MEETING
LOCAL PENSION BOARD
DATE AND TIME
TUESDAY 12TH OCTOBER, 2021
AT 6.00 PM
VENUE
This meeting will take place virtually
To access the meeting please visit this page

TO: MEMBERS OF LOCAL PENSION BOARD (Quorum 3)

Chairman: Geoffrey Alderman
Vice Chairman: Hem Savla

Stephen Ross
David Woodcock
Councillor Thomas Smith
Vacancy
Salar Rida

Substitute Members
Councillor Helene Richman
Alice Leach

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted on 07 October 2021 by 10AM. Requests must be submitted to Paul Frost.

You are requested to attend the above meeting for which an agenda is attached.
Andrew Charlwood – Head of Governance

Governance Service contact: Paul Frost - 0208 359 2205 – paul.frost@barnet.gov.uk
Media Relations Contact: Tristan Garrick 020 8359 2454

ASSURANCE GROUP

Two paper copies of the agenda only will be available at the meeting for members of the public. If needed, attendees are requested to print any specific agenda report(s). Committee Agendas are available here: barnet.moderngov.co.uk/uuCoverPage.aspx?bcr=1

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes of last meeting	5 - 8
2.	Disclosable Pecuniary interests and Non Pecuniary interests	
3.	Absence of Members	
4.	Public Question and Comments (if any)	
5.	Report of the Monitoring Officer (if any)	
6.	Members' Items (if any)	
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10.	Consultation on Contribution Policies 28 September 2021	103 - 136
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13.	Any other item(s) the Chairman decides are urgent	

FACILITIES FOR PEOPLE WITH DISABILITIES
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Decisions of the Local Pension Board

24 June 2021

Members Present:-

AGENDA ITEM 1

Geoffrey Alderman (Chairman)
Hem Savla (Vice-Chairman)

Stephen Ross
David Woodcock
Councillor Thomas Smith
Salar Rida

Also in attendance

Alice Leach

1. MINUTES OF LAST MEETING

Resolved:
That the minutes of the meeting that took place on 04 February 2021, be approved.

2. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS

None.

3. ABSENCE OF MEMBERS

None.

The Chairman noted that Board Member Mrs Rebecca Doctors has resigned. He therefore thanked Mrs Doctors for her attendance and contributions at meetings. The Chairman also noted that Officers were in the process of recruiting to the current vacancy.

4. PUBLIC QUESTION AND COMMENTS (IF ANY)

None.

5. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

6. MEMBERS' ITEMS (IF ANY)

None.

7. ACTUARIAL VALUATION UPDATE

The Head of Finance for Pensions, Mr Bruce introduced the report. He provided an overview of the funding position of the pension scheme and rate of contributions paid by employers noting that these are assessed every three years by the Scheme Actuary.

Members of the Local Pension Board had the opportunity to consider the report and ask questions.

Having considered the report, the Local Pension Board:

Resolved:
That the Local Pension Board note the Government Actuary's Department report on the 2019 triennial valuation.

8. ADMINISTRATION PERFORMANCE REPORT

Mr Mark Fox, Pensions Manager introduced the report. He highlighted the West Yorkshire Pension Fund pensions administration performance report relating to May 2021, along with an update on the data remediation plan and the production of the 2021 Annual Benefit Statements. He also outlined the poor performance of Prudential and the steps the Council were taking to monitor and oversee the necessary corrections.

During the consideration of the item Mr Hem Savla suggested that Board members receive an update on the performance of the Prudential due to their poor performance.

Mr Rida requested that Officers check that the contact details for West Yorkshire Pension Fund are included in the pensions section on employment contracts to ensure they are accurate.

Having considered the report, the Local Pension Board:

Resolved:

The Local Pension Board are requested to noted West Yorkshire Pension Fund's performance levels, along with the actions being taken to correct the Fund data issues and the update on the issuing of 2021 Annual Benefit Statements.

9. REVIEW OF ADMINISTRATION STRATEGY, IDRP AND BREACHES POLICY

Mr Mark Fox, Pensions Manager introduced the report. He explained that the paper provided the Local Pension Board with the revised Pensions Administration Strategy following the transfer of administration to West Yorkshire Pension Fund, along with details of the revised Internal Dispute Resolution Procedure (IDRP) and the draft Breaches Policy.

