

<u>MEETING</u> PENSION FUND COMMITTEE
<u>DATE AND TIME</u> TUESDAY 14TH DECEMBER, 2021 AT 6.00 PM
<u>VENUE</u> HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ

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	ANNUAL REPORT AND ACCOUNTS AND EXTERNAL AUDITOR'S REPORT Appendix B	3 - 34
8	LONDON CIV PRESENTATION Appendix B	35 - 54

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Report to the Pension Fund Committee

LONDON BOROUGH OF BARNET PENSION FUND

Audit Progress Report: year ended 31 March 2021

AGENDA ITEM 7

IDEAS | PEOPLE | TRUST



CONTENTS

1	Introduction	3	5	Audit differences	22
	Welcome	3		Audit differences	22
2	Executive summary	4		Other deficiencies	24
	Overview	4		Prior year deficiencies	25
	The numbers	5		Prior year deficiencies	26
	Other matters	6	6	Independence and fees	27
3	Financial statements	7		Independence	27
	Audit risks overview	7		Fees	28
4	Significant risks	8	7	Communication with you	29
	Management override of controls	8		Communication with you	29
	Pension liability valuation	9	8	Outstanding matters	30
	Contributions receivable	13		Status update on key financial statement areas	30
	Valuation of investment assets(infrastructure e&t private equity)	14			
	Valuation of investment assets(other)	15			
	Benefits payable	16			
	Change in pension administrator	17			
	Funding Barnet and Southgate college deficit	18			
	Going concern	19			
	Other matters	20			
	Matters requiring additional consideration	21			

WELCOME

Contents

Introduction

Welcome

Executive summary

Financial statements

Significant risks

Audit differences

Independence and fees

Communication with you

Outstanding matters

Contents

Introduction

Executive summary

Audit differences

Other reporting matters

Use of resources

Control environment

Audit Report

Independence and fees

Appendices contents

We have pleasure in presenting our Audit Progress Report to the Pension Fund Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of the work to date for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Pension Fund Committee.

We will provide an update on outstanding work at the December Pension Fund Committee and anticipate reporting the final audit results to the February 2022 meeting, in our Audit Completion Report.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided thus far during the audit.

Lisa Blake

10 December 2021



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Pension Fund Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

This summary provides an overview of the audit matters identified from work completed to date that we believe are important to the Pension Fund Committee in considering the results of the audit of the financial statements of the Pension Fund for year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



Overview

Our audit work is on going and subject to the successful resolution of outstanding matters (refer to page 30 detailed status update), we anticipate issuing our opinion on the financial statements for the year ended 31 March in February 2022.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

THE NUMBERS

Executive summary

- Contents
- Introduction
- Executive summary
- Overview
- The numbers
- Other matters
- Financial statements
- Significant risks
- Audit differences
- Independence and fees
- Communication with you
- Outstanding matters
- Contents
- Introduction
- Executive summary
- Audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit Report
- Independence and fees
- Appendices contents

Final materiality

Final financial statements materiality was determined based on 1% of the value of investment assets.

Specific materiality on the fund account was based on 5% of contributions.

We increased our materiality from the planning Materiality of £10.7 million to £13.9 million as a result of the increase in the valuations of investment assets at year end.

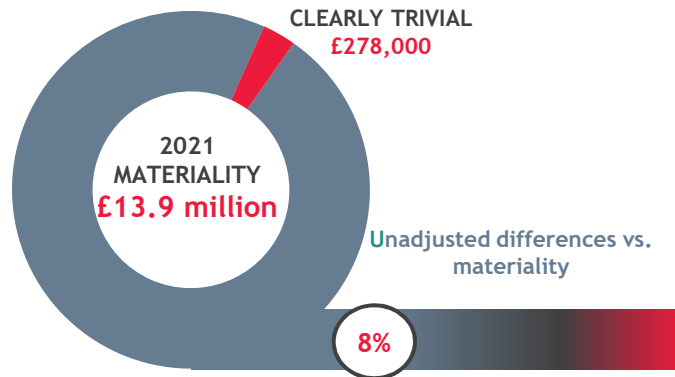
Audit differences

We identified 2 audit differences to date that require correction that result in an Overstatement of expenditure and understatement of net assets by £3.364 million

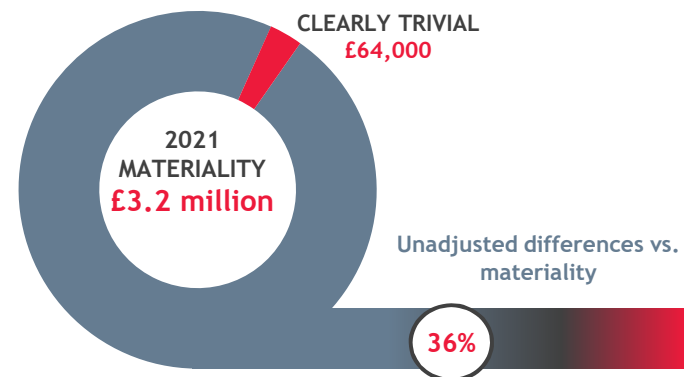
There are 6 audit differences from the prior year that have been corrected in 2020/21. The impact of the roll forward of prior year differences has resulted in return on assets for 2020/21 being overstated by £2.209 million. These are no longer audit differences at 31 March 2021 and we do not ask that you correct these as a prior period adjustment as the impact is not material. However, we report these to show the impact on the net returns in the fund account for 2020/21.

The impact of the current year and prior year audit differences has resulted in the fund account understating net expenditure by £1.155 million.

Financial statements overall materiality



Fund account materiality



OTHER MATTERS

Executive summary

Contents

Introduction

Executive summary

Overview

The numbers

Other matters

Financial statements

Significant risks

Audit differences

Independence and fees

Communication with you

Outstanding matters

Contents

Introduction

Executive summary

Audit differences

Other reporting matters

Use of resources

Control environment

Audit Report

Independence and fees

Appendices contents

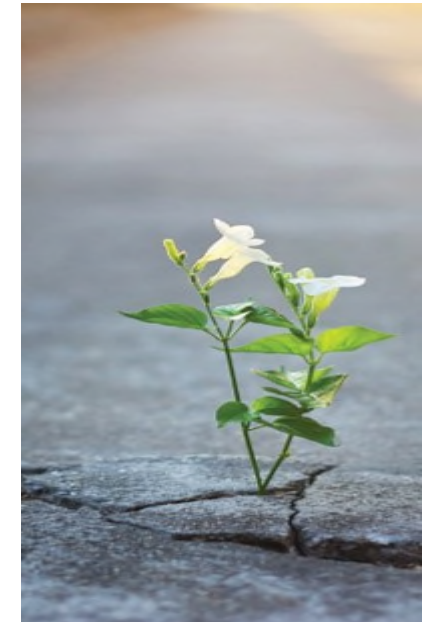
Financial reporting

From the work completed to date and subject to quality review:

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The Pension Fund Annual Report is consistent with the financial statements and our knowledge acquired in the course of the audit.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Council and the Group in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.



AUDIT RISKS OVERVIEW

As identified in our Audit Planning Report dated 22 April 2021 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant management estimate or judgement	Use of experts required	Error Identified	Significant control findings	Discussion points / Letter of Representation
Management override of controls	Significant	Yes	No	-	-	Work in progress
Inappropriate assumptions and estimates used in pension liabilities valuation	Significant	Yes	Yes	Yes	No	Yes. Representations on key actuarial assumptions
Incorrect valuation of investment assets (infrastructure and private equity)	Significant	Yes	No	Yes	No	Misstatement due to timing of valuation
Incorrect valuation of investment assets (other investments)	Normal risk	No	No	No	No	No
Incorrect benefits paid or benefits due incorrectly calculated	Significant	No	No	-	-	Work in progress
Incorrect and incomplete membership database transferred to the new pension administrator	Normal risk	No	No	-	-	Work in progress
Potential liability may exist arising from the allocation of members in the merged Barnet and Southgate college	Normal risk	No	No	No	-	No

 Areas requiring your attention

- Contents
- Introduction
- Executive summary
- Financial statements**
- Audit risks overview
- Significant risks
- Audit differences
- Independence and fees
- Communication with you
- Outstanding matters
- Contents
- Introduction
- Executive summary
- Audit differences
- Other reporting matters
- Use of resources
- Control environment
- Audit Report
- Independence and fees
- Appendices contents

MANAGEMENT OVERRIDE OF CONTROLS

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets(infrastructure e& private equity)
Valuation of investment assets(other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Audit differences
Independence and fees
Communication with you
Outstanding matters

Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. We are required to consider this as a significant risk of material misstatement due to fraud.

