collection of contributions
- Advice and guidance to scheme members
- Advice and guidance to employers
- Early retirement schemes for Fund employers

The Fund's Pensions Administration Team is in-house, providing greater control over service delivery and retaining specialist knowledge of the Fund's membership and employers.

During 2025/26, the Pensions Administration Team progressed a number of major projects and initiatives, as summarised below.

Pensions Dashboard

The Pensions Dashboard is a Government initiative that will enable members to view their pension information securely in one place online, including State, workplace and personal pension entitlements. Over time, increased self-service access and improved data quality are expected to help reduce member enquiries and streamline administration for the Fund.

Having met its required 'connect by' date of 31 October 2025 through the Fund's third-party solution, the Pension Fund remains connected to the Pensions Dashboard ecosystem. Ahead of the industry-wide connection deadline of 31 October 2026 and the planned launch of the MoneyHelper Pensions Dashboard, the Fund continues to maintain technical readiness and fulfil ongoing dashboard obligations

System Upgrades

Following the closure of the Member Self Service (MSS) portal as part of its platform upgrade programme, the Fund successfully supported the transition to Engage, a new online member portal. The migration has provided scheme members with a more modern, secure and accessible platform for accessing their pension information, providing an enhanced user experience. Officers continue to work closely with members to support their registration and onboarding to Engage, with enrolment ongoing.

Pensions Increase 2026

In April 2026, active pension accounts, deferred benefits and pensions in payment within the LGPS were increased by 3.8%, in line with the annual pensions increase based on the change in the Consumer Prices Index (CPI) for the 12 months to 30 September 2025. The increase was implemented by officers in consultation with the Fund's pensions data specialist, to ensure the uplift was applied accurately and effectively alongside the ongoing data cleansing project.

McCloud

The Fund is progressing the implementation of the McCloud Remedy, including the calculation, administration and processing activities required to ensure compliance with the relevant regulations.

Value for Money

Value for Money

The Fund is committed to delivering value for money services to all Fund members and employers. Value for money is not simply about selecting the lowest-cost option, but about achieving an appropriate balance between quality, cost, and outcomes to secure the best overall benefit from public funds.

To demonstrate the efficiency and effectiveness of the services provided, officers within the Pensions Team collect data on key service performance indicators and associated costs. This information is used to assess trends over time and, where possible, benchmark performance against other Funds.

In line with CIPFA's Accounting for Local Government Pension Scheme Management Expenses guidance, the Pension Fund reports on the costs and expenses incurred in delivering oversight and administrative services to members. During 2025/26, the Fund's oversight and governance costs increased by 47%, which is primarily driven by increased actuarial costs incurred by the fund following the 2025 triennial valuation.

Fund Communications

Communications Policy Statement

The Local Government Pension Scheme Regulations 2013 require pension funds to prepare, publish and maintain a communication policy statement. The Communications Policy details the overall strategy for involving stakeholders in the Pension Fund. A link to the policy statement can be accessed in Appendix C.

Pension Fund Employer Forum

Effective employer engagement is a key part of good governance and communication within the LGPS. The Employer Forum provides an opportunity for the Fund to engage directly with scheme employers, offering updates, support, and the opportunity for two-way dialogue. A consultation held by the Ministry of Housing, Communities & Local Government (MHCLG), *LGPS: Improving Access and Promoting Fairness (2025),* emphasised the importance of ensuring that all employers, irrespective of size or type, remain engaged and well informed.

The Pension Fund Employer Forum took place in January 2026. Designed as a governance-focused event, the forum aimed to:

- Consolidate valuation understanding – funding position and contribution outlook.
- Provide regulatory reform updates.
- Reinforce employer statutory responsibilities.
- Address data and McCloud remedy implications.
- Build a sense of shared stewardship among employers across sectors (e.g., local authorities, academies, contractors, charities).
- Allow employers to raise issues and ask questions in a collaborative, supportive environment.

Pension Fund Information Forum

One of the Fund's key mechanisms for local engagement is the Pension Fund Information Forum, which provides scheme members, prospective members and other stakeholders with information and updates on the governance and operation of the Fund. While employers are the Fund's primary funding stakeholders, scheme members are the ultimate beneficiaries.