Mrs Leach requested to known if Officers has a conflict of interest as they work so closely with the administrator. Mr Fox stated that this was not the case, he added that he was not conflicted although his role was closely aligned. He also said that during review stages regarding complaints different Officers participate in different stages. This provided assurance to the Board.

Members of the Local Pension Board had the opportunity to consider the report and ask questions.

Having considered the report, the Local Pension Board:

Resolved:

The Local Pension Board noted the report.

10. LPB EXTERNAL AUDIT PLAN

The Head of Finance for Pensions, Mr Bruce introduced the report. He noted that BDO were unfortunately unable to attend the meeting. He presented the report and requested that Board Members give consideration to the report and the Officer recommendation.

Members of the Local Pension Board had the opportunity to consider the report and ask questions.

Having considered the report, the Local Pension Board:

Resolved:

That the Local Pension Board noted the audit strategy for the 2020/21

11. DECISIONS MADE BY THE PENSION FUND COMMITTEE

The Head of Finance for Pensions, Mr Bruce introduced the report. He provided an overview of the report. Mr Bruce noted the items and the decisions that the Pension Fund Committee had considered at its last 3 meetings.

The Chairman confirmed that he had briefed the Chairman of the Pension Fund Committee following the Board's last meeting.

Having considered the report, the Local Pension Board:

Resolved:
That the Local Pension Board noted the procedures applied by the Pension Fund Committee when reaching decisions at recent meetings and considered any issues associated with those procedures and decisions.

12. PENSIONS ADMINISTRATION RISK REGISTER

Mr Mark Fox, Pensions Manager introduced the report and gave a full overview of the Risk Register. He highlighted the detail in the report's appendices and requested that Members give consideration to it.

Having considered the report the Local Pension Board:

Resolved:
That the Local Pension Board noted the risk registers.

13. THE PENSIONS REGULATOR (TPR) CODE OF PRACTICE 14 (COP14) COMPLIANCE REPORT

Pensions Manager, Mr Keogh introduce the report and stated that the paper outlined the latest review of the fund's compliance with the code of practice.

Having considered the report the Local Pension Board:

Resolved:

The Local Pension Board is asked to note the outcome of the review

14. TRAINING POLICY

Mr Mark Fox, Pensions Manager introduced the report. Board Members noted that the paper provided them with the Training Policy for Board members to review and also the Self-Assessment Training Questionnaire for members to complete.

Having considered the report the Local Pension Board:

Resolved:

The Local Pension Board noted the report.

15. LOCAL PENSIONS BOARD WORK PROGRAMME_ JUNE 2021

Resolved:

That the Local Pensions Board noted the work programme.

16. ANY OTHER ITEM(S) THE CHAIRMAN DECIDES ARE URGENT

None.

The meeting finished at 21:35

AGENDA ITEM 7

Local Pension Board

12 October 2021

Title	**Administration Performance Report**
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – WYPF Monthly Report (for August 2021)
Officer Contact Details	Mark Fox, Pensions Manager – 0208 359 3341

Summary

This paper provides the Local Penson Board with the West Yorkshire Pension Fund pensions administration performance report for August 2021, along with an update on the data improvement plan, production of the 2021 Annual Benefit Statements, administration issues and a Finance update.

Officers Recommendations

The Local Pension Board are requested to note West Yorkshire Pension Fund's performance levels, along with the actions being taken to correct the Funds data issues and historical leavers, along with the update on the 2021 Annual Benefit Statements and subsequent reporting to The Pensions Regulator.

1. WHY THIS REPORT IS NEEDED

1.1 The efficient delivery of benefits is reliant upon effective administrative procedures being in place. It is important that this information is reviewed by the Board.

1.2 The report in Appendix A provides an overview of performance of the operational pensions administration service delivered by West Yorkshire Pension Fund (WYPF) up to August 2021.

WYPF Performance

1.3 The August monthly report shows that WYPF processed **2,103** cases in August 2021 with **97%** of cases being completed within the agreed Service Level Agreement (SLA). The number of cases processed is significantly higher than the average number of cases normally completed. The primary reason for this is the increased number of queries that WYPF have received from members, due to Annual Benefit Statements (ABS) being issued during July and August. Many of these cases were dealt with in phone calls with the member.