Significant risk	■
Normal risk	
Significant management estimate or judgement	■
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Work performed

We carried out the following planned audit procedures:

- Analysed and verified journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals and used our IT team to assist with the journal extraction
- Assessed estimates and judgements applied by management in the financial statements to determine their appropriateness and the existence of any systematic bias
- Assessed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our review of management estimates has not identified the existence of any systemic bias.

We did not identify any evidence to suggest unadjusted audit differences are indicative of bias or deliberate misstatement by management.

Work outstanding

Our audit on journals is in progress. Work completed to date has not identified any issues.

Conclusion

Work outstanding needs to be completed before we are able to conclude on this risk.

PENSION LIABILITY VALUATION

Risk description

The fund's actuarial value of future promised retirement benefits is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2019 triennial valuation exercise, updated at 31 March 2021 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability

Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Assessed the controls for providing accurate membership data to the actuary ;
- Checked whether any significant changes in membership data have been communicated to the actuary;
- Checked the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data; and

Results

We agreed the pension disclosures in the accounts to the IAS 26 disclosure report from the actuary with no issues.

The pension scheme undertook a Common Data cleanse with the actuary to ensure the existence, completeness and accuracy membership data prior to the 2019 triennial valuation. The final report from the actuary indicated that after the data validation stage, the membership data submitted by the Fund for the 2019 valuation was suitable for the purpose of a funding valuation. As no significant event has taken place since the last triennial valuation the membership data is rolled forward for use in the 31 March 2021 accounting valuation.

Enquiry made of management indicated that no significant event has taken place in the year other than bulk transfers of 33 members in the year which does not impact on the pension fund scheme however this has been taken into account at the employer level for IAS 19 accounting purposes.

The following discrimination cases covering GMP gender equality, McCloud age discrimination and Goodwin spousal pensions are likely to impact on liability to pay future pensions:

There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Significant risk

Normal risk

Significant management estimate or judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets(infrastructure e& private equity)
Valuation of investment assets(other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters



PENSION LIABILITY VALUATION

The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.

Results (continued)

GMP Equalisation

On 20 November 2020, the High Court handed down a further judgment of the Lloyds GMP equalisation case, concluding that historical transfer values need to have their GMPs equalised from 1990 onwards. The actuary has not made any allowance, which is consistent with all other local government actuaries. Local government actuaries have cited that the announcement in February 2020 which extends to the November 2020 ruling, by the then Ministry of Housing, Communities and Local Government and HM Treasury that they are considering whether GMP equalisation in the context of the LGPS requires any further actions however neither party has yet issued any clear statements on this topic. In addition, the actuary for the pension scheme has indicated that any ruling is unlikely to have a significant impact on the pension obligations of a typical Employer. Furthermore, the historic individual member data needed to assess impact at Employer level is not readily available. PwC, as consulting actuary, has indicated that the approach taken by the actuaries is reasonable in the absence of clear statements or evidence to contradict the HM Treasury announcement.

GMP Indexation

In March 2021 the Government confirmed that public service pension schemes will be expected to pay full indexation for members who reach their State Pension Age after 5 April 2021. The actuary made allowance for full GMP indexation within the closing balance sheet position in the prior year therefore no further update was required for 2021.

McCloud

In the prior year the actuary made an allowance for the impact of McCloud judgement on pension liability at the balance sheet date. The actuary confirmed no additional adjustment to current service cost in the current year for extra year of service for those affected noting that they expect the impact of not allowing for the additional accrual to be less than 1% of payroll, or less than 0.1% of liabilities. We have estimated impact of McCloud on current service to be £2.405 million. Management has not corrected this in the accounts on the basis of materiality. (Unadjusted disclosure)

Goodwin case

The actuary did not make any adjustment for Goodwin judgement to adjust for the impact of differential in survivor pensions for same sex marriage or civil partnerships. The actuary estimated an additional liability of 0.1% on pension liability however did not make any adjustment as impact was deemed insignificant on the scheme. We have estimated this for the current year to be £2.405 million. Management has not corrected this in the accounts on the basis of materiality. (Unadjusted disclosure)

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets (infrastructure e& private equity)
Valuation of investment assets (other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters

PENSION LIABILITY VALUATION

The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty

O'Brien Judgement

The Courts found in favour of scheme members who argued that they had been treated unfairly in terms benefits due to them under their employment conditions. The courts have allowed for pension benefits to be backdated or claims to be made retrospectively. The actuary has not made any allowance for the impact of these ruling on pension liability as they estimate the impact to be 0.0% as both part-time and full workers received same access to pension under LGPS.

The results of our review of the reasonableness of the assumptions used in the calculation against other local government actuaries and observable data is reported on the following page.

Representations required

We will sought specific representations at the end of the audit over material assumptions used in the valuation of the pension liability include the financial and mortality assumptions.

Conclusion

Our audit on this section is substantially completed subject to quality reviews. Work completed thus far indicate that the defined benefit obligation has been appropriately calculated and the assumptions used are reasonable.

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Pension liability valuation
Contributions receivable
Valuation of investment assets(infrastructure e& private equity)
Valuation of investment assets(other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters

PENSION LIABILITY VALUATION

Significant estimate - LGPS pension liabilities

Council pension liabilities 2,405 million



The Council's pension liability has increased from £1,843 million to £2,405 million. The increase in liability includes £471 million for changes to financial assumptions such as increased annual salary increases above CPI at 2.8% (previously 2.6%), increased annual pension increases at 2.85% (previously 1.9%) offset by a fall in the rate of discounting scheme liabilities to 2% (previously 2.3%). It also include £26 million increase in liability from demographic and longevity assumptions'

We have compared the key financial and demographic assumptions used to an acceptable range provided by our a consulting actuary.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	2.90%	3.20 - 2.35%	Reasonable
- pensions increase	2.85%	2.8 - 2.85%	Reasonable
- Salary increase	2.8%	2.8 - 2.95%	Reasonable - short term assumption of lower rate and increasing long term assumption
- Discount rate	2%	1.95 - 2.05%	Reasonable
Commutation:	50%	50%	Reasonable
Mortality:			
- Male current	23.3 years	21.8 - 24.3	Reasonable
- Female current	26.6 years	25.2 - 26.7	Reasonable
- Male retired	21.9 years	20.4 - 22.7	Reasonable
- Female retired	24.4 years	23.2 - 24.9	Reasonable
Mortality gains	CMI 2018 (+1.25% improvement rate) with Club Vita local adjustments		Reasonable

We consider that the assumptions and methodology used by the Council's actuary are appropriate, and will result in an estimate of the pension liability which falls within a reasonable range.

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets(infrastructure e& private equity)
Valuation of investment assets(other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters

CONTRIBUTIONS RECEIVABLE

Risk description

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary. Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

There is a risk that employers may not be calculating contributions correctly, not paying over the full amount due to the Pension Fund or failing to charge employers the capital cost of pension strain due to early retirement.

There is a risk that employers may not be calculating contributions correctly or the Pension Fund does not correctly charge costs arising on pension strain for early retirements and augmented pensions.

Significant risk

Normal risk

Significant management estimate or judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

Work performed

We carried out the following planned audit procedures:

- Tested an increased sample of normal contributions due, additional deficit contributions where included in a higher employer rate and employer deficit lump sum payments for active members including checking to employer payroll records
- Reviewed contributions receivable and ensured that income is recognised in the correct accounting period where the employer is making payments in the following month
- Performed tests over capital cost due from employers for pension strain due to early retirement
- Carried out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

Results

Our audit is still in progress. We experienced delays with provision of data and information from management especially those that relate to the period before the change in administrators. We are closely working with management and Capita to speed up the process to get all the information needed to complete this section.

Conclusion

Work outstanding needs to be completed before we are able to conclude on this risk.

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets (infrastructure e& private equity)
Valuation of investment assets (other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters

VALUATION OF INVESTMENT ASSETS(INFRASTRUCTURE E& PRIVATE EQUITY)

Risk description

The investment portfolio includes illiquid and unquoted infrastructure and private equity holdings valued by the fund manager. The valuation of these funds and underlying assets may be subject to a significant level of assumption or estimation and valuations may not be based on observable market data. In some cases, the valuations are provided at dates that are not coterminous with the Pension Fund’s year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. There may also be material changes to the underlying values of the assets within the fund between the valuation date of that entity and 31 March 2021.

