

<u>MEETING</u> PENSION FUND COMMITTEE
<u>DATE AND TIME</u> MONDAY 27TH JULY, 2020 AT 6.00 PM
<u>VENUE</u> VIRTUAL MEETING

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
7.	QUARTERLY INVESTMENT PERFORMANCE	3 - 48
13.	ADMITTED BODY AND BOND STATUS UPDATE	49 - 56
14.	APOINTMENT OF ACTUARIAL SERVICES	57 - 66

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Pension Fund Committee

27 July 2020



Title	Barnet Council Pension Fund - Performance for the Quarter to 31 March 2020
Report of	Director of Finance
Wards	N/A
Status	Public except for exempt Appendix D
Urgent	No
Key	No
Enclosures	<p>Appendix A – Pension Fund Market Value of Investments as at 30 June 2020</p> <p>Appendix B - Asset Allocation as at 30 June 2020</p> <p>Appendix C - Review of Investment Managers Performance for 1st quarter of 2020 (Hymans Robertson)</p> <p>Appendix D - Review of Fund Managers (Hymans Robertson) (exempt)</p> <p>Exempt enclosure - Not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information)).</p>
Officer Contact Details	George Bruce, Head of Treasury, George.bruce@barnet.gov.uk - 0208 359 7126
Summary	
This report summarises the Pension Fund investment managers' activity during the three months to 31 March 2020 together with fund manager performance in the quarter, together with an update on investment values as at 30 June 2020	
Officers Recommendations	
That the Pension Fund Committee note the performance of the Pension Fund for the quarter to 31 March 2020.	

1. WHY THIS REPORT IS NEEDED

- 1.1 To ensure that the Pension Fund is being invested prudently and in accordance with the Pension Fund investment strategy.

Fund Valuation

- 1.2 The valuation of the fund as at 31 March 2020 was £1,076.8 million (appendix B), a decrease of £165.6 million (13.3%) compared with the 31 December 2019's valuation of £1,242.9 million. As discussed on pages 24 and 25 of the Hymans Report (appendix C) financial markets reacted badly to the spread of Covid-19 and the impact on economic activity of global lockdowns. However, in quarter two optimism returns to financial markets and most of the Q1 losses were recovered and the June valuation is £1,205.9 million, which is 2.9% lower than the peak of 31 December 2019. From a funding perspective, the end June value is 5% above that at the last triennial valuation (March 2019), being close to the long-term returns required by the funding plan. The chart on appendix A highlights the longer-term upward trend in fund values.

Performance Summary

- 1.3 The Fund returned -13.4% in the quarter (see page 6 of Hymans report) with all but two funds recording negative returns. The two funds with positive returns are due to valuations being based as at 31 December 2019. As most of the mandates are based on cash plus return targets it is unsurprising that virtually all recorded returns below target. The exceptions being LGIM equities and Schroders corporate bonds.
- 1.4 In view of the dramatic market movements in quarter one and two perhaps it is best to avoid drawing too many conclusions from the Q1 performance. However, Hymans have been asked to comment on two aspects. Firstly some of the credit mandates dropped as sharply as equities (Alcentra and Barings multi-credit) which suggests that they are not adding diversification to the portfolio. Secondly, the since inception returns of some of the newer mandates (the above two funds plus Insight and M&G) are anaemic at best. Are these funds making sufficient contributions to the overall Fund target returns?
- 1.5 We will endeavour to provide estimates of June returns at the meeting.

Investment Manager Ratings

- 1.6 Hymans provide ratings for all the investment managers. These are shown on page 4 of their report. Most of the mandates are rated at Hymans' highest level of conviction (preferred). The exceptions are the two DGF's funds rated as suitable and the Schroders' Corporate Bonds mandate rated as positive. The one change during the quarter is that the Standard Life Long Lease fund is shown as "on watch". This is explained on page 12 of their report as due to changes in the management team at Aberdeen Standard Investments, although they continue to have a preferred rating on the fund.

Fund Manager Transactions

- 1.7 During the quarter to March 2020 the major transaction was a further £20 million

investment with the LCIV emerging equity fund and a £6 million drawdown by Partners private debt using £10 million proceeds from Newton and existing cash balances. In the June quarter there was a £21 million advance payment of contributions by the Council that was added to cash balances and a \$3.6 million drawdown by Adam Street. There continues to be periodic distributions from Partners and Alcentra direct lending funds.

1.8 Outstanding commitments at 30 June 2020 are:

Alcentra European Direct Lending	£9.2 million
Partners 2019 MAC	£7.5 million
Adam Street	\$62 million
LCIV Emerging	£20 million

Allocations v Strategy

1.9 Appendix B highlights the portfolio positions compared with benchmark. The significant underweights are the unfunded and partially funded property, emerging market and private equity mandates. The cash for these commitments are currently invested in the two diversified growth mandates.

2. REASONS FOR RECOMMENDATIONS

2.1 The terms of reference of the Pension Fund Committee require the Committee to review and challenge the fund managers' quarterly investment performance against benchmarks and targets.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None

4. POST DECISION IMPLEMENTATION

4.1 The Chief Financial Officer will carry out any actions considered necessary.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 To ensure that the Pension Fund is being invested prudently and to the best advantage to achieve the required funding level. Effective monitoring of the Pension Fund will ensure that long term investment targeted returns are achieved and will provide support towards the Council's corporate priorities.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The Pension Fund appoints external fund managers to maximise Pension Fund assets in accordance with the Fund investment strategy. The Pension Fund is a long-term investor and short-term volatility of investment return is expected. In the

longer term, the appointed fund managers are expected to deliver positive returns in accordance with the Fund benchmarks. The global diversification of the Pension Fund portfolio gives some protection against the market volatility. The funding level of the Scheme uses a valuation of the future liabilities discounted using gilt yields. The mismatch between assets held and the method of valuing future liabilities will also result in volatility of funding levels.