1.4 Work levels at WYPF remain high at present. As at 16 September number of current outstanding "business as usual" cases is **1,013.** Again, this is a result of the ABSs being issued and members requesting retirement estimates. Officers monitor WYPF performance at fortnightly meetings, to ensure that there is no significant reduction in performance levels.

1.5 The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received by remains very low. There are currently three stage 1 IDRP cases and one stage 2 case in progress

1.6 Different work types have different target completion periods and different SLAs, usually depending on the nature/priority of the item of work. These are shown in Section 1 in appendix A.

1.7 For most work types, the SLAs have been met. The only process that failed to meet the SLA in August was "Death Grant Nomination Form Received", which is a result of members receiving their ABSs and deciding to complete or update their Nomination Form. The number of forms being received should reduce back to normal levels going forward, so Officers would expect that WYPF will meet this SLA in future months.

1.8 WYPF have also been working on the **2,230** backlog cases inherited from the previous administrator, with the current total still to be processed being **1,423**.

1.9 The majority of the outstanding "backlog" cases relate to inherited historical leavers where a leaver form has not been received from employers.

Officers are producing a project plan to ensure that these historic cases, along with any new leavers where the employer has not provided leaver details, are processed as soon as possible. An update on progress will be provided to the Board at subsequent meetings.

Automated/Manual Calculations

1.10 Most of calculations undertaken by WYPF are fully automated on their pensions administration system, UPM. However, it is possible that an occasional case will require a manual calculation. This is usually because a member has an unusual benefit or a data issue that only affects a very small number of members.In such cases, WYPF have processes and controls in place to ensure that any manual calculations are affected reviewed and checked before figures are sent to members

1.11 Officers are monitoring the number of automated/manual calculations undertaken by WYPF and a summary is shown below:

	March – May 21	**June 21**	**July 21**	**August 21**
Percentage of automated calculations	98.82%	100%	100%	100%

1.12 Officers have also received assurance from the Bradford Council Internal Audit Team, who are responsible for the internal audit of the WYPF processes, that there is adequate control in the testing of both automated and manual calculations.

WYPF member portal

1.13 The number of members who have registered for the WYPF “Member Portal” is increasing. As at 17 September, the number of registered members was as follows:

Active members – 1,852
Deferred members – 1,342
Pensioners - 485

1.14 Members can access their ABS on the member portal (although they can opt out of electronic communication, if they choose to do so). Officers have written to all employers asking them to encourage their members to register on the member portal, and an email was sent to all Council members asking them to do the same. As such, the numbers of registrations should continue to increase over next few months.

1.15 WYPF are also developing a facility on the portal that will allow members to run their own retirement estimates at any date in the future. It is hoped that this functionality will be in place by the end of the year.

Regulatory Breaches

1.16 **September 2020 breach** – This breach has been previously reported to the Board and relates to an overpayment of a pension and lump sum to a member, who has been in receipt of a pension since 2014. The total overpayment was c£45,000.

1.17 Officers have now agreed with the previous administrator a settlement figure and are now waiting payment of this amount. The member will be contacted when payment is received.

Prudential

1.18 WYPF have informed Officers that they have reported a breach to The Pensions Regulator (TPR), relating to delays in obtaining information and/or disinvestments from Prudential regarding members Additional Voluntary Contributions (AVC) funds. This has impacted on WYPF's ability to supply members with accurate and detailed retirement options.

1.19 TPR have advised WYPF that they "*are continuing to monitor the situation*".

1.20 Prudential's performance is improving but members are still experiencing delays. WYPF are working with Prudential to improve their service. Members impacted by Prudential delays are offered the opportunity to raise a formal complaint by completing an IDRP.

Data Improvement Plan/ Historical Leavers

1.21 WYPF have produced a Data Improvement Plan to correct the issues inherited from the previous administrator. This Plan is regularly monitored by the LBB Pensions Team.

1.22 The data improvement plan sets out the 18 areas where data needs to be updated. WYPF provide monthly Data Quality Update Reports, which gives the number of data items within the data improvement plan that need updating. Initially, there were **c28,500** data items that needed to be reviewed and updated. At the end of August, this had reduced to **c13,500**.