As a result, we consider there to be a significant risk that investments may not be appropriately valued in the financial statements.

The valuation of infrastructure and private equity holdings is a significant risk as it involves a higher degree of estimation uncertainty	
Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers and copies of the audited financial statements (and member allocations) from the fund for infrastructure and private equity funds
- Confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds where the financial statement date supporting the valuation is not coterminous with the Pension Fund’s year end
- Checked whether there may have been material changes in the underlying value of the assets in the funds since the last valuation date and 31 March 2021 per market conditions and latest financial statements or partnership accounts and whether changes have been reflected in an updated valuation provided by the fund manager
- Ensured investments have been correctly valued in accordance with the relevant accounting policies
- Obtained independent assurance reports over the controls operated by both the fund managers and Custodian for valuations and existence of underlying investments in the funds.

Results

We obtained all confirmations from managers directly and, where applicable, copies of financial statements. No issues were identified.

All confirmations obtained from the managers were for valuations of investments at 31 March 2021.

We did not identify any issues with the valuation basis applied by the fund managers.

We obtained independent assurance reports over the controls operated by all the fund managers and did not identify any issues.

We identified that the pension fund used Q3 valuation in the accounts for investments with CBRE and Adam Street, which was different to the Q4 valuation obtained directly from the fund managers. Q4 valuation was not available at the time of preparing the accounts. This resulted in understatement of investment valuation and change in market value by £3.364 million at year end (Unadjusted Ref#1).

Conclusion

Our audit is substantially complete, subject to quality reviews. We have identified an understatement of £3.364 million in value of investment at year end. Management do not propose to correct this misstatement.

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets(infrastructure e& private equity)
Valuation of investment assets(other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters

VALUATION OF INVESTMENT ASSETS(OTHER)

Risk description

The fair value of other funds (principally unit trusts and pooled investments held through unitised insurance policies) is provided by individual fund managers and reviewed by the Custodian, and reported on a quarterly basis. These funds are quoted on active markets.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers and agreed valuations, where possible, to readily available observable data (such as Bloomberg)
- Ensured that investments have been correctly valued in accordance with the relevant accounting policies
- Obtained independent assurance reports over the controls operated by both the fund managers and Custodian for valuations and existence of underlying investments in the funds.

Results

We obtained all confirmations from managers directly and, where applicable, copies of financial statements. No issues were identified.

All confirmations obtained from the managers were for valuations of investments at 31 March 2021.

We did not identify any issues with the valuation basis applied by the fund managers.

We obtained independent assurance reports over the controls operated by all the fund managers and did not identify any issues.

Conclusion

Our audit work is substantially complete, subject to quality reviews. Work completed thus far indicates that investment assets have been appropriately valued and recorded in the financial statements.

Significant risk
Normal risk
Significant management estimate or judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant control findings to be reported
Letter of representation point

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets(infrastructure e& private equity)
Valuation of investment assets(other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters

BENEFITS PAYABLE

Risk description

Benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations. Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

There is a risk that benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.

Work performed

We carried out the following planned audit procedures:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we have substantively tested a sample of calculations of pension entitlement
- Checked the correct application of annual pension uplift for members in receipt of benefits
- Checked a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also reviewed the results of the 'Tell Us Once' notification from HRMC to ensure future payments have been suspended for any bereavements identified
- Reviewed the results of the latest National Fraud Initiative (NFI) data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches
- Reviewed any life certification exercises undertaken for members that are excluded from the National Fraud Initiative
- Agreed amounts recorded in the ledger for benefits paid to the pensioner payroll reports.

Results

Our audit is still in progress. We experienced delays with provision of data and information from management especially those that relate to the period before the change in administrators. We are closely working with management and Capita to speed up the process to get all the information needed to complete this section.

Conclusion

Work outstanding needs to be completed before we are able to conclude on this risk.

Significant risk

Normal risk

Significant management estimate or judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant control findings to be reported

Letter of representation point

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets(infrastructure e& private equity)
Valuation of investment assets(other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters
Contents

CHANGE IN PENSION ADMINISTRATOR

Risk description

During the year the Pension Fund changed its pension fund administrator from Capita to West Yorkshire. There is a risk that the membership database transferred from Capita to West Yorkshire may be inaccurate or incomplete.

There is a risk that incorrect or incomplete membership database may be transferred to the new pension administrator.

Work performed

We carried out the following planned audit procedures:

- Reviewed the controls around the transfer of data to ensure appropriate controls were designed and implemented during the data transfer stage
- Checked management's reconciliation of membership data before and after the transfer to membership data and ensure discrepancies were followed up and resolved
- Agreed a sample of membership records to membership data transferred from the previous administrator.

Results

Our audit is still in progress. We experienced delays with provision of data and information from management especially those that relate to the period before the change in administrators. We are closely working with management and Capita to speed up the process to get all the information needed to complete this section.

Conclusion

Work outstanding needs to be completed before we are able to conclude on this risk.

Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets(infrastructure e& private equity)
Valuation of investment assets(other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters

FUNDING BARNET AND SOUTHGATE COLLEGE DEFICIT

Risk description

Barnet College and Southgate College merged in 2011. As part of the merger the active employees of Southgate College transferred to the LB Barnet Pension Fund and deferred and pensioner members remained with LB Enfield Pension Fund. LB Barnet Pension Fund assumed responsibility for past service accrued benefits and on-going benefits for the transferred employees from the LB Enfield Pension Fund. LB Enfield Pension Fund has requested a transfer value buy-out from LB Barnet Pension Fund of £4.2 million to fund the liability shortfall for the deferred and pensioner members based on a cessation funding formula.

We are aware that LB Barnet Pension Fund has made a verbal offer to LB Enfield Pension Fund to transfer the deferred and pensioner members and all assets funding accrued benefits to LB Barnet Pension Fund. LB Barnet Pension Fund will then be responsible for any liability shortfall for the deferred and pension members.

There still remains a risk that LB Enfield Pension Fund will not accept this proposal and a potential liability may exist and not be recorded arising from the allocation of members in these merged colleges across the LB Enfield and LB Barnet pension funds.

There is a risk that a potential liability may exist and not be recorded arising from the allocation of members in these merged colleges across the LB Enfield and LB Barnet pension funds.

Work performed

We carried out the following planned audit procedures:

- Continued to monitor the developments around the proposal made by LB Barnet Pension Fund
- Reviewed any advice provided by the actuary and any other legal advice sought by the Pension Fund to assess the potential liability for the LB Barnet Pension Fund
- Ensured that any potential liability has been correctly reflected in the accounts.

Results and conclusion

Per discussions with management the latest position is that the Barnet Southgate college is seeking a direction order that would result in all assets and member liabilities moving to Barnet. Barnet has agreed and Enfield are currently reviewing the draft order. The Actuary has calculated under a direction order that the assets to be received by Barnet Pension Fund would be £5 million greater than the value placed on the transferred liabilities, which compares to a Barnet and Southgate college liability of £4 million should Enfield value the liabilities on a cessation basis Conclusion.

We are in discussion with management to update the post balance sheet event disclosure to highlight this latest development in the accounts.

Significant risk	
Normal risk	
Significant management estimate or judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant control findings to be reported	
Letter of representation point	

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets(infrastructure e& private equity)
Valuation of investment assets(other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters

GOING CONCERN

We are required to highlight any judgements about events or conditions that may cast significant doubt over the entity's ability to continue as a going concern

Management's assessment of going concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The Code indicates that the assumed going concern concept for the Local Authority also applies to Local Authority's pension fund statements.

An authority's financial statements have been prepared on a going concern basis; that is, the accounts have been prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

The Local Authority as the administering authority has prepared its financial statements under code as the code assumes the authority to be a going concern and that assumption applies to the LGPS in terms of the code.

The code further highlights that where an authority is facing financial difficulties such difficulties should be disclosed.

Discussion and conclusion

Our review of management's assessment is on going however, to date, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council and Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue which needs to be disclosed.