The Information Forum serves the following purposes:

- To provide employees (both scheme members and non-members) and other stakeholders with information on scheme benefits, key developments, Fund governance, funding, and investments.
- To explain the impact of regulatory changes and wider LGPS developments.
- To provide a channel for informal feedback and dialogue with Fund officers.
- To promote transparency and improve understanding.

The Forum, open to all participating and non-participating employees as well as trade unions, is hosted and chaired by the Pensions Team.

Fund Communications

Summary of Freedom of Information requests

The Fund is committed to transparency of information across the organisation. Operating under public sector regulations dictates that the Pension Fund must respond to requests under the Freedom of Information (FoI) Act 2000. The Fund received 28 such requests in 2025/26.

If you have any Freedom of Information requests, please send them to:

foi@towerhamlets.gov.uk
Freedom of Information Officer
Information Governance
Town Hall
160 Whitechapel Road
London, E1 1BJ
020 7364 4161

Member Communications

The Fund recognises that effective communication requires a variety of methods to engage with members. To ensure members can access services easily, the Fund employs a range of media to educate members about the LGPS and their pension benefits, delivered in a clear and easily understood way to ensure that members can make informed decisions about their benefits.

Website - The Fund has a dedicated pensions website which has general information about the Pension Fund and about being a member of the LGPS. There are also scheme forms and guides available to copy or print. More information can be found on the Pension Fund website:

Tower Hamlets Pension Fund website

Telephone Helpline – The Fund provides a helpline service for all members. The telephone number is 020 7364 4251.

General Correspondence – The Fund provide a generic email address which enables members to email their queries. Emails may be sent to: pensions@towerhamlets.gov.uk

Member Self Service - Members can access their pension account using the My Pension portal. This is a secure area that allows members to see the personal details the Fund holds about them. They can also update personal information. Contributing and deferred members can view their annual pension statements. There are also scheme forms and guides available to copy or print.

Visits to the Fund's office - Members are welcome to visit the Fund's offices in person, but ideally members should make an appointment in advance to ensure that a member of the Pensions Team is available to see them. The Fund's office is located at the following address:

Pension Services
London Borough of Tower Hamlets Pension Fund
Town Hall
160 Whitechapel Road
London, E1 1BJ

Annual Benefit Statements – The Fund issues an Annual Benefit Statement (ABS) to all active and deferred members, showing the members' pension benefits they have built up to the previous 31st March. They are subject to the members' scheme employer providing timely year end information to the Pensions Administration Team. The ABS statements are available for members to view on MSS pension portal.

Complaints

Complaints

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, Fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

The formal complaints procedure has 2 stages:

Stage 1

This involves making a formal complaint in writing, usually within six months of the decision. A nominated person will review the case and issue a written decision, which the employer or administering authority must act on.

Stage 2

If members are dissatisfied with the first-stage outcome, or no decision is received within the required timescales, a review can be requested by the administering authority. A different reviewer will issue a decision, after which members may escalate the matter to the Pensions Ombudsman if necessary.

In fiscal year 2025/26, the Tower Hamlets Pensions Team received 6 complaints, of which 4 were categorised as Pension Ombudsman cases and 2 were escalated as IDRPs.

Below is a summary of each of the four cases which were referred to the Pension Ombudsman.

Case	Nature of Complaint
1	Delay in the transfer of LGPS benefits between administering authorities.
2	Inaccurate death grant figure stated on the member's Annual Benefit Statement (ABS).
3	A pension transfer that was subsequently identified as involving Pension Liberation fraud, and a complaint concerning delays in addressing the matter.
4	A pension transfer that was identified as involving Pension Liberation fraud.

The Fund continues to review outcomes and lessons learned from complaints and disputes to support ongoing improvements to administration processes.

Membership and Fund Employers

Fund Employers

Active employers are organisations that currently participate in the LGPS and have employees who are still contributing to their pension pot. The employer continues to pay contributions for these staff and is responsible for ongoing pension obligations.

Ceased employers no longer have any employees contributing to the pension scheme. However, the employer may still need to pay any outstanding pension liabilities.