5.3 Social Value

5.3.1 Membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

5.4.1 Constitution – Under article 7 one of the responsibilities of the Pension Fund Committee is ‘To review and challenge at least quarterly the Pension Fund investment managers’ performance against the Statement of Investment Principles [now Investment Strategy Statement] in general and investment performance benchmarks and targets in particular.’

5.4.2 Regulation 9 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 provides the power to appoint investment managers. The regulations no longer have a specific reference to monitoring investment managers but state “the authority must reasonably believe that the investment manager’s ability in and practical experience of financial matters make that investment manager suitably qualified to make investment decisions for it.” Only through periodic monitoring can the Committee achieve this requirement.

5.5 Risk Management

5.5.1 A key risk is that of poor investment performance. The performance of the fund managers is monitored by the Pension Fund Committee every quarter with reference to reports from Hymans Robertson, the Pension Fund investment adviser. If a fund manager’s performance is considered inadequate, the fund manager can be replaced.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant ‘protected characteristic’ and those who do not share it; and 3) fostering good relations between persons who share a relevant ‘protected characteristic’ and persons who do not share it. The ‘protected characteristics’ are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

5.6.2 The rules governing admission to and participation in the Pension Fund are in

keeping with the public-sector equality duty. The public sector equality duty requires public authorities in carrying out their functions to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not applicable

5.9 Insight

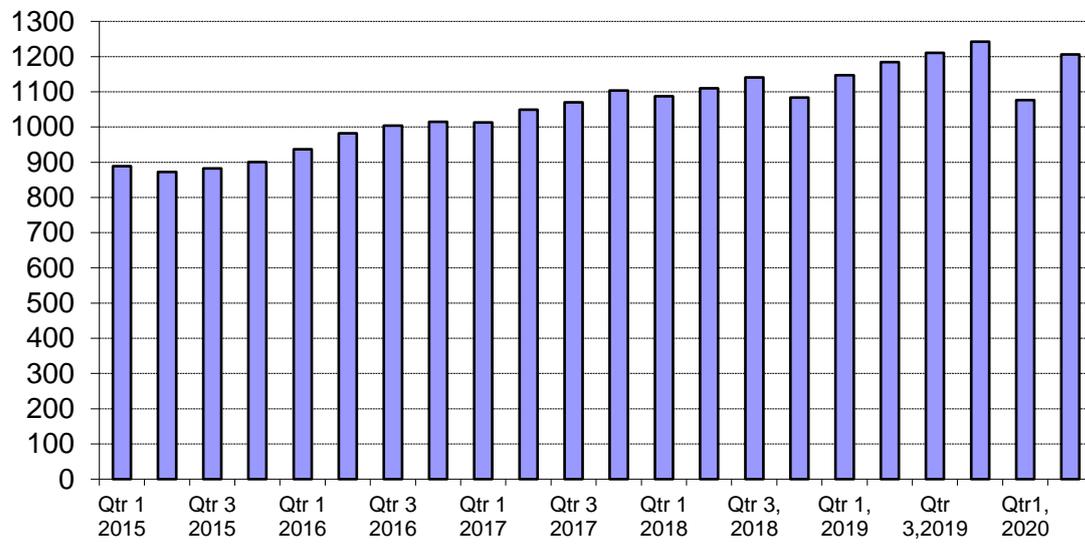
5.8.1 Not applicable

6. BACKGROUND PAPERS

6.1 None

Appendix A – Market Value of Investments as at 30 June 2020

Market value of Pension Fund



Appendix B - Asset Allocation as at 30 June 2020

		31-Dec-19	31-Mar-20	30-Jun-20	30-Jun-20	30-Jun-20	Target
		£	£	£	%	%	Allocation
							%
Equities						42.07%	50.00
LGIM Global	Jun-20	265,504,464	217,638,744	259,317,532	21.50%		20.00
LGIM RAFI	Jun-20	241,509,584	176,988,049	202,425,476	16.79%		20.00
Emerging Markets	Jun-20	21,015,775	33,770,718	40,942,108	3.40%		5.00
Private Equity	Mar-20	1,589,978	2,165,316	4,622,953	0.38%		5.00
Property						4.58%	10.00
Core UK Commercial							5.00
Aberdeen Standard Long Lease	Mar-20	28,471,000	28,932,280	28,933,000	2.40%		2.50
CBRE Global	Jun-20	24,078,562	26,341,408	26,341,409	2.18%		2.50
Diversified Growth						14.58%	0.00
Schroder	Jun-20	129,936,654	115,239,144	126,936,055	10.53%		0.00
BNY Mellon (Newton)	Jun-20	59,726,681	45,288,193	48,892,475	4.05%		0.00
Multi Credit Liquid						9.15%	11.00
Baring Global High Yield	Jun-20	39,678,207	32,324,336	36,170,929	3.00%		3.50
Alcentra	May-20	36,418,320	29,789,070	32,347,860	2.68%		3.50
Insight Secured Finance	Jun-20	43,899,443	40,663,980	41,769,334	3.46%		4.00
Corporate Bonds						11.34%	10.00
Schroder		129,955,916	127,404,996	136,730,533	11.34%		10.00
Illiquid Alternatives						16.09%	19.00
Alcentra	Mar-20	28,825,472	25,292,717	24,060,007	2.00%		4.00
Partners Group	May-20	70,003,615	69,835,000	71,131,277	5.90%		7.00
M&G Lion Credit Opport	May-20	31,162,770	28,753,277	29,945,061	2.48%		3.00
IFM Global Infrastruct	Jun-20	69,675,644	67,638,059	68,915,256	5.71%		5.00
Cash		19,889,119	8,720,890	26,420,238	2.19%	2.19%	0.00
Total		1,241,341,204	1,076,786,177	1,205,901,504	100.00%	100.00%	100.00

London Borough of Barnet Pension Fund

Q1 2020 Investment Monitoring Report

Nick Jellema – Senior Investment Consultant

Yoel Deal – Associate Investment Consultant

Greg Illingworth – Investment Analyst

Hansinee Khoobloll – Investment Analyst

Executive Summary

Fund assets totalled c.£1,078m at the end of Q1 2020, a decrease of c.£166m from the end of the previous quarter.