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Contributions receivable
Valuation of investment assets (infrastructure e& private equity)
Valuation of investment assets (other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters
Contents

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
<p>Understatement of Investment management expenses</p> <p>Our audit work identified that investment management expense of £1.389 million deducted at source by the fund manager was not disclosed as investment management fees in the fund account.</p>	<p>Management has not corrected this disclosure error on the basis of materiality and we have reported it as a disclosure misstatement.</p>
<p>Presentation and missing disclosures in the accounts</p> <p>Our review of the draft accounts identified a number of presentational and other missing disclosures.</p>	<p>Management has amended the financial statements for the issues identified.</p>

- Contents
- Introduction
- Executive summary
- Financial statements
- Significant risks**
- Management override of controls
- Pension liability valuation
- Contributions receivable
- Valuation of investment assets(infrastructure e& private equity)
- Valuation of investment assets(other)
- Benefits payable
- Change in pension administrator
- Funding Barnet and Southgate college deficit
- Going concern
- Other matters
- Matters requiring additional consideration
- Audit differences
- Independence and fees
- Communication with you
- Outstanding matters

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Contents
Introduction
Executive summary
Financial statements
Significant risks
Management override of controls
Pension liability valuation
Pension liability valuation
Pension liability valuation
Pension liability valuation
Contributions receivable
Valuation of investment assets(infrastructure e& private equity)
Valuation of investment assets(other)
Benefits payable
Change in pension administrator
Funding Barnet and Southgate college deficit
Going concern
Other matters
Matters requiring additional consideration
Audit differences
Independence and fees
Communication with you
Outstanding matters

Fraud

Whilst the Director of Finance and Members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud

We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report.

Laws and regulations

The most significant considerations for your organisation are the:

- Public Service Pensions Act 2013
- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

AUDIT DIFFERENCES

Current year

We identified 2 audit differences to date that require correction that result in an overstatement of expenditure and understatement of net assets by £3.364 million

There are 6 audit differences from the prior year that have been corrected in 2020/21. The impact of the roll forward of prior year differences has resulted in return on assets for 2020/20 being overstated by £2.209 million. These are no longer audit differences at 31 March 2021 and we do not ask that you correct these as a prior period adjustment as the impact is not material. However, we report these to show the impact on the net returns in the fund account for 2020/21.

The impact of the current year and prior year audit differences has resulted in the fund account understating net expenditure by £1.155 million.

Audit differences	Fund Account			Net Assets Statement	
	NET DR/(CR) £000s	DR £000s	(CR) £000s	DR £000s	(CR) £000s
Decrease in net assets / net assets of the fund before adjustments	(315,167)			1,394,600	
Adjustment 1: Understatement of investment					
Dr Investment				3,364	
Cr Change in Market value	(3,364)		(3,364)		
Adjustment 2: incorrect presentation of investment management fees					
Dr Investment management fees	1,387	1,387			
Cr Change in market value	1,387	(1,387)			
Total audit differences	(3,364)			3,364	
Decrease in net assets / net assets of the fund after adjustments	(318,531)			1,397,964	

AUDIT DIFFERENCES.

Prior year

Contents
Introduction
Executive summary
Financial statements
Significant risks
Audit differences
Audit differences-Current year
Audit differences-Prior year
Other deficiencies
Prior year deficiencies
Independence and fees
Communication with you
Outstanding matters

	Fund Account	Net Assets Statement
Prior year audit differences		
Unbilled strain charged	292	
Bank reconciliations adjustment	(216)	
Understatement of Investment	951	
Overstatement of investment	400	
Employee contributions adjustment	(155)	
Deficit funding adjustment	937	
Impact of prior year audit differences on fund account performance for 2019/20	2,209	

Uncorrected disclosures

The following amounts impact on the reported fund pension liability to pay future pensions and have not been corrected in the reported whole fund liability of £4.8 million:

- McCloud liability understated (£2.4million)
- Goodwin liability understated (£2.4 million)

OTHER DEFICIENCIES

We also bring to your attention other deficiencies noted during the audit.

Area	Observation & implication	Recommendation	Management response
Logotech : Weak Password Parameters	<p>As password parameters were deemed insufficient and increases the risk of unauthorised access</p> <p>Risk that user passwords can be guessed or become known over time to other users. As a result, user accounts are at an increased risk of being used by persons other than the legitimate account owner.</p> <p>Crystallisation of this risk may have resulted in a material misstatement or fraud because user accounts may have been used to:</p> <ol style="list-style-type: none"> 1) process unauthorised, fraudulent or inaccurate transactions, and 2) bypass controls designed or required to segregate duties. 	<p>Implement mandatory password strength to the systems such as new passwords every 30/60/90 days, the 6 previous passwords cannot be re-used, minimum 6 characters and at least 1 special character and at least 1 number</p>	<p>Management agrees with the recommendation and will investigate the changes required with the software providers.</p>
Logotech, Review on Audit Log	<p>We confirmed that audit logging is enabled on these applications however the logs were not regularly reviewed and confirmed for appropriateness for administrator accounts.</p> <p>Absence of a periodic process to monitor changes made to standing data and other super users' activities in the application. This raises a risk of fraud due to the misuse of admin accounts. The audit trail should be enabled and regularly reviewed by the management to mitigate the high level of risk associated with the data.</p>	<p>Restrict privileged access such as creating, modifying, and deleting user access and other permissions (change standing date and sensitive information, etc internal IT employees only.</p> <p>Review the audit log report on a period basis.</p>	<p>Management agrees with the recommendation and will investigate the changes required with the software providers.</p>

Contents
Introduction
Executive summary
Financial statements
Significant risks
Audit differences
Audit differences-Current year
Audit differences-Prior year
Other deficiencies
Prior year deficiencies
Independence and fees
Communication with you
Outstanding matters

PRIOR YEAR DEFICIENCIES

We have followed up progress on addressing control deficiencies we have reported in the previous year

Area	Issue and impact	Original recommendation	Progress	Management response
Termination of leavers access to IT systems- Integra	<p>Nine staff members who had left the employment of the Council during the year but their access to the system was not terminated after the Council's 30 day access termination policy. There is a risk that a leaver's profile can be accessed by a different staff member after they have left which could result in gaps in the audit trail or accountability and potential breach of IT segregation of duties and other related access controls.</p> <p>We have reviewed login reports from the system and have confirmed that none of these staff members logged into the system post their leave date.</p>	Review leaver reports from Human Resources and check that access to all critical systems have been terminated on time	Our audit work on Integra IT system did not identify any issues with termination of leaver access	[Closed]
No regular user access right review of Integra and Logotech IT systems	There are no periodic or regular user access and access rights reviews for Integra and Logotech. There is a risk that user access rights may not be appropriate for their roles resulting in authorised access to data	Implement a process to periodically review access rights to ensure that access rights are appropriate for users roles	Our audit work on Logotech and Integra IT systems did not identify any issues with access rights.	[Closed]
Weak IT password policy for Logotech	The password control is of minimum strength that may result in exposure of unauthorised access to Logotech.	Improve mandatory password strength to the Logotech system such as new passwords every 30/60/90 days, the 6 previous passwords cannot be re-used, minimum 6 characters and at least 1 special character and at least 1 number.	Our audit work on Logotech IT system continues to identify IT policy as weak.	

Contents
Introduction
Executive summary
Financial statements
Significant risks
Audit differences
Audit differences
Audit differences
Other deficiencies
Prior year deficiencies
Independence and fees
Communication with you
Outstanding matters

PRIOR YEAR DEFICIENCIES

Area	Issue and impact	Original recommendation	Progress	Management response
Contributions receivable	We noted that the pension administrator does not always perform checks over the completeness and accuracy of contributions. Contributions returns received are captured onto contributions schedule without any checks to ensure the accuracy and completeness of contributions. Some returns received from employers do not come with corresponding payroll report confirming contributions due and some returns do not split out the employer and employees contributions figure.	Perform a monthly reconciliation of contributions received and check detailed payroll reports to ensure contributions are accurate and complete.	Audit work is still in progress	
Bank reconciliations	Our audit work identified an unreconciled £216,000 difference between the ledger cash at bank amount and the bank statement amount of cash held. Management has not been able to provide evidence to support the claim that this was a misposting in the bank general ledger. A complete bank reconciliation is a key management control to identify any irregularities and to confirm that all income and expenditure has been properly accounted for.	Perform regular reconciliation of bank ledger amount to bank statement to identify any incorrect posting in the bank ledger and resolve reconciling differences on a timely basis.	Audit work is still in progress	

Contents
Introduction
Executive summary
Financial statements
Significant risks
Audit differences
Audit differences
Audit differences
Other deficiencies
Prior year deficiencies
Independence and fees
Communication with you
Outstanding matters

INDEPENDENCE

Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report are set out on the following page and were provided in our Audit Planning Report. We understand that the provision of these services was approved by the Audit Committee in advance in accordance with the Council’s policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Planning Report.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council and the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

Contents
Introduction
Executive summary
Financial statements
Significant risks
Audit differences
Independence and fees
Independence
Fees
Communication with you
Outstanding matters

FEES

Fees summary

	2020/21 Proposed	2019/20 Proposed
Code audit fee	£16,170	£16,170
Supplementary fee	-	⁽¹⁾ £20,000
Proposed fee variation	⁽²⁾ £20,000	
Total audit fees	£36,170	£36,170

(1) Additional fees in 2019/20 in response to issues reported in our Audit Completion Report for the year ended 31 March 2019. This has been agreed with management and subject to PSAA approval.