Number of Employers and their status

Employer Type	Active	Ceased
Administering Authority (Tower Hamlets)	1	0
Admitted Bodies	9	2
Scheduled Bodies	14	1
Total	24	3

Types of Employers

The Administering Authority (Tower Hamlets) comprises the London Borough of Tower Hamlets and schools maintained by the Borough Council, which are treated a single entity.

Admitted Bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Scheduled Bodies are public sector employers that are automatically entitled to participate in the LGPS.

Summary of Contributions Received by Employer Type

Employer Type	Contributions Received £m
Administering Authority (Tower Hamlets)	81.4
Admitted Bodies	1.9
Scheduled Bodies	5.9
Total	89.2

Fund Membership

The Fund's membership comprises active members, deferred members and pensioners. Active members are current employees who are contributing to the Fund and building up pension benefits. Deferred members are former active members who are no longer contributing but whose accrued benefits remain in the Fund until they become payable. Pensioners are members who are currently receiving benefits from the Fund.

The contributions received from participating employers support the pension benefits provided to the Fund's active members, deferred members and pensioners. A full breakdown of the Fund's membership by category can be found in Note 1 of the Accounts on page 23.

Employer Contributions

Administering Authority

Employer	Employee Contributions £m	Normal Contributions £m
London Borough of Tower Hamlets	17,027,925	64,339,336
Total	**17,027,925**	**64,339,336**

Admitted Bodies

	Employee Contributions £m	Normal Contributions £m
Age UK	4,618	12,577
Atlantic Cleaning Services	937.7	5,604
Caterlink	1,195	5,651
East End Homes	25,955	1,683,822
Juniper Cleaning (St Saviours)	365.27	2,570
Nourish Catering (Old Palace - Chisenhale)	3,081	21,602
Olive Dining (Bow – Central Foundation – Morpeth – St Paul's)	18,512	80,405
Ridgecrest Cleaning Services	3,704	19,103
Ridgecrest Cleaning (Stebon Primary)	699	4,899
Admitted bodies which ceased during 2025/26		
(Wettons Cleaning Services – Redbridge CHL)	1,805	14,817
Total	**60,872**	**1,851,050**

Employer Contributions

Scheduled Bodies

Employer	Employee Contributions £m	Normal Contributions £m
Beckmead Trust (Ian Mikardo)	22,805	80,108
Boleyn Trust (Clara Grant)	35,114	145,962
Canary Wharf College	56,423	178,017
Canon Barnett Academy	19,354	67,302
Day One Trust (East London Arts & Music)	36,683	108,281
LETTA Trust (Stebon – Bygrove – Columbia – Hermitage – Virginia)	188,246	740,765
Lux Mundi (Bishop Challoner - St Anne's & Guardian Angels - St Elizabeth's)	126,277	530,604
London Enterprise Academy	20,274	60,611
Mulberry Academy	330,613	1,135,032
Paradigm Trust (Chartwells)	78,202	281,390
Phoenix Trust (Open and Closed Schemes)	40,170	170,505
University Schools Trust (Cyril Jackson - St Paul's Way – Sir William Burrough)	279,760	808,587
Stepney Green (Mulberry Trust)	66,564	234,627
Wapping High School	11,786	32,403
Total	1,312,271	4,574,194

Key Performance Indicators

The Pensions Administration Service is measured against key performance indicators that measure compliance, efficiency, and effectiveness of the service. The table below shows a summary of the total cases received and completed by category for the year 1 April 2025 to 31 March 2026.

Table A – Total Number of Casework

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 31 March)	Total number of cases completed in year	Total percentage of cases completed in year	Total number of cases completed in previous year	Total percentage of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members	38	549	564	96.1%	477	91.2%
A3	Deferred member retirements	10	276	282	98.6%	240	94.1%
A4	Active member retirements	20	304	309	95.4%	244	86.5%
A5	Deferred Benefits	37	506	523	96.3%	464	88.4%
A6	Transfer in actual (including interfunds in, club transfers)	34	310	321	93.3%	285	85.8%
A7	Transfer out actual (including interfunds out, club transfers)	36	232	256	95.5%	227	78.0%
A8	Refunds (actual)	12	332	336	97.7%	200	91.3%
A9	Divorce quotations issued	2	43	41	91.1%	27	90.0%
A10	Actual divorces cases	1	13	13	92.9%	1	50.0%
A11	Member estimates requested either by scheme member and employer	60	1104	1135	97.5%	1061	92.0%
A12	New joiner notifications	15	1300	1296	98.6%	1243	95.2%
A13	Aggregation cases	21	195	181	83.8%	193	79.8%
A14	Optants out received after 3 months membership	33	724	731	96.6%	575	92.7%