The Fund's assets returned -13.4% (net of fees) over the quarter, underperforming the benchmark by -4.4%.

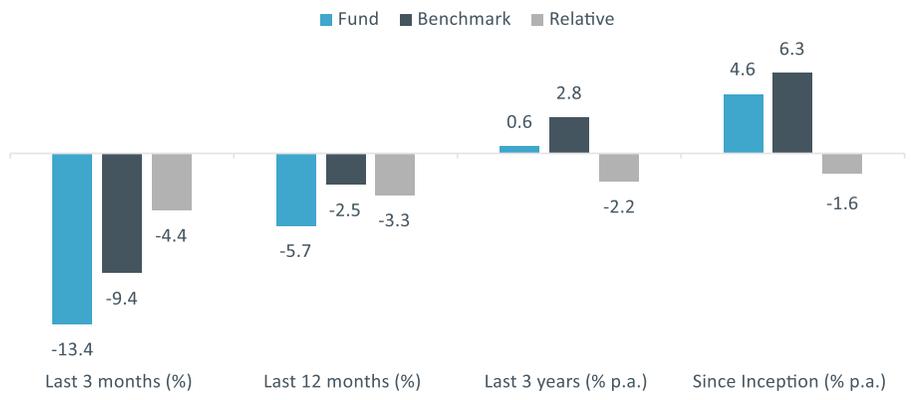
Key Actions

There are no key actions to note.

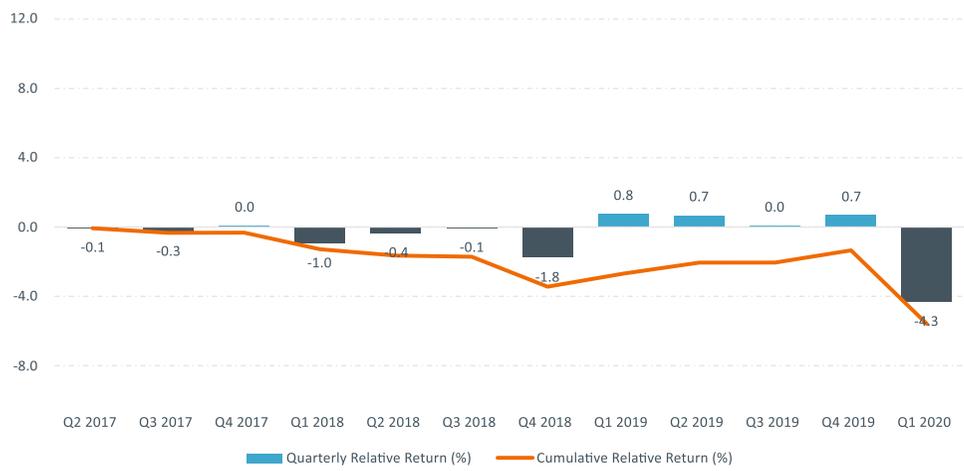
The following investments were made over the quarter:

- The Fund increased its exposure to the LCIV Emerging Markets Equity fund over the quarter by £20m, £10m of which was funded from the BNY Mellon Real Return Fund.
- Partners Group MAC V (Private Debt) called on £6m of the committed capital during the quarter, which was funded using the Fund's cash reserves.

Historic quarterly performance (net of fees)



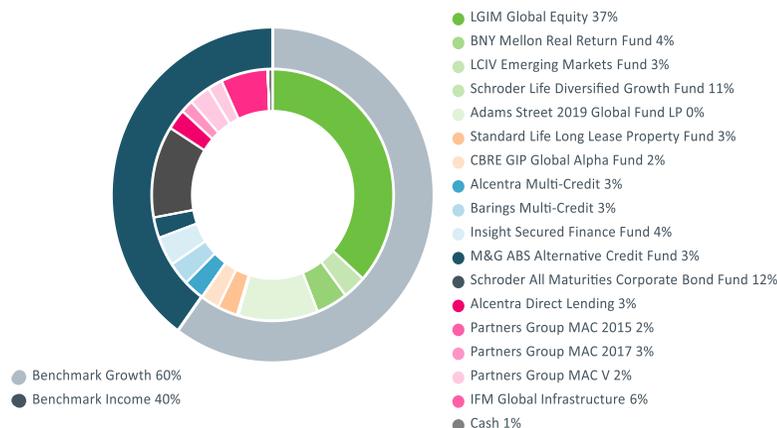
Relative quarterly and relative cumulative performance 3y (gross of fees)



Asset allocation

Manager	Valuation(£m)		Actual Proportion	Benchmark	Relative
	Q4 2019	Q1 2020			
LGIM Global Equity	507.4	394.9	36.6%	40.0%	-3.4%
LCIV Emerging Markets Fund	21.0	33.8	3.1%	5.0%	-1.9%
BNY Mellon Real Return Fund	59.7	45.3	4.2%	0.0%	4.2%
Schroder Life Diversified Growth Fund	129.9	115.2	10.7%	5.0%	0.7%
Adams Street 2019 Global Fund LP	0.0	2.2	0.2%	5.0%	0.2%
Standard Life Long Lease Property Fund	28.5	28.9	2.7%	2.5%	0.2%
CBRE GIP Global Alpha Fund	25.9	25.1	2.3%	2.5%	-0.2%
Total Growth	772.4	645.5	59.9%	60.0%	-0.1%
Alcentra Multi-Credit	36.4	29.8	2.8%	3.5%	-0.7%
Barings Multi-Credit	39.7	32.3	3.0%	3.5%	-0.5%
Insight Secured Finance Fund	43.9	40.7	3.8%	4.0%	-0.2%
M&G ABS Alternative Credit Fund	31.2	28.8	2.7%	3.0%	-0.3%
Schroder All Maturities Corporate Bond Fund	130.0	127.4	11.8%	10.0%	1.8%
Alcentra Direct Lending	31.0	28.8	2.7%	3.0%	-0.3%
Partners Group MAC 2015	20.7	18.1	1.7%	2.5%	-0.8%
Partners Group MAC 2017	32.7	30.4	2.8%	3.0%	-0.2%
Partners Group MAC V	16.6	21.3	2.0%	2.5%	-0.5%
IFM Global Infrastructure	69.4	67.6	6.3%	5.0%	1.3%
Total Income	451.5	425.2	39.4%	40.0%	-0.6%
Cash	19.7	7.2	0.7%	0.0%	0.7%
Total Fund	1,243.7	1,077.9	100.0%	100.0%	

Strategic allocation



The Q1 20 valuation for Alcentra Direct Lending , Adam Street Partners and CBRE Global Alpha are as at Q4 19, due to a lag applied by the manager.