1.23 The aim is for these data issues to be completed by the end of the year.

1.24 WYPF also provide updates on progress to Officers at fortnightly meetings. In addition, WYPF agreed to run an update on both the common and conditional data scores for the Fund that were last run in December 2020. These data scores are a method for measuring quantity of data and are reported to TPR in the Scheme Return (usually completed in November).

1.25 A summary of progress in terms of the TPR data scores is shown below:

Month	TPR score - common	TPR score - conditional
February 2021	95.79%	41.27%
March 2021	95.81%	43.64%
April 2021	95.75%	64.08%
May 2021	96.10%	67.95%
June 2021	96.24%	69.33%
July 2021	96.47%	74.47%
August 2021	96.45%	75.77%
September 2021	96.59%	76.55%

1.26 These figures show the presence of data held on members' records. Common data is data is needed so that a member can be uniquely identified, such as date of birth and national insurance number. Conditional data is used to calculate the member benefits, such as pensionable salary and service information.
.

1.27 Further updates will be provided to the Board at each meeting until the data remediation plan is completed.

1.28 As detailed above, WYPF also inherited **c1,500** "historic leavers" from the previous administrator. Following the work undertaken by WYPF in the ABS process, this number has increased to **c1,950**.

1.29 Most of these members are likely to have a deferred benefit, which means that they should have also received an ABS. Officers will report this issue to The Pensions Regulator as a breach of the regulations.

Annual Benefit Statements (ABS)

1.30 Annual Benefit Statements (ABS) started to be produced for deferred members at the beginning of July and for active members in mid-July.

1.31 The ABS's have been uploaded onto the WYPF member portal and members have received a letter from WYPF advising that they can view their ABS on the portal, if they register/have previously registered. Members have the option to receive a paper copy of their ABS, if they request this option.

1.32 The statutory deadline for producing ABSs was 31 August. At this date, **c92%** of ABS's had posted on the member portal for active members and **98.5%** of deferred members had has their statements posted on the portal.

1.33 As at 22 September, the figures are **93.5%** and **98.6%** respectively. WYPF continue to work on producing the remaining ABSs. The majority of outstanding active ABSs are where a query has been raised with the employer and for deferred members, data issues that WYPF require to correct manually, before these statements can be produced.

1.34 Officers have received positive feedback from members regarding their ABSs. WYPF have received a number of queries generally relating to their pay and service details shown on the statement, which WYPF will query with the members' payroll providers.

1.35 In addition, WYPF will also need to produce ABSs for those members included as "historical leavers", as detailed above.

1.36 Officers will also provide an update on ABSs to TPR.

Finance Update

1.37 Between April and July 2021, the fund has received **£21.1m** of contribution payments into the Funds bank account.

1.38 The monthly contribution returns received from employers for the same period only total **£15.4m**, meaning that £5.7m of the contributions received relate to employers who have not submitted returns, or have sent in returns which do not reconcile to the amounts received.

1.39 Officers are chasing these employers to obtain missing or incomplete monthly returns.

1.40 For the contributions reconciled with the monthly returns, this is split as follows:

Employer Contributions – £11.2m
Employee Contributions - £3.1m
Employee Additional Contributions - £0.02m
Employer Deficit Contributions - £1.1m

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 Not applicable in the context of this report.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Local Pension Board 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 Not applicable in the context of this report.

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 LGPS 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. The Local Government (Amendment) (Governance)Pension Scheme Regulations 2015 inserts regulation 106 into the Local Government Pension Scheme Regulations 2013 which requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

5.4.2 Under the terms of reference for the Local Pension Board, the role of the Board is to assist with:

- compliance with LGPS Government regulations;
- compliance with the requirements imposed by the Pensions Regulator.
- such other matters as the LGPS regulations may specify ensure the effective and efficient governance and administration
- ensure the Pension Fund's strategy and policy documents are maintained in accordance with the LGPS Regulations.
- ensure the Pension Fund's internal Risk Register is reviewed at least annually.
- review the Pension Fund's performance in complying with the requirements of the LGPS Regulations

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 eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 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, marriage and civil partnership.