(2) Proposed supplementary fees of £20,000 to:

- Reflect additional audit procedures that need to be undertaken to respond to the membership data completeness and accuracy risk arising from the change of pension administrator during the year
- Meet expectations of regulators for auditors to undertake additional work around management judgements and estimates, to obtain additional corroborating evidence for areas of risk
- Follow up issues arising from the previous audit



COMMUNICATION WITH YOU

Contents
Introduction
Executive summary
Financial statements
Significant risks
Audit differences
Independence and fees
Communication with you
Communication with you
Outstanding matters

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Pension Fund Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Planning Report	22 April 2021	Pension Fund Committee
Report on significant weaknesses in controls / Audit progress report (this report)	10 December 2021	Pension Fund Committee
Audit Completion Report	February 2022	Pension Fund Committee

STATUS UPDATE ON KEY FINANCIAL STATEMENT AREAS

The table sets out the status of our work to date and summary of any issues identified to date.

Financial statement area	Status	% Completion	Issues
Investment Asset	Complete subject to quality reviews	95%	£3.364 million understatement of asset
Pension liability valuation	Substantially complete subject to quality reviews	85%	McCloud and Goodwin impact. £4.8 million. Impact of O'Brien judgement on liability still being discussed
Journals	Substantially complete subject to quality reviews	80%	A couple of queries outstanding
Cash balance	In progress. A couple of queries outstanding	60%	Queries outstanding
Current Assets	Substantially. complete subject to quality reviews	95%	Query outstanding
Membership Data (Change in administrator)	In progress.		Some issues identified with data listing provided including 6 blank NiNo and 1 blank surname. Sample of 64 requested
Contributions Benefits Payable	In progress	50%	Employer payroll data o/s for samples and further queries likely to be raised. Capita samples outstanding
• Benefits paid	In progress	40%	Many queries outstanding
• Lump sum	In Progress	70%	Queries outstanding
• Other test	In Progress	50%	Queries Outstanding
Financial instruments	Substantially. complete subject to quality reviews	95%	Presentational and disclosure errors. £3.364 million understatement of assets
Investment management expense	Substantially. complete subject to quality reviews	90%	Understatement of management expense £1.387 million understatement of assets
Trasnfers in/out	In progress	40%	Delays in getting transfers in/out pre change in administrator
Related parties	Substantially. complete subject to quality reviews	95%	No issues noted

Contents
Introduction
Executive summary
Financial statements
Significant risks
Audit differences
Independence and fees
Communication with you
Outstanding matters

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the audited body and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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LB Barnet Pension Fund

14th December 2022

AGENDA ITEM 8

2021241

AGENDA

01 Responsible Investment & Net Zero Strategy

- 02 Investment Update
 - New Fund Launch Pipeline
 - Existing Fund Alterations

PRESENTERS



Gustave Loriot
Responsible Investment Manager



Harry Lamprinopoulos
Client Relations Manager



**London CIV
Responsible
Investment
&
Net Zero Strategy**

38



**London
CIV**

Climate at London CIV



London CIV

Task	Driver	Detail	Progress	Next Steps
Investment Beliefs	Informing investment strategy and responsible investment policies	Investment beliefs and principles	Complete	Review and finalise for 2021
Climate Data Procurement	Regulation, industry best practice, adding client value, mitigating climate risk, supporting strategy, target setting	Climate risk analysis in line with TCFD guidelines and industry best practice for 91% of AUM	Complete	Sovereign instruments coverage
Industry Collaboration	Supporting engagement and driving industry best practice	London CIV have joined: TCFD, UN PRI, ClimateAction100+, TPI. Net Zero recommendation made.	Ongoing	Ongoing
Leadership	Driving best practice in industry, adding value for clients	<ul style="list-style-type: none"> Consultations: DWP, PRI, TCFD Engagements: NDC Letter to UK Government 	Ongoing	Ongoing
Climate Risk Analysis (Equities, Debt and Real Assets)	Regulation, industry best practice, adding client value, mitigating climate risk, supporting strategy, target setting	Climate risk analysis covering 91% of London CIV existing AUM for listed equities and fixed income, calculate in house for real assets.	Complete	To be repeated in December 2021
Climate Policy Setting	Industry best practice, adding client value, setting targets	Owing to its materiality London CIV should have a separate statement on climate change	Complete	Review in March 2022
Climate Target Setting	Industry best practice, adding client value, risk mitigation, societal benefits of decreased emissions	London CIV have made a recommendation on net zero by 2040 with interim targets.	Complete	Detailed Roadmap, Integration of Passive funds.

London CIV Net-Zero Strategy



Recognising our duty to act in the long-term interests of our clients, it is recommended that the London CIV makes a **commitment to become a Net-Zero company by 2040** in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C.

Interim Targets

1

Reduce the carbon intensity of the Pool's investments by 35% by 2025 (relative to 2020), and 60% by 2030 across funds invested via the London CIV ACS, EUUT and SLP .

2

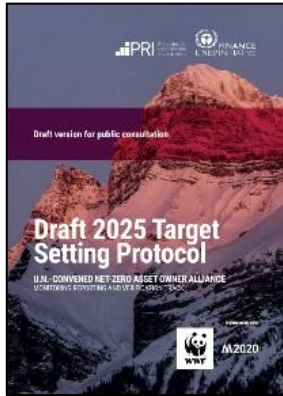
Become a Net-Zero company across operational and supply chain emissions by 2025.

Beyond the Sub-fund decarbonisation targets outlined above, we will set **sector-level decarbonisation targets, climate-engagement targets, and financing transition targets** to drive GHG emissions reduction outcomes in the real economy. We will also endeavour to assess the climate impact of assets invested passively through Blackrock and LGIM and integrate these funds as part of the London CIV Net-Zero Strategy by 2023.



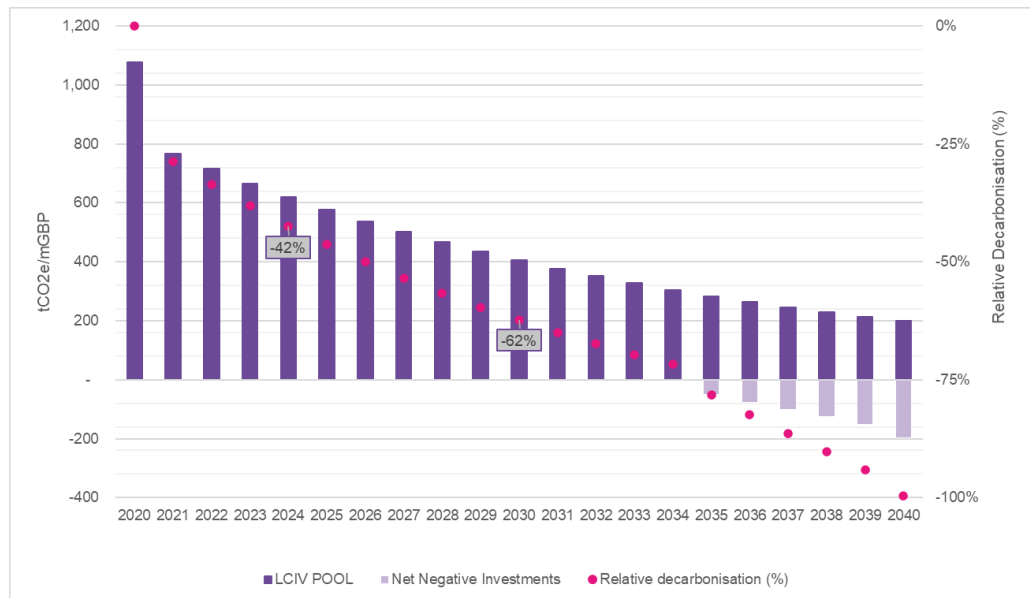
London CIV Net-Zero Strategy

This blueprint was developed following an extensive review of public frameworks for Paris-Aligned Investing, and the assessment of Net-Zero strategies shared by London CIV peers. Sub-fund targets were established in accordance with science-based decarbonisation pathways and under consideration of associated social impacts.