The allocation chart shows a diverse range of assets invested across 7 Growth mandates and 8 Income mandates (grouping Partners Group as one).

Manager performance (gross of fees)

The table shows a summary of the Fund performance, gross of investment management fees, over selected time periods.

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM Global Equity	-22.2	-22.4	0.2	-12.7	-13.0	0.4	-0.9	-1.0	0.1	6.8	6.8	0.1
LCIV Emerging Markets Fund	-17.5	-18.4	1.0	n/a	n/a	n/a	n/a	n/a	n/a	-13.0	-13.8	0.9
BNY Mellon Real Return Fund	-9.0	1.1	-10.0	-1.6	4.8	-6.1	1.5	4.6	-3.0	3.1	4.6	-1.4
Schroder Life Diversified Growth Fund	-11.3	1.3	-12.5	-6.3	6.6	-12.1	-0.5	6.8	-6.8	3.2	7.4	-3.8
Standard Life Long Lease Property Fund	1.7	6.8	-4.8	n/a	n/a	n/a	n/a	n/a	n/a	5.2	10.4	-4.7
CBRE GIP Global Alpha Fund	-3.4	2.5	-5.8	n/a	n/a	n/a	n/a	n/a	n/a	3.5	5.1	-1.5
Income												
Alcentra Multi-Credit	-18.1	1.2	-19.0	-15.2	4.9	-19.1	-2.7	4.7	-7.1	0.4	4.6	-4.0
Barings Multi-Credit	-18.4	1.4	-19.5	-15.0	5.9	-19.7	-3.0	5.7	-8.3	0.5	5.7	-4.9
Insight Secured Finance Fund	-7.3	1.2	-8.4	-3.9	4.9	-8.3	n/a	n/a	n/a	1.1	4.8	-3.5
M&G ABS Alternative Credit Fund	-7.1	0.6	-7.6	-4.9	2.6	-7.2	n/a	n/a	n/a	0.4	2.4	-2.0
Schroder All Maturities Corporate Bond Fund	-2.0	-3.2	1.3	4.5	1.7	2.8	3.6	2.2	1.3	6.3	5.7	0.6
Alcentra Direct Lending	1.6	2.3	-0.7	9.4	9.5	-0.1	n/a	n/a	n/a	8.8	9.5	-0.6
Partners Group MAC 2015	-1.9	1.4	-3.2	2.3	5.9	-3.4	n/a	n/a	n/a	3.9	5.1	-1.1
Partners Group MAC 2017	-3.3	1.4	-4.6	1.4	5.9	-4.2	n/a	n/a	n/a	2.8	5.1	-2.2
Partners Group MAC V	-7.6	1.4	-8.9	n/a	n/a	n/a	n/a	n/a	n/a	-6.7	3.7	-10.0
IFM Global Infrastructure	-2.3	2.4	-4.6	17.6	10.0	6.9	n/a	n/a	n/a	14.6	10.0	4.2
Total	-13.3	-9.4	-4.3	-5.4	-2.5	-3.0	0.9	2.8	-1.9	5.0	6.3	-1.2

The Q1 20 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q4 19, due to a lag applied by the manager.

Manager performance (net of fees)

The table shows a summary of the Fund performance, net of investment management fees, over selected time periods.

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM Global Equity	-22.2	-22.4	0.2	-12.8	-13.0	0.3	-0.9	-1.0	0.1	6.7	6.8	-0.0
LCIV Emerging Markets Fund	-17.7	-18.4	0.9	n/a	n/a	n/a	n/a	n/a	n/a	-13.2	-13.8	0.7
BNY Mellon Real Return Fund	-9.1	1.1	-10.2	-2.2	4.8	-6.7	0.9	4.6	-3.6	2.5	4.6	-2.0
Schroder Life Diversified Growth Fund	-11.4	1.3	-12.6	-6.8	6.6	-12.6	-1.0	6.8	-7.4	2.6	7.4	-4.4
Standard Life Long Lease Property Fund	1.6	6.8	-4.9	n/a	n/a	n/a	n/a	n/a	n/a	4.8	10.4	-5.1
CBRE GIP Global Alpha Fund	-3.5	2.5	-5.9	n/a	n/a	n/a	n/a	n/a	n/a	3.2	5.1	-1.7
Income												
Alcentra Multi-Credit	-18.2	1.2	-19.2	-15.6	4.9	-19.5	-3.2	4.7	-7.6	-0.0	4.6	-4.4
Barings Multi-Credit	-18.5	1.4	-19.7	-15.4	5.9	-20.1	-3.5	5.7	-8.8	-0.0	5.7	-5.4
Insight Secured Finance Fund	-7.4	1.2	-8.5	-4.2	4.9	-8.7	n/a	n/a	n/a	0.8	4.8	-3.8
M&G ABS Alternative Credit Fund	-7.2	0.6	-7.7	-5.2	2.6	-7.5	n/a	n/a	n/a	0.1	2.4	-2.3
Schroder All Maturities Corporate Bond Fund	-2.1	-3.2	1.2	4.3	1.7	2.6	3.4	2.2	1.1	6.1	5.7	0.4
Alcentra Direct Lending	1.3	2.3	-1.0	8.0	9.5	-1.4	n/a	n/a	n/a	7.5	9.5	-1.9
Partners Group MAC 2015	-2.0	1.4	-3.4	1.5	5.9	-4.1	n/a	n/a	n/a	3.2	5.1	-1.8
Partners Group MAC 2017	-3.4	1.4	-4.8	0.7	5.9	-4.9	n/a	n/a	n/a	2.0	5.1	-2.9
Partners Group MAC V	-7.8	1.4	-9.1	n/a	n/a	n/a	n/a	n/a	n/a	-7.1	3.7	-10.4
IFM Global Infrastructure	-2.5	2.4	-4.8	16.7	10.0	6.1	n/a	n/a	n/a	13.7	10.0	3.4
Total	-13.4	-9.4	-4.4	-5.7	-2.5	-3.3	0.6	2.8	-2.2	4.6	6.3	-1.6

The Q1 20 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q4 19, due to a lag applied by the manager.