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. ENVIRONMENTAL IMPACT

6.1 None

7. BACKGROUND PAPERS

7.1 None

Monthly Report

September 2021

LB Barnet Pension Fund

Prepared by:

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Contents

1. Performance summary

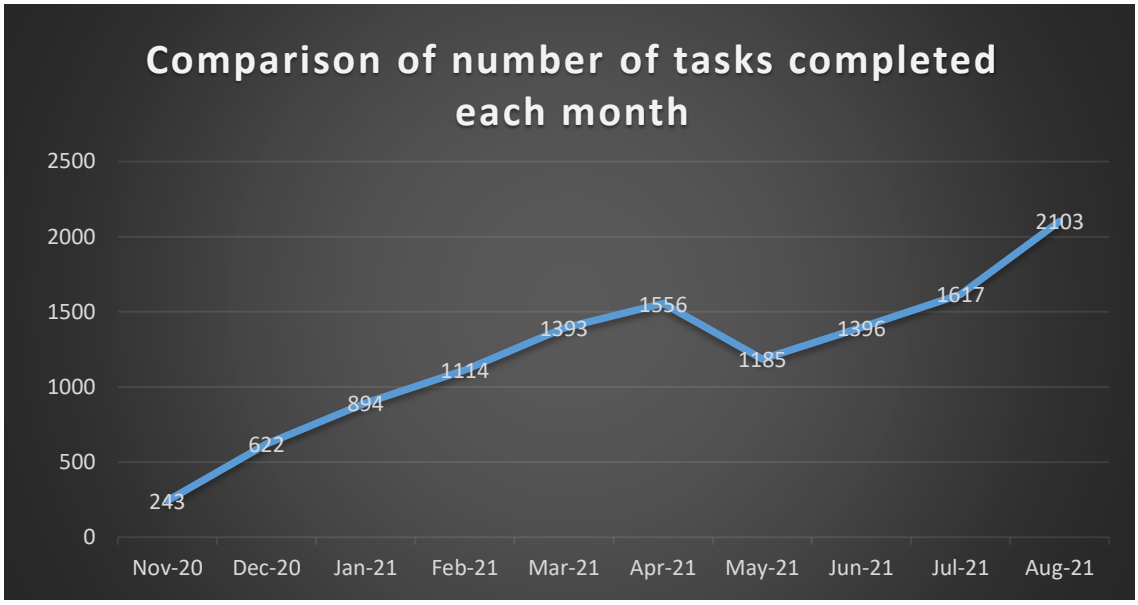
Work completed

KPI's for the period - 01.08.21 to 31.08.21							
WORKTYPE	TOTAL CASES JULY	TOTAL CASES AUGUST	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN (Days)
AVC In-house (General)	16	4	20	4	85	100	4.75
Change of Address	68	78	10	75	85	96.15	3.12
Change of Bank Details	10	13	10	12	85	92.31	4.38
DWP request for Information	0	2	20	2	85	100	19
Death Grant Nomination Form Received	**127**	**250**	**20**	**176**	**85**	**70.4**	**12.7**
Death Grant to Set Up	3	9	5	9	85	100	1
Death In Retirement	27	23	5	20	85	86.96	3.09
Death In Service	0	2	5	2	85	100	5
Death on Deferred	1	4	5	4	85	100	4.25
Deferred Benefits Into Payment Actual	41	57	5	57	90	100	4
Deferred Benefits Into Payment Quote	57	68	35	68	85	100	1.72
Deferred Benefits Set Up on Leaving	34	55	20	55	85	100	1
Divorce Quote	8	2	20	2	85	100	4.5
Enquiry	0	4	5	4	85	100	1
Estimates for Deferred Benefits into Payment	2	0					
General Payroll Changes	31	29	10	26	85	89.66	5.48
Initial Letter Death in Service	0	2	5	2	85	100	3
Initial letter Death in Retirement	27	23	5	21	85	91.3	9.57
Initial letter Death on Deferred	1	4	5	4	85	100	1.75