London CIV Net-Zero Strategy

The combination of an effective annual decarbonisation rate of 5% coupled with a progressive SAA shift towards low-carbon, Paris-Aligned, and net-negative climate investments puts the London CIV on a feasible and science-based path to achieve Net-Zero GHG emissions by 2040.



Source: London CIV



Products



Pipeline	Stage	ESG credentials
The London Fund	Launched 12/20 and Investing	Seeking social and environmental improvements for London
LCIV Inflation Plus Fund	Launched 3/20 and Investing	Engaging with manager Aviva to improve ESG, FRC
LCIV Private Debt Fund	Launched 3/21 and Investing	Engaging with managers to improve RI
LCIV Global Alpha Growth Paris Aligned Equity Fund	Launched 4/21	Paris alignment targeting -7% reduction in GHG emissions FRC ++
LCIV Renewables Infrastructure Fund	Launched and Investing	Investing in renewable energy, including a £99m purchase of Wind and Solar operating assets in the UK
LCIV Infrastructure Fund	Launched 9/19 and Investing	> 50% in renewables and considering a climate transition fund.
LCIV Passive Equity Progressive Paris Aligned Fund	Launching 12/21	Tracking index that is seeking to invest in companies that are aligned to -1.5c, FRC re-applied
LCIV Alternative Credit Fund	5 – Investing Stage	CQS improvements in RI approach, FRC approved
Sterling Credit	1 – Client Demand	Clients asking about ESG credentials of providers
Mandate changes		
LCIV Global Bond Fund with ESG	IMA And Prospectus changes	Manager commitment to work with issuers to address ESG issues
LCIV MAC Fund	Addition of 2 nd manager with ESG credentials	CQS improvement in RI, FRC PIMCO FRC re-applied
Global Equity Core ESG enhancements and Benchmarks, inc. name change to Resilient Global Quality Equity Fund	IMA and prospectus Changes	Manager improving social and environmental impact FRC re-applied



LONDON



Net Zero Strategy - Products



	D+FTI GHG Intensity (tCO2e/mGBP)	Fossil Fuel Exposure (%)	Implied Temperature (°C)
LCIV Global Alpha Growth Fund	208 tCO2e/mGBP	3%	>3°C
LCIV Global Alpha Growth Paris Aligned Fund	116 tCO2e/mGBP	0%	2-3°C
LCIV Global Equity Fund	121 tCO2e/mGBP	1%	2-3°C
LCIV Global Equity Core Fund	90 tCO2e/mGBP	0%	>3°C
LCIV Global Equity Focus Fund	55 tCO2e/mGBP	0%	2-3°C
LCIV Emerging Market Equity Fund	121 tCO2e/mGBP	0%	>3°C
LCIV Sustainable Equity Fund	143 tCO2e/mGBP	2%	<2°C
LCIV Sustainable Equity Exclusion Fund	136 tCO2e/mGBP	2%	<2°C
LCIV Passive Equity Progressive Paris Aligned Fund	75 tCO2e/mGBP	0%	<1.5°C
LCIV Global Bond Fund	420 tCO2e/mGBP	12%	2-3°C
LCIV MAC Fund	218 tCO2e/mGBP	8%	<2°C

- (1) Pooled Funds, Funds invested via the London CIV EUUT and SLP, and Funds invested via passively via BlackRock and LGIM do not appear on the table.
- (2) Implied Temperature Metrics were calculated by LCIV by leveraging the Trucost Transition Pathway dataset. They do not necessarily reflect whether a fund is "Paris Aligned". For more information, please consult the following [link](#).

Source: London CIV based on Trucost data as of 30th September 2021



London CIV Climate Analytics Service



London CIV Climate Analytics
28 November 2021

London CIV Climate Analytics - LB Haringey Pension Fund

1 Carbon Footprint 2 Disposed Assets 3 Net-Zero Alignment 4 Exposure

Attribution analysis explains how sector allocation and stock selection contribute to a smaller or larger footprint relative to a benchmark. This can be used to identify opportunities for future portfolio reduction. Sector allocation effects are determined using the 31 GICS Sectors for classifications, and the analysis has been completed based on the Carbon to Revenue Intensity (CRI). Both sets of emission scopes results are presented as:

Sector	Weight (Revenue)		Carbon Intensity (CRI)		Sector allocation		Attribution effect	
	Fund	Benchmark	Fund	Benchmark	Relative	Contribution	Relative	Total
Direct + First-Tier Indirect	2%	2%	50	48	0.0%	0.0%	0.0%	0.0%
Consumer Discretionary	17%	13%	96	104	2.3%	0.4%	2.8%	2.8%
Consumer Staples	12%	11%	255	263	2.3%	0.2%	0.2%	0.2%
Energy	7%	7%	672	802	1.3%	3.3%	4.4%	4.4%
Financials	20%	19%	187	221	1.7%	0.5%	0.5%	0.5%
Health Care	10%	12%	36	42	-2.4%	0.2%	-2.2%	-2.2%
Industrials	12%	14%	210	252	-2.0%	0.5%	-1.5%	-1.5%
Information Technology	10%	9%	103	74	0.4%	-3.9%	-3.4%	-3.4%
Materials	6%	6%	1167	1271	-1.7%	2.0%	3.7%	3.7%
Real Estate	1%	1%	270	161	0.0%	-0.4%	-0.4%	-0.4%
Utilities	1%	1%	1221	2448	-0.0%	-6.7%	-6.7%	-6.7%
Total	100%	100%	312	386	13%	13%	0.0%	0.0%

Scopes 1-2-3

Sector	Weight (Revenue)		Carbon Intensity (CRI)		Sector allocation		Attribution effect	
	Fund	Benchmark	Fund	Benchmark	Relative	Contribution	Relative	Total
Communication Services	4%	3%	129	99	0.2%	0.2%	0.2%	0.2%
Consumer Discretionary	14%	11%	2173	1917	1.1%	0.6%	0.6%	0.6%
Consumer Staples	12%	10%	841	998	0.8%	0.2%	2.0%	2.0%
Energy	7%	7%	4483	4442	0.1%	0.0%	0.0%	0.0%
Financials	21%	20%	115	142	0.8%	0.1%	1.3%	1.3%
Health Care	9%	12%	103	118	-0.7%	0.2%	-0.9%	-0.9%
Industrials	13%	14%	3553	2917	1.0%	1.9%	-2.8%	-2.8%
Information Technology	11%	10%	565	477	0.6%	-0.5%	0.6%	0.6%
Materials	6%	6%	4599	3379	0.1%	-2.9%	-2.8%	-2.8%
Real Estate	1%	1%	1134	769	0.1%	0.5%	-0.1%	-0.1%
Utilities	2%	2%	2692	4098	-0.7%	0.2%	-0.8%	-0.8%
Total	100%	100%	8187	8317	-1%	0%	0.0%	0.0%

London Borough of Haringey Pension Fund

- Pilot Climate Analysis completed for LB Haringey across 7 funds.
- Service soon available to all clients to support TCFD reporting.

London CIV Climate Analytics - LB Haringey Pension Fund

1 Carbon Footprint 2 Disposed Assets 3 Net-Zero Alignment 4 Exposure

Carbon emissions should be "normalized" by a financial indicator (either annual revenues or value invested) to provide a measure of carbon intensity. The Task Force for Climate-related Financial Disclosures favours the weighted average carbon intensity as preferred metric.

Carbon Intensity (CO2e/\$Bn)

The charts below provide an indication of the carbon intensity using the three main methodologies, carbon-to-revenue (CR), carbon-to-value (CV) and weighted-average carbon intensity (WACI). The analysis was completed for two sets of emission scopes.

Direct + First-Tier Indirect

Scopes 1-2-3

London Borough of Haringey Pension Fund

London CIV Climate Analytics - LB Haringey Pension Fund

1 Carbon Footprint 2 Disposed Assets 3 Net-Zero Alignment 4 Exposure

Companies are evaluated on the basis of their alignment with sectoral decarbonisation pathways. This assessment enables the calculation of an implicit temperature (°C) at company, sub-industry, and fund level based on performance over the period assessed.