Key Performance Indicators

Table B – Time taken to process casework

Ref	Casework KPI	Suggested fund target	Percentage completed within fund target in year	Percentage completed in fund previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	15 days	84.0%	79.0%
B3	Communication issued to deferred member with pension and lump sum (quotation)	15 days	82.6%	76.7%
B4	Communication issued to active member with pension and lump sum (quotation)	15 days	82.5%	78.6%
B5	Communication issued to deferred member with pension and lump sum (actual)	15 days	82.6%	59.6%
B6	Communication issued to active member with pension and lump sum (actual)	15 days	69.8%	66.0%
B8	Communication issued with deferred benefit options	30 days	86.0%	82.1%
B9	Communication issued to scheme member with completion of transfer in	15 days	68.0%	39.3%
B10	Communication issued to scheme member with completion of transfer out	15 days	62.8%	52.9%
B11	Payment of refund	15 days	74.4%	64.0%
B12	Divorce quotation	45 days	92.3%	92.6%
B13	Communication issued following actual divorce proceedings i.e. application of a Pension Sharing Order	15 days	92.3%	100.0%
B14	Communication issued with new starter	40 days	99.3%	99.1%
B15	Member estimates requested by scheme member and employer	15 days	84.1%	79.3%

Key Performance Indicators

Table C – Communications & Engagement

Ref	Engagement with online portals	As at 31 March
C1	Percentage of active members registered	35.5%
C2	Percentage of deferred members registered	19.5%
C3	Percentage of pensioner and survivor members registered	21.1%
C4	Percentage of total of all scheme members registered for self-service	25.5%
C12	Number of times a communication (i.e. newsletter) issued to:	
	a) Active members	9
	b) Deferred members	1
	c) Pensioners	1

Table D – Resources

Ref	Resources	As at 31 March
D1	Total number of all administration staff (FTE)	12.6
D2	Average service length of all admin staff	14.1 years
D3	Staff vacancy rate as a percentage	18.8%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	2,223
D5	Ratio administration staff (excluding management) to total number of scheme members	2,414

Key Performance Indicators

Table E – Data Quality

Ref	Engagement with online portals	Percentage as at 31 March
	Data category	
E3	Common data score	96.7%
E4	Scheme specific data score	93.6%
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	5.0%
E6	Percentage of active, deferred and pensioner members with an email address held on file	43.0%
	Employer Performance	
E7	Percentage of employers set up to make monthly data submissions	100.0%
E8	Percentage of employers who submitted monthly data on time during the reporting year	100.0%

Actuarial Report



Actuarial Report

London Borough of Tower Hamlets Pension Fund ("the Fund")

Actuarial Statement for 2025/26

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2018. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated 1 April 2026.

In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the overall Fund
- to ensure the solvency of each individual employers' share of the Fund based on their expected term of participation in the Fund
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer
- to minimise the degree of short-term change in employer contribution rates
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment
- to help employers manage their pension liabilities
- where practical and cost effective, to make allowance for the different characteristics of different employers and groups of employers

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. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 80% likelihood that the Fund will achieve the funding target over 20 years.

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 2025. This valuation revealed that the Fund's assets, which at 31 March 2025 were valued at £2,192 million, were sufficient to meet 129% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2025 valuation was £499 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2026 to 31 March 2029 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2025 valuation report.