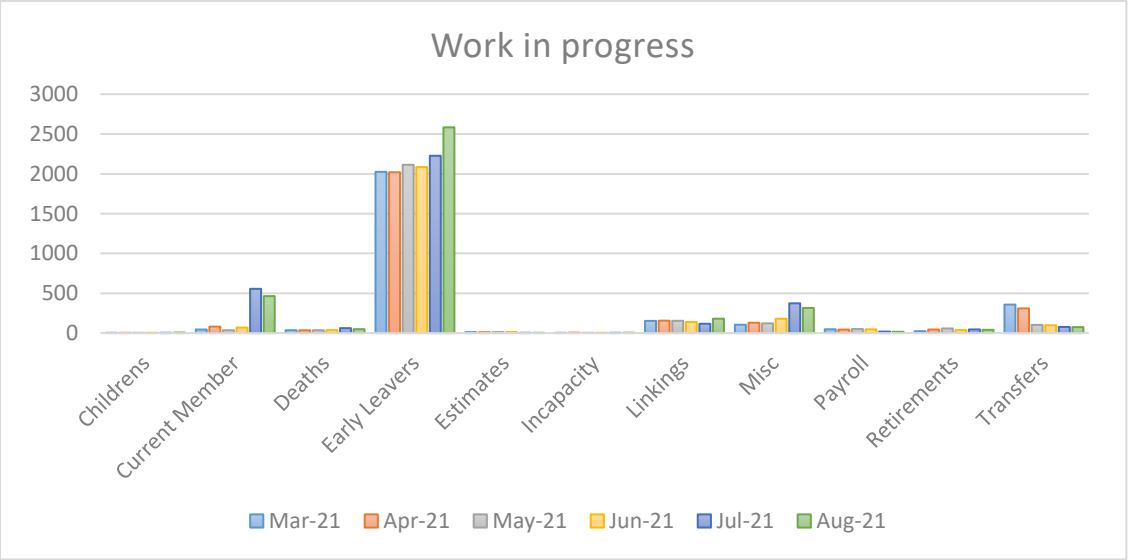
Monthly Posting	323	184	10	175	95	95.11	3.05
Payment of Spouses _Child benefits	13	3	5	3	90	100	1.67
Pension Estimate	20	15	10	15	75	100	2.07
Phone Call Received	237	441	3	431	95	97.73	1
Refund Actual	13	7	10	7	95	100	2.29
Refund Quote	9	8	35	8	85	100	1.13
Retirement Actual	11	22	3	22	90	100	2
Spouse Potential	0	2	20	2	85	100	15.5
Transfer In Actual	2	2	35	2	85	100	1
Transfer In Quote	2	0					
Transfer Out Payment	5	0					
Transfer Out Quote	11	15	20	14	85	93.33	4.73
Update Member Details	518	775	20	775	100	100	1
Totals	1617 97.11%	2103				97%	

Comment – All calculations for the period 01/08/2021 to 31/08/2021 were fully automated and no manual calculations were done.

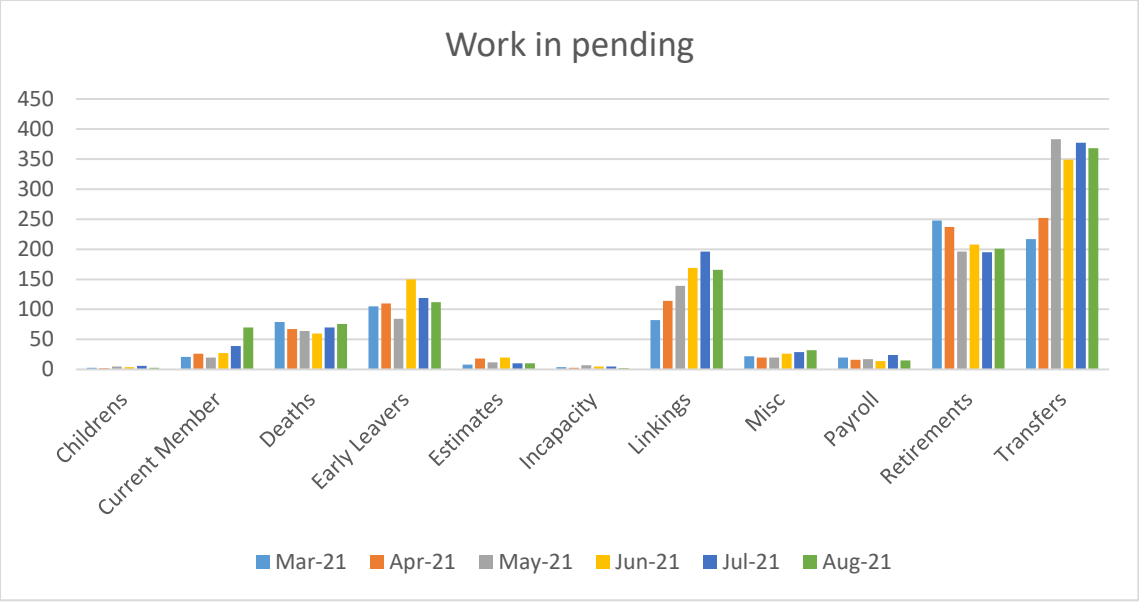
Comment – The KPI for Death Grant Nomination Form Received has not been met this month due to the high volume of forms received from members across all funds since the start of the ABS & DBS production.