Q4 GDP numbers were broadly in-line with recent trends - a modest slowdown year-on-year. The global spread of Coronavirus, and the impact on supply and demand from necessary containment measures, will inevitably impact the rate of global economic growth in 2020 and possibly beyond.

Falling domestic demand globally and steep oil price declines are disinflationary. The slump in global demand for oil has been compounded by a price war between OPEC (led by Saudi Arabia) and Russia, Brent crude falling to its lowest level since 2002. Inflation, which was already below target in the major advanced economies, is forecast to slow in 2020, with some Eurozone countries and Japan expected to enter deflation.

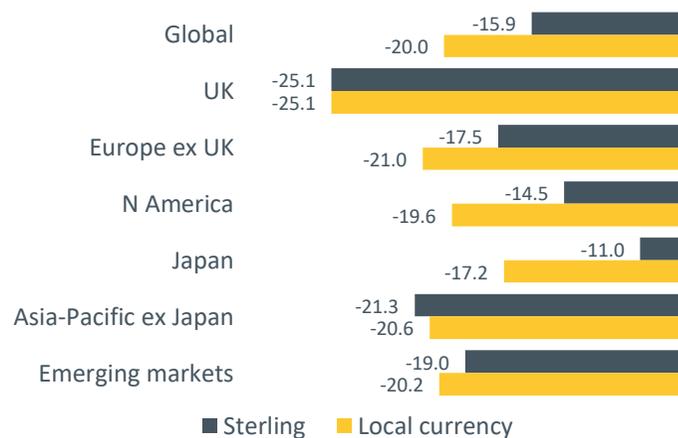
The US Federal Reserve (Fed) and the Bank of England (BoE) have cut rates to record lows and the Bank of Japan and the European Central Bank have joined the Fed and BoE in restarting and expanding their quantitative easing programs. The Fed's now unlimited purchase program will, for the first time, include corporate debt.

Currency markets were typical of a period of increased risk. The haven appeal of the dollar and yen was apparent, and, in line with their less defensive reputation, sterling and emerging market currencies fell.

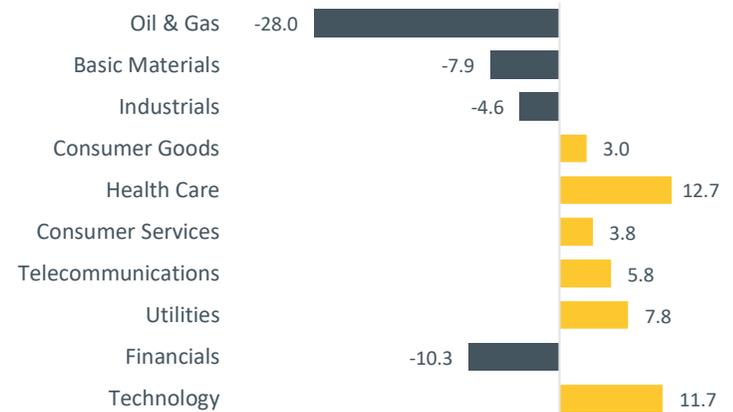
Historic returns for world markets ^[1]



Regional equity returns ^[2]



Global equity sector returns (%) ^[3]



^[1]All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. ^[2]FTSE All World Indices ^[3]Relative to FTSE All World Indices.

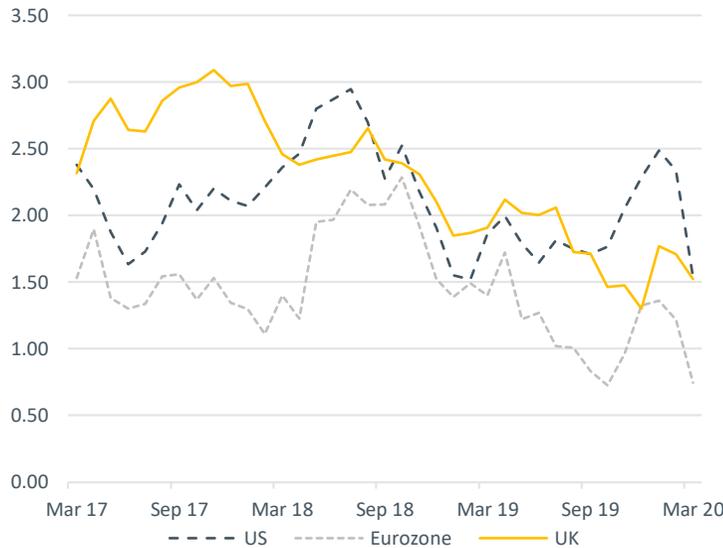
Developed market sovereign bond yields have been pushed near record lows, though have not been immune to volatility as investors liquidated bonds in a dash for cash in March. Sterling investment grade spreads rose 1.34% p.a., more than offsetting any benefit from falling underlying government bond yields.

Unsurprisingly, speculative grade credit spreads underperformed their investment grade counterparts with high yield energy bonds particularly hard hit. Leveraged loans underperformed within speculative-grade markets as a collapse in interest rate expectations weighed on floating-rate loans.