Method

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

Actuarial Report

Assumptions

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

The key financial assumptions adopted for the 2025 valuation were as follows:

Financial Assumptions	31 March 2025
Discount rate	5.4%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.6%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2024 model, with core parameterisation, except, initial addition of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.6 years	24.1 years
Future Pensioners*	22.4 years	25.3 years

*Aged 45 at the 2025 Valuation

Copies of the 2025 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2025

The increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East have caused significant market volatility which feeds through to the investment returns achieved by the Fund's assets. The Fund's overall investment returns since March 2025 have been positive.

Observed inflation has been higher than anticipated over 2026, resulting in LGPS benefit increases of 3.8% in April 2026 and an increase in the value placed on the Fund's liabilities.

Overall, we estimate that the funding position is likely to be weaker than at the previous formal valuation at 31 March 2025.

The next actuarial valuation will be carried out as at 31 March 2028 and will be finalised by 31 March 2029. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect from 1 April 2029.

Prepared by

Ciaran Henry FFA C.Act
9 June 2026
For and on behalf of Hymans Robertson LLP

Statement of Responsibilities



Statement of Responsibilities

Statement of Responsibilities

The London Borough of Tower Hamlets as Administering Authority of the London Borough of Tower Hamlets Pension Fund is required to:

Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs (that Officer is the Corporate Director of Resources) to

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Responsibilities of the Corporate Director of Resources

The Corporate Director of Resources is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts, the Corporate Director of Resources has:

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

The Corporate Director of Resources has:

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

Responsible Financial Officer's Certificate

I certify that the Accounts as set out on pages 21 to 59 have been prepared in accordance with proper practices and that they give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2026 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2026, except for, the effects at 31 March 2026 of issues relating to the quality of historical pension scheme membership data on the present value of promised retirement benefits.



Ian Williams
Corporate Director of Resources and Section 151 Officer

External Audit Opinion



External Audit Report

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

Opinion

We have examined the pension fund financial statements of Tower Hamlets Pension Fund ("the Pension Fund") included in the Pension Fund Annual Report ("the Annual Report") for the year ended 31 March 2026, which comprise the Fund Account, the Net Assets Statement and the related notes, including material accounting policy information.

In our opinion, the Pension Fund financial statements included in the Annual Report are consistent with the audited pension fund financial statements included in the full annual statement of accounts of London Borough of Tower Hamlets for the year ended 31 March 2026 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

Respective responsibilities of the Corporate Director of Resources and the auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Corporate Director of Resources is responsible for the preparation of the pension fund's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of London Borough of Tower Hamlets, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of:

- Introduction
- Overall Fund Management
- Governance and Training
- Financial Performance
- Funding and Investments
- Scheme Administration
- Actuarial valuation
- Statement Of responsibilities
- Appendices

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Use of our report

This report is made solely to the members of London Borough of Tower Hamlets, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Tower Hamlets and its members as a body, for our audit work, for this report, or for the opinions we have formed.



Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester
Date: 19 November 2026

Appendices



Appendices

Appendix A – Investment Strategy Statement (ISS)

The ISS describes how the Fund's assets will be invested to achieve the long-term returns needed to pay pensions. It covers investment objectives, risk management, and asset allocation.

Investment Strategy Statement 2026

Appendix B – Funding Strategy Statement (FSS)

The FSS sets out how the Pension Fund will ensure it has sufficient assets to meet current and future pension liabilities. It outlines funding objectives, employer contribution rates, funding risks, and actuarial assumptions.

Funding Strategy Statement 2026

Appendix C – Communications Policy

Explains how the Fund communicates with members, employers, pensioners, and other stakeholders, ensuring information is provided clearly, accurately, and on time.

Communications Policy

Appendix D – Pension Administration Strategy (PAS)

Sets out the standards, responsibilities, and performance expectations for pension administration between the administering authority and participating employers.

Pensions Administration Strategy

Appendix E – Discretions Policy

Documents the Fund's policies on areas where LGPS regulations allow employers or administering authorities to exercise judgement or choice, ensuring decisions are applied consistently and transparently.

Discretions Policy

Appendix F – Governance Compliance Statement

Demonstrates how the Fund complies with LGPS governance requirements, regulations, and best practice, ensuring effective oversight, decision-making, and accountability.

Governance Compliance Statement



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London
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towerhamlets.gov.uk

TOWER HAMLETS