2. Work in progress



	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Childrens	3	1	1	2	3	7
Current Member	45	81	36	69	556	464
Deaths	36	35	36	37	62	49
Early Leavers	2025	2020	2114	2085	2227	2584
Estimates	12	11	12	13	2	1
Incapacity	4	6	1	3	4	5
Linkings	153	156	154	139	117	181
Misc	105	130	122	180	374	316
Payroll	48	44	51	47	19	16
Retirements	24	45	58	37	46	41
Transfers	358	310	103	98	77	75



	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Children's	3	2	5	4	6	3
Current Member	21	26	20	27	39	70
Deaths	79	67	64	60	70	76
Early Leavers	105	110	84	150	119	112
Estimates	8	18	12	20	10	10
Incapacity	4	3	7	5	5	2
Linkings	82	114	139	169	196	166
Misc	22	20	20	26	29	32
Payroll	20	16	17	14	24	15
Retirements	248	237	196	208	195	201
Transfers	217	252	383	349	377	368

The tables above show processes grouped together and each group consists of a number of processes as shown below.

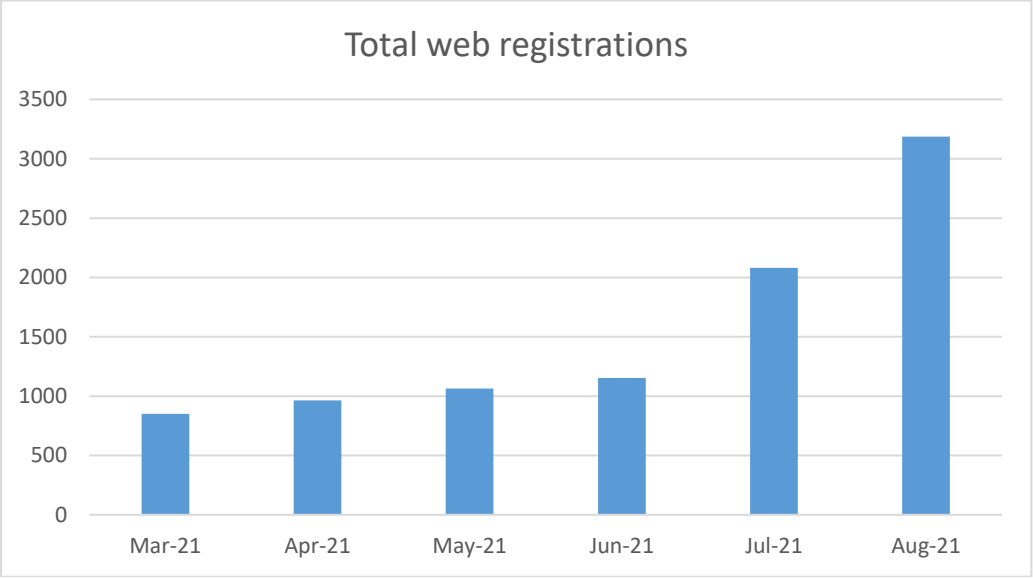
Childrens	Children's education review & children's pension age review
Current Member	Transfer in quote, changes to circumstances (breaks/hours etc.), annual allowance breach, AVC change, monthly postings mover, APC buying extra, divorce quote, query on record, waiting for documents GMP notification
Deaths	Death in retirement, death in service, death on deferred, death grant to set up, death overpayment to recover, death notification
Early Leavers	Leaver notification, deferred benefit, refund quote, preserved refund
Estimates	Pension estimate, deferred estimate
Incapacity	Incapacity case
Linkings	Linking quote, linking actual, interfund linking quote, interfund linking actual
Misc	Member portal query, post received, phone log, age 75 approaching, enquiry needing a response, Finance Team referral

Payroll	Life certificate received, returned credit, BACS recall, 100th birthday, Tracesmart, suspend Tier 3, update bank details, payroll changes, GMP notification
Retirements	Deferred retirement quote, retirement quote, Tier 3 ill health review
Transfers	Interfund out, transfer out, AVC transfer out

3. Member web registrations

The numbers of members signed up to member web are:

Status	Number
Active	1503
Pensioner	451
Deferred	1233
Total	**3187**



Comment – of the 7,750 pension statements to be run, 7,115 have been produced which is 91.8% as at 01/09/2021.