Sub-industry Carbon Budget Assessment

Sub-industry	Temperature (°C)		Emissions Gap (CO2e)		Net-Zero Gap (CO2e)		Implicit Temperature (°C)
	2020-2025	2025-2050	2020-2025	2025-2050	2020-2025	2025-2050	
DA	+1.5°C	+1.9°C	1,152	10,824	9,176	33,813	4.5°C
GEVA	+0.7°C	+0.9°C	1,875	1,766	3,366	3,366	3.0°C

Net-Zero Alignment - Best Performers

Name	Sector	Contribution %	Temp. (°C)
Real Estate	Real Estate	-12.1%	-1.1°C
City Group Plc	Financials	4.8%	+1.1°C
Enterprise Investment Partners	Financials	4.3%	+1.1°C

Net-Zero Alignment - Worst Performers

Name	Sector	Contribution %	Temp. (°C)
West International ASA	Materials	14.2%	+5.1°C
Beau Parole Limited	Real Estate	8.6%	+3.0°C
Energy	Energy	7.7%	+2.9°C
Energy	Energy	5.2%	+2.1°C
Energy	Energy	5.2%	+2.1°C

London Borough of Haringey Pension Fund

Source: London CIV



Appendix – LCIV MAC Fund

Key Responsible Investment Metrics



The Strategy is continually working to deliver on each of its sustainability commitments

ESG Rating

BBB

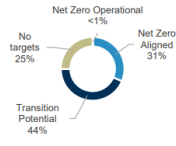
Weighted Average ESG Rating

46% less single B and 40% less CCC rated names than the CQS HY Universe

ESG Ratings	Q3 21
Agree to MSCI	49%
Notched up from MSCI	20%
Notched down from MSCI	30%

Net Zero Portfolio²

Represents the 347 / 506 portfolio companies where climate data was available or climate responded to our Climate Audit²



WACI

67%

lower carbon emission intensity than investing in the broader universe¹

Weighted Average Carbon Intensity¹ (T/\$m revenue)

86 CMA
262 ICE BoA Developed Markets High Yield Index

Coverage⁴

Scope 1 & 2 **100%** Scope 3 **99%**



Issuer	GICS Sector	Fund WACI Contribution
Danaos Corp	Industrials	3.0
Intervias Finco	Energy	2.5
Cp Iris Holdco I	Materials	2.5
Xella Internatio	Materials	2.5
EDF	Utilities	2.4

Engagement

512

Engagements across MAC strategies year-to-date³

Source: CQS estimated as at 29 October 2021. ¹WACI carbon intensity estimated using scope 1 & 2 available disclosures and MSCI sector proxy estimates. ESG ratings may not sum to 100% due to rounding. ²CQS as at 30 September 2021. ³This includes engagements as part of our Climate Audit and ESG questionnaires sent to our CLO managers. ⁴Coverage includes CQS Proxy WACI scores and excludes ABS.

Responsible Investment Updates



Engagement

VARSIITY // BRANDS

Varsity Brands is a seller of team sports uniforms, apparel and equipment serving US colleges. CQS reached out on cotton sourcing and ties with the US All Star Federation ("USASF") cheerleading scandals. Management refused to engage and speak with us. With their link to the wide-spread social issue of USASF and refusal to engage, we fully sold our position.



First Quantum is one of our targeted engagement programme names (we focus on carbon emissions disclosure and targets). In their Q2 2021 earnings announcement, they included an ESG section with emissions' savings data for the first time. Targets are expected to be announced in Q4 2021 and we will continue to engage with them on this.



Douglas currently provides limited disclosures on its social policies. Our analyst sought clarity on their social channels and targets set (employee engagement channels, accident tracking, data security and Scope 1-3 emissions). The company indicated that they do not currently have a monitoring framework in place but expect to begin reporting by mid-2022. Our engagement prompted interest from other investors - we will continue to seek progress from Douglas on this.

Updates:

In September 2021, CQS became a signatory to the **UK Stewardship Code**. The report is available on the CQS and Financial Reporting Council's websites. At the beginning of November, CQS became a signatory to the **Net Zero Asset Managers Initiative**. We are currently in the process of setting our interim targets for the CMA strategy.

Source: CQS and MSCI as at 1 November 2021. This is presented for illustrative purposes only to show you an example of a trade within a strategy. This trade example cannot be relied upon as an indication of future returns and past performance is no guarantee of future returns. It should not be assumed that recommendations around these types of trades made in the future will be profitable or will equal the performance of the trade example used herein. Past performance is not necessarily indicative of future results.

Opportunities & Risks



We see a transition opportunity as business and consumers shift to Electric Vehicles (EV). MFG is critically placed as one of the largest petrol forecourt operators in the UK and is a market leader in EV charging points, shifting its infrastructure to ultra-rapid charging points (able to deliver up to 100 miles in 10 minutes of charge), point of time payment model and power supplied by renewable energy.



MIAQ provides indoor air quality solutions, including antimicrobial and chemical filtration technology, areas of both health and economic importance in light of Covid-19 and public space re-opening. MIAQ has strong ESG disclosure and policy, and this forms part of management's board-level performance evaluation. Recent acquisition of Big Ass Fans further expands the product offering through energy efficient air circulation solutions, several of which are being adopted across net zero carbon emission building developments in the United States.



We reduced our position in Lafarge Holcim and ultimately exited in July 2021 across Convertible strategies due to ESG controversy concerns regarding the possible financing of extreme groups via their Syrian subsidiary. The French Supreme Court announced on 7 September 2021 that Lafarge would face investigation into complicity of crimes against humanity in Syria, overturning the previous ruling.

CQS have completed a climate audit of the CMA Fund and they are advocating for improved standards of practice and disclosure across the sub-investment grade credit markets. The climate audit provides a good baseline for setting decarbonisation targets for CMA in line with their commitment to achieve Net Zero GHG emissions by 2050.

Source: CQS

Appendix – LCIV Global Bond Fund (1/2)

PIMCO's Exclusions

Core Exclusions

- Bottom 15% of sovereigns on transparency and corruption indices (Transparency International, World Bank, Freedom House Index)
- Governments sanctioned by UN Security Council
- Violation of UN Global Compact Principles, UN Guiding Principles of Business and Human Rights or International Labour Organization Conventions
- Production of controversial weapons (e.g. cluster munitions and landmines)
- Manufacturing of conventional weapons / armaments (>10% revenue)
- Manufacture of tobacco products (>10% revenue)
- Production or trade of pornographic materials (>10% revenue)
- Production, distribution of coal and coal fired generation (>10% revenue)
- Oil sands extraction (>10% revenue)

Dynamic Exclusions*

Individual issuers and/or entire sectors may be excluded due to:

- Extreme controversy at the issuer and/or industry level
- Poor environmental practices
- Weak corporate governance
- Corrupt business practices
- Violation of human rights
- Unacceptable labour practices

PIMCO ESG Exclusion Group

- Composed of PIMCO investment professionals from multiple business units
- Meets regularly to ensure that ESG portfolios are consistent with objectives
- Incorporates PIMCO's evolving views on sustainability into dynamic exclusion list

*Dynamic Exclusions for illustrative purposes only. Exclusions are implemented through trade compliance. Refer to appendix for additional investment strategy and risk information
SOURCE: PIMCO

PIMCO 9

Source: Pimco

Engagement

Empower companies to influence change

Think like a Treasurer

Identify issuers which can benefit from engagement, then develop a set of core engagement objectives

Engage like a Partner

Successful engagement is based on collaboration, a productive dialogue and mutual agreement on objectives

Hold to account as a Lender

Measure progress against a pre-defined benchmark, agree on planned remedies if there is material underperformance and divest as necessary

Sample engagement themes

Climate	Conduct & Culture	Product risk & opportunity	Positive Impact (including SDGs ¹)
Are you planning to align reporting to TCFD recommendations?	Is senior executive compensation explicitly tied to sustainability metrics?	Do you report product safety audits at external production sites?	What are the most relevant Sustainable Development Goals (SDGs) for your business?
Do you have targets for emissions reductions?	Are there training programs on culture and alignment to expected values & behaviors?	Is the compensation of sales staff tied to good customer outcomes?	Has your company issued any purpose bonds (social, green, SDG)?
Do you evaluate the lifecycle carbon footprint of your products?	Does your board regularly review whistleblowing reports and customer complaint data?	Are you developing additional cybersecurity safeguards in relation to the connected car?	Does your business provide services/products that support underserved or underprivileged groups?