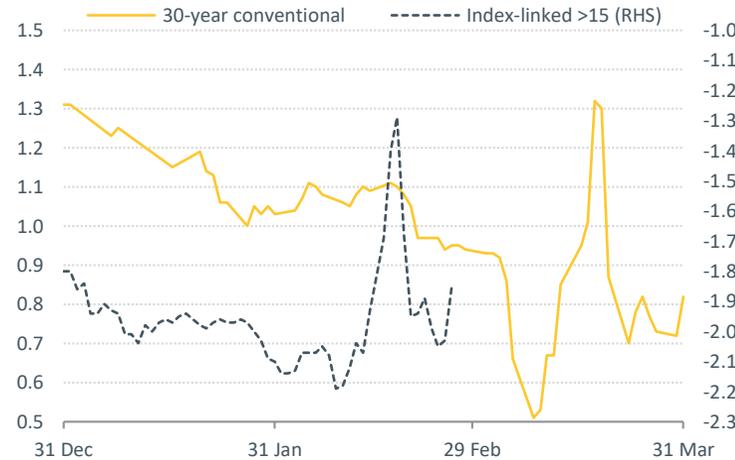
Global equity markets fell 20% in local currency terms and 15.9% in sterling terms, as weakening sterling benefited unhedged investors. The UK equity market was the worst performer with the FTSE 100 posting its biggest fall since 1987 as its sectoral composition and exposure to oil & gas hurt performance. Global equities recovered some losses towards the end of the quarter, as market sentiment improved on the back of fiscal and monetary support measures. Volatility levels, as measured by the VIX Index, hit levels not seen since the global financial crisis.

A number of UK property funds have suspended dealing as property valuers have been unable to accurately value the underlying assets with any certainty, inserting material uncertainty clauses into their valuations.

Annual CPI Inflation (% p.a.)

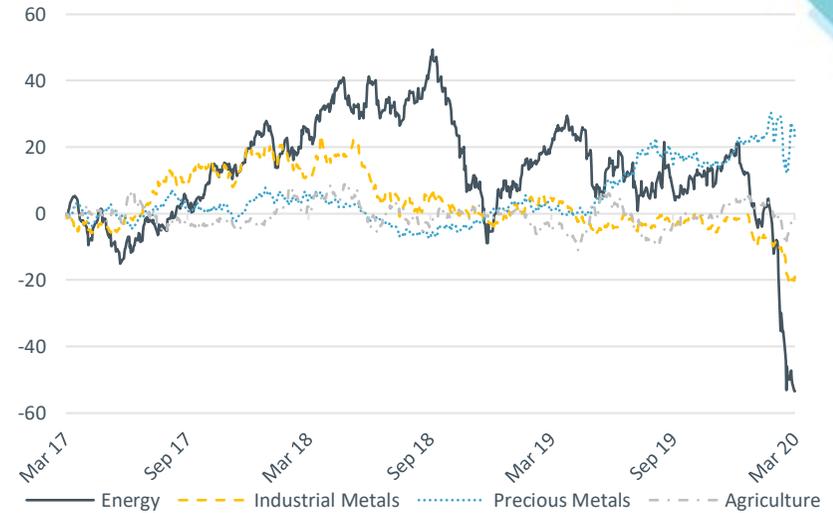


Gilt yields chart (% p.a.)

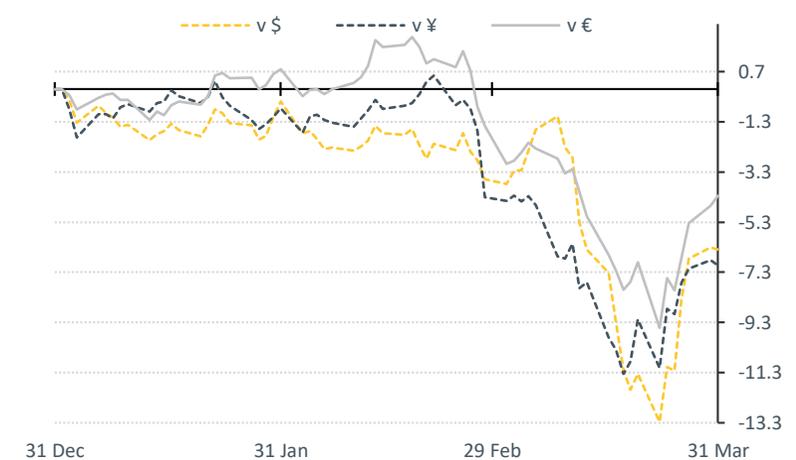


Source: Reuters

Commodity Prices (% change)



Sterling trend chart (% change)



Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

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Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

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

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Update on Admission Agreements - July 2020

	Employer	Contract Start Date	Update
1	Caterlink (Holly Park School)	01/04/19	Draft Admission Agreement issued to Employer and School in June 2020. Pending approval and signing
2	Caterlink (Queen Elizabeth Girls School)	01/08/16	With Hymans to finalise calculations
3	Atlas Cleaning (Claremont)	19/01/15	Draft Admission Agreement issued to Employer and School in June 2020. Pending approval and signing
4	Atlas Cleaning (St Michaels)	01/09/14	Draft Admission Agreement issued to Employer and School in June 2020. Pending approval and signing
5	HCL - Copthall School	01/08/18	Draft Admission Agreement issued to Employer and School in May 2020. Pending approval and signing
6	Olive Dining (Archer Academy)	01/09/18	Draft Admission Agreement sent to Employer and School in 2019. Both Officers and HB Law have chased Olive Dining regularly. Employer has been impacted by Covid-19 pandemic and have been unable to arrange for Agreement to be signed. Officers will request the Agreement is signed by a specified date.
7	Ashlyn's (St Andrew's C of E)	01/04/17	Pending Capita to respond to data queries from the Hymans
8	Innovate (St James Catholic School)	01/08/19	Pending Capita to provide membership data to the Hymans
9	MI Homecare	14/12/18	Pending Capita to provide membership data to the Hymans
10	Oliver Dining (St Josephs School)	01/08/19	Pending Capita to provide membership data to the Hymans

Update on Academy opening positions - July 2020

	Academy	Academy Start Date	Current Position
1	Kisharon Academy	10/08/18	Initial Asset Allocation & Contribution Rate report sent to employer in June 2020
2	Hasmonean High School for Girls	01/05/19	Pending Capita to provide membership data to the Hymans
3	Sacks Morasha	01/03/19	Hymans has queries on part of the data provided to them. Officers at LBB are assisting with this.
4	Ark Pioneer Academy	24/07/19	With Hymans to finalise calculations

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Update on Cessation Valuations - July 2020

	Employer	Cessation Date	Surplus/(deficit)
1	Absolute Catering (Queenswell School)	27/05/16	£400
2	Absolute Catering (St James' Catholic School)	31/07/19	tbc
3	Housing 21	30/09/15	tbc
4	Allied Healthcare	13/12/18	tbc
5	Fremantle Trust	30/05/19	£1,453,000
6	Rimon Jewish Primary	31/03/19	tbc
7	Ridgecrest	01/09/18	tbc
8	Caterlink (Totteridge Academy)	23/02/20	tbc

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Update on Bond Renewals - July 2020

	Employer	Bond required
1	Atlas Cleaning (St Michaels)	£7,000
2	Greenwich Leisure Limited	£570,000
3	Optivo	£174,000
4	Mears Group	£748,000
5	NSL Limited	£1,446,000
6	BEAT	£76,000
7	Hartwig 1	£57,000
8	Hartwig 2	£107,000
9	Capita Re	£2,759,000
10	Capita CSG	£3,162,000
11	Ashlyn's (St Andrew's C of E)	tbc
12	OSC Group	£103,000
13	Atlas Cleaning (Claremont)	£64,000
14	ISS	£1,539,000
15	Hestia (Domestic Violence Service)	£15,000
16	Innovate (St James)	tbc
17	Olive Dining (Archer Academy)	£25,000
18	Caterlink (The Compton School)	£74,000
19	HCL Catering - Copthall School	£73,000
20	Caterlink (Queen Elizabeth Girls)	tbc
21	Churchill Catering (Queenswell School)	£8,000
22	Caterlink (Holly Park School)	£8,000

Update
Bond amount due included in Admission Agreement - June 2020
Bond renewal amount sent to employer - June 2020. Employer has issues related to Covid-19. Further review nearer renewal date.
Bond renewal amount sent to employer - July 2020
Bond renewal amount sent to employer - June 2020
Updated Bond renewal amount sent to employer - July 2020
Bond renewal amount sent to employer - July 2020
Bond renewal amount sent to employer - July 2020
Bond renewal amount sent to employer - July 2020
Bond renewal amount to be sent to Employer
Bond renewal amount to be sent to Employer
Pending Capita to respond to data queries from the Hymans
Bond renewal amount sent to employer - June 2020
Bond amount due included in Admission Agreement - June 2020
Bond renewal amount sent to employer - July 2020
Bond amount renewal request sent to employer - June 2020
Pending Capita to provide membership data to the Hymans
Bond renewal amount sent to employer - July 2020
Bond renewal amount sent to employer - July 2020
Bond amount due included in Admission Agreement - May 2020
With Hymans to finalise calculations
Bond renewal amount sent to employer - July 2020
Bond amount due included in Admission Agreement - June 2020

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	Pension Fund Committee AGENDA ITEM 14 27 July 2020
Title	Re-procurement of Actuarial Services to the Barnet Pension Fund
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – DPR Procurement of actuarial services to the Barnet Pension Fund
Officer Contact Details	Nigel Keogh, Strategic Pensions Consultant Nigel.Keogh@barnet.gov.uk 07505074979
Summary	
The contract for the supply of actuarial services to the Barnet Pension Fund expires on 31 December 2020. This paper sets out the plans for the re-procurement of the service.	
Recommendations	
The Committee is asked to note the arrangements for the re-procurement of actuarial services.	

1. WHY THIS REPORT IS NEEDED

1.1 The contract to provide actuarial services to the Barnet Pension Fund (currently with Hymans Robertson) expires on 31 December 2020. There is no option to extend the current contract and therefore it is necessary to re-procure the service.

1.2 In order to ensure continuity of service (and allow for a potentially protracted procurement process in light the ongoing COVID19 pandemic), officers have sought (and have been granted) a Chief Officer Delegation that waives the requirement in the Council's Contract Procedural Rules that state that a contract award of this value (approximately £870,000) be subject to either a relevant Theme Committee Decision (Policy and Resources Committee) or be pre-approved on the Procurement Forward Plan. A copy of the DPR is at Appendix A. This allows officers to proceed with the procurement process.

1.3 Officers have prepared a service specification and Invitation to Tender which will be issued on 28 July 2020, with a view to identifying a preferred bidder by 7 September.

1.4 The procurement exercise will be carried out as a further competition under the National LGPS Actuarial, Benefits and Governance Services Framework which is fully compliant with the Public Contract Regulations 2015, and is widely used across LGPS administering authorities. Procuring under the Framework reduces procurement time and costs by using a local authority specific framework which has already been through a competitive, OJEU-compliant procurement process.

1.5 The evaluation process will include a scored presentation from bidders. Given the current Covid19 restrictions, these presentations will be delivered virtually – Committee members will be invited to observe. Bids will be evaluated by the pensions team (George Bruce, Mark Fox and Nigel Keogh) and a recommendation made to the Chief Officer (Anisa Darr), with the appointment to be formalised by the Committee.

1.6 Once the procurement is complete, the order form (which forms the contract between LBB and the successful bidder) will be subject to signing by the Chief Officer and sealing by Legal.

1.7 The re-procurement of investment advisory services to the fund (currently also provided by Hyman, and due to expire on 31 March 2021) will commence in the autumn, and will also make use of the National LGPS Frameworks.

2. REASONS FOR RECOMMENDATIONS

2.1 Not applicable in the context of this report.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not applicable in the context of this report.