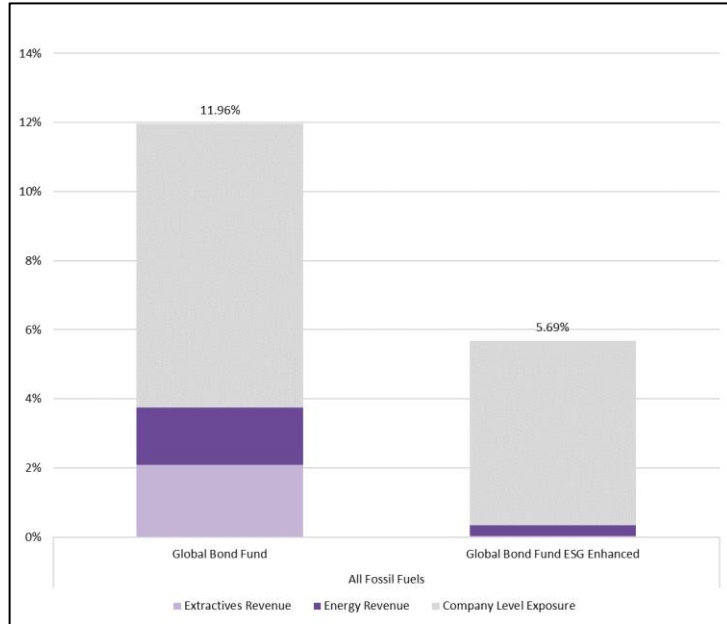
SOURCE: PIMCO. For illustrative purposes only
¹ UN Sustainable Development Goals

PIMCO 11

Source: Pimco

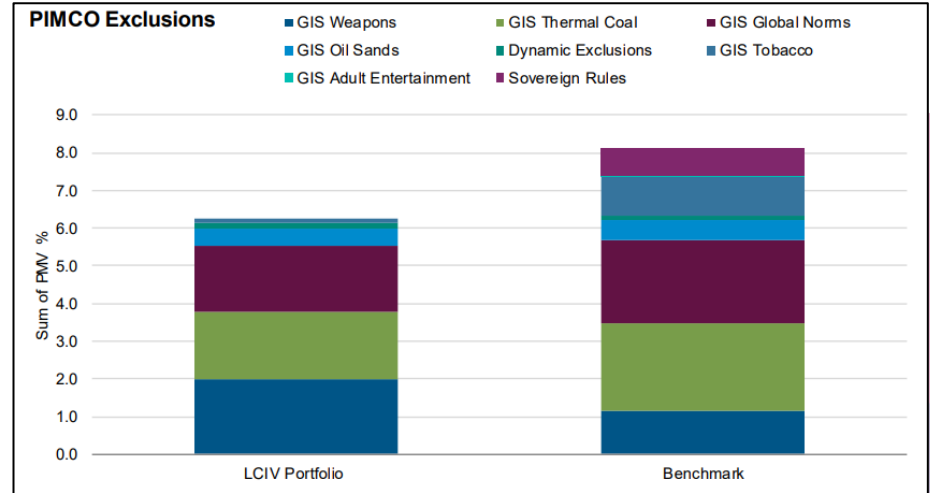
Appendix – LCIV Global Bond Fund (2/2)

LCIV Analysis: ESG Enhanced Global Bond Fund Fossil Fuel Exposure



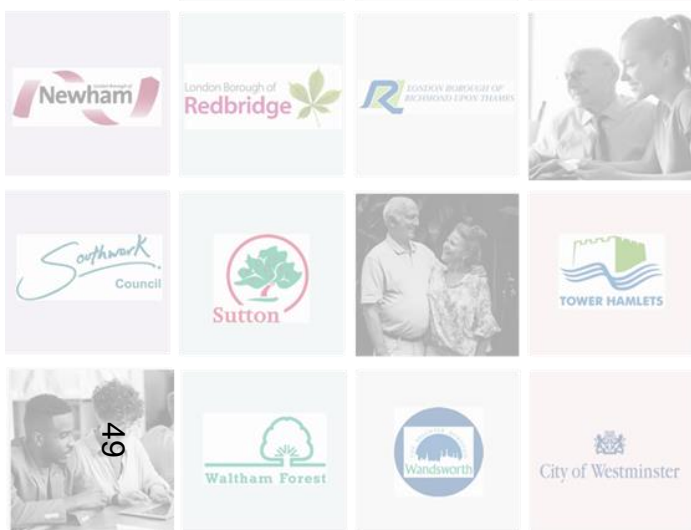
Source: London CIV based on Trucost data as of 30th September 2021

PIMCO Exclusions: Global Bond Fund



Source: PIMCO

- PIMCO's core and dynamic exclusions have been run through the London CIV Global Bond Fund and benchmark to provide an illustration of the impact of the PIMCO exclusions being applied to the Global Bond Fund.

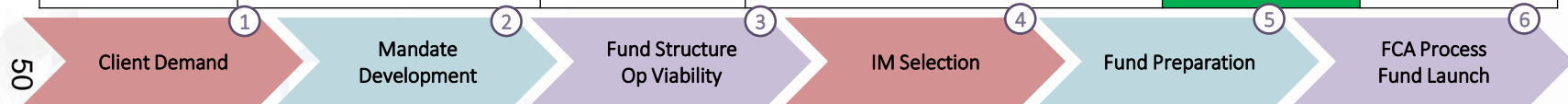


02

London CIV Investment Update
- New Fund Launch Pipeline
- Existing Fund Alterations

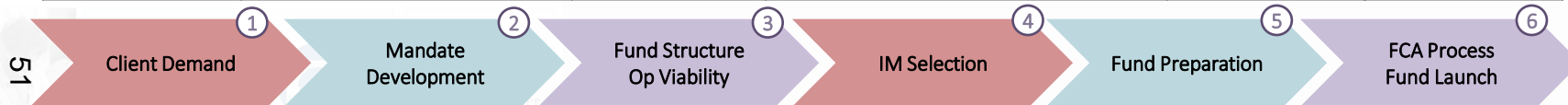
New Fund Launch Pipeline

FUND	CURRENT STAGE	EXPECTED LAUNCH DATE(S)	LATEST UPDATE	OVERALL RAG	TOTAL EXPECTED DEMAND
LCIV Passive Equity Progressive Paris-Aligned Fund (PEPPA)	Launched	operationally ready	Two investors have invested assets in December '21	Green	Launch with £500m (anticipated first year assets to total £877m - £1.1bn)
LCIV Sterling Credit Fund	Stage 1 - Client Demand	To be determined	SIG event held on 02 November, next SIG scheduled for 01 Feb 2022. Analysis to focus on fee savings and ESG enhancements	Green	£370m
LCIV Alternative Credit Fund	Stage 5 – Fund Preparation	Q1 '22	FCA filing sent 03/12/2021	Amber	£382m
Property	Stage 1 - Client Demand	To be determined	Client survey responses received (with thanks) Analysis being discussed internally. SIG to be arranged shortly.	Green	To be confirmed



Fund Alterations Pipeline

FUND	EVENT TYPE	EXPECTED COMPLETION	LATEST UPDATE	OVERALL RAG	TOTAL EXPECTED DEMAND
LCIV MAC Fund	Fund restructure – addition of PIMCO to co-manage Fund with CQS	Early Q1 '22	Fund document drafting has commenced FCA filing targeted for December '21 Transition planning in-flight	Amber	Additional AuM Circa £453m
LCIV Global Equity Core Fund	Fund objective moved to 'generate total return (comprising both capital growth and income returns) over a long-term period (typically 5-10 years)' ESG enhancements. Name change - Resilient Quality Global Equity Fund	Q1 2022	Preparing FCA application form	Green	Not Applicable
LCIV Private Debt Fund	Executive Directors approved allocation to underlying Managers	Completed on 05 November '21	Pemberton Subscription of €148m. Churchill Subscription of \$175m	Green	Additional Commitment £250m
LCIV Global Bond Fund	Transition into a more climate aware version to meet client demands	December '21	FCA filing issued 15 November.	Green	Not Applicable



Investment Update Summary

Staffing



- Second interviews for the Senior portfolio manager Private markets
- Started the search for investment analysts
- Jacqueline Jackson is on Maternity leave

Short-Term Activity



- PEPPA Fund operationally ready first investments, expected in December
- Alternative credit Fund launch
- Prospectus updated for Global Bond Fund
- Secondary in Inflation Plus- RCF
- Closed Blackrock Renewable UK Secondary
- Adoption of SONIA Benchmark

Medium - Term Activity



- Product Roadmap
- Net Zero strategy
- Property mandate(s)

Important information

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