4. POST DECISION IMPLEMENTATION

4.1 None.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Committee supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The procurement exercise will be carried out using existing resources. The cost of using the National Framework is £2,000.

5.3 Social Value

5.3.1 Not applicable in the context of this report.

5.4 Legal and Constitutional References

5.4.1 The Local Government Pension Scheme Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is the London Borough of Barnet.

5.4.2 The Council's Constitution – Article 7 – includes within it the responsibilities of the Pension Fund Committee. It is therefore considered appropriate for the Pension Fund Committee to receive this report.

5.5 Risk Management

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing

equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Where relevant, consultation and engagement is discussed in the paper.

5.9 Insight

5.9.1 Not applicable in the context of this report.

6. BACKGROUND PAPERS

6.1 None.

	CHIEF OFFICER IN CONSULTATION WITH COMMITTEE CHAIRMAN DELEGATED POWERS REPORT
Title	Procurement of actuarial services to the Barnet Pension Fund
Report of	Director of Finance
Wards	N/A
Status	Public
Enclosures	N/A
Officer Contact Details	George Bruce - 0208 359 7126 George.bruce@barnet.gov.uk

Summary

The current contract for actuarial services to the Barnet Pension Fund commenced on 10 April 2016 and is due to expire on 31 December 2020 (no further contract extension is permitted). In order to ensure continuity of service provision, it is therefore necessary to run a competitive tender exercise to re-procure the service. This report sets out how this will be undertaken whilst managing the risks of business interruption due to the COVID-19 pandemic by delegating powers to officers to proceed with the procurement process.

Decisions

That authority be granted to commence procurement activity in order for the Council to procure an actuarial services provider to the Barnet Pension Fund, following the end of the current actuarial services contract (31 December 2020).

1. WHY THIS REPORT IS NEEDED

- 1.1 The current contract for actuarial services to the Barnet Pension Fund commenced on 10 April 2016 and is due to expire on 31 December 2020 (no further contract extension is permitted). The incumbent provider is Hymans Robertson.
- 1.2 In order to ensure continuity of service provision, it is therefore necessary to run a competitive tender exercise to re-procure the service.
- 1.3 The need for this procurement does not currently form part of the Council's Forward Procurement Plan.
- 1.4 This report sets out how this will be undertaken whilst managing the risks of business interruption due to the COVID-19 pandemic, by delegating powers to officers to proceed with the procurement process.

2. REASONS FOR RECOMMENDATIONS

- 2.1 In order to minimise the risk of the COVID-19 pandemic impacting on the procurement timetable, officers wish to commence the procurement process as soon as possible to allow for any slippages in the timetable that may occur due to business interruptions both at the Council and at potential suppliers.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 No alternative options are available.

4. POST DECISION IMPLEMENTATION

- 4.1 This report will be submitted to Policy and Resources Committee to note as required by section 12 of the Council's Contract Procedural rules.
- 4.2 A report on the appointment of the successful bidder will be submitted to the Pension Fund Committee for approval on 7 October 2020.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Actuarial services include the provision of advice and guidance to ensure compliance with the regulatory requirements of the Local Government Pension Scheme.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The cost of Pension Fund actuarial services is charged to the Barnet Pension Fund.
- 5.2.2 It is intended to conduct this procurement using the National LGPS Actuarial, Benefits and Governance Services Framework which is fully compliant with the Public Contract Regulations 2015. The Council can reduce procurement time and costs by using a local authority specific framework which has already been through a competitive, OJEU-compliant procurement process. Once the procurement is complete, the order form (which forms the contract between LBB and the successful bidder) will be subject to signing and sealing.
- 5.2.3 In light of the reasons set out at section 2, and the cancellation of formal committee meetings, the Council has taken this decision to grant approval authorisation to commence the necessary procurement activity in this way.

5.3 Social Value

- 5.3.1 Not applicable in the context of this report.

5.4 Legal and Constitutional References

- 5.4.1 The Local Government Pension Scheme Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is the London Borough of Barnet.
- 5.4.2 The Council's Constitution contains the Contract Procedure Rules which set out the "Authorisation and Acceptance Thresholds" table. This table states that for a decision valued £500,000 and above it is a requirement to commence a procurement activity either via the Council's Procurement Forward Plan or relevant Themed Committee. For the reasons set out in the report above, such requirement needs to be waived. In accordance with Section 12 of the Contract Procedure Rules, a report shall be submitted the next available Policy and Resources Committee, setting out the reasons for the emergency waiver.
- 5.4.3 The Council's Constitution, Contract Procedure Rules sets out within the "Authorisation and Acceptance Thresholds" table that a decision of this value requires either Authorisation documentation; Relevant Theme Committee Decision; or Procurement Forward Plan. This report is intended to provide the relevant authorisation.
- 5.4.4 The Council's Constitutions, Article 7 – Committees, Forums, Working Groups and Partnerships states that the Pension Fund Committee has the power to appoint Pension Fund actuaries.
- 5.4.5 Contained within the Chief Officer's Scheme of Delegation it states that the Director of Finance has the power to appoint a suitable actuary for the Fund and undertake all necessary tasks and discussions with the actuary to allow the actuary to complete their tasks. It is therefore anticipated that the report to Pension Fund Committee will seek to

confirm the appointment of the suitable actuary and set out the post-procurement actions of the Director of Finance.

5.5 Risk Management

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund. The purpose of the delegations and actions set out in this report form part of our risk mitigation actions.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to: 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Where relevant, consultation and engagement is discussed in the paper.

5.9 Insight

5.9.1 Not applicable in the context of this report.

6. BACKGROUND PAPERS

6.1 None

Chairman: Cllr Daniel Thomas

Has been consulted

Signed

A handwritten signature in dark ink, appearing to read 'D. Thomas', followed by a period.

Date

5 June 2020

Chief Officer: Anisa Darr

Decision maker having taken into account the views of the Chairman

Signed

A handwritten signature in dark ink, appearing to read 'Anisa Darr', with a flourish underneath.

Date

10 June 2020

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