4. Administration update

a) Internal Dispute Resolution Procedure (IDRP)

Stage 1

Completed 0

Ongoing 3

Date of appeal	Reason for appeal	Current position /outcome	Last action taken	Decision due	Date decision letter sent
02/07/2021	Delays in awarding pension benefits due to problems obtaining AVC funds.	Considering evidence.	E-mail sent to Mark Fox on 03/09/2021 asking him for his comments on whether payment for distress and inconvenience caused should be made.	14/09/2021	
06/7/2021	Delays in awarding pension benefits due to problems obtaining AVC funds.	Considering evidence.	E-mail sent to Mark Fox on 03/09/2021 asking him for his comments on whether payment for distress and inconvenience caused should be made. Holding letter sent to member 03/09/2021.	06/09/2021	
27/07/2021	Member not permitted to transfer out.	Considering evidence.	IDRP acknowledgement letter sent to member – 28/07/2021. Member Services Managers report received on 08/08/2021.	29/09/2021	

Stage 2

None to report

b) TPAS/Pensions Ombudsman

None to report

c) Employers ceasing participation

Completed 1
Ongoing 7

Name	Date ceased	Current position	Last action taken	Date completed
Cambridge Education	31/08/2020	Further work to be done on running extra data due to members moved to a new employer and not appearing on cessation data extract. Hymans notified that we would need to do this extra work – 02/06/2021.	Responded to data queries from Hymans – 09/07/2021 & 20/07/2021.	
Cambridge Education 2	31/08/2020	Queries on CARE pension values looked at. Revised values submitted to Hymans – 02/06/2021. Hymans data queries responded to.	Responded to Hymans queries – 08/06/2021. Further email to Mark Fox asking what contribution rate they were paying – 15/06/2021. This has been responded to.	
Ashlyns	31/07/2020	Data submitted to Hymans for opening position. Leavers notifications	Confirmation of current position re cessation date confirmed by	

		outstanding. Query resolved re one leaver who Ashlyns were still deducting contributions for after cessation date. One other leaver to be processed by Service Centre for cessation data to be produced.	Mark Fox on 14/06/2021.	
Mears Group	04/08/2020	Cessation data submitted to Hymans – 29/01/2021. Further queries responded to 01/06/2021.	No further actions required since 01/06/2021 unless further queries arise.	
Fremantle Trust (2)	30/6/2019	Cessation valuation outstanding. Data to be submitted and member records to be updated to new employers.	Confirmation of position re cessation provided by Mark Fox on 13/04/2021.	
Absolute Catering (St James Catholic School)	31/07/2019	Investigating further as there are active members on this employer with no outstanding processes. Chasing up leaver notification for last member.	No actions taken since notifying Hymans of the position on 19/02/2021.	
Rimon Jewish Primary School	31/03/2019	Data with Hymans for cessation valuation – 19/02/2021.	No further actions required by WYPF unless queries arise. Is now readmitting members from 01/07/2021.	31/08/2021

Hestia	31/03/2021	Last member left. Leaver notification received for final member.	Leaver notification was received on 22/06/2021.	

d) New Admission Bodies

Completed 0
Ongoing 12

New enquiries this month – 2

Name	Start date	Current position	Date completed
JB Riney	01/04/2021	Admission nearing completion. Registration forms sent – 20/08/2021.	
Tenon (St Michaels)	01/04/2021	Provisional employer record set up – 17/08/2021.	

Ongoing

Name	Start date	Current position	Last action taken	Date completed
Innovate (St James Catholic School)	01/09/2019	Gathering data to enable new employer assessment to be requested. Membership data in place. Confirmation of contract length received. Data to be run for data submission. Confirmation of contract length received – 29/06/2021. Data submitted	Hymans requested a further data submission at current date for Bond assessment – 02/08/2021.	

		to Hymans – 19/07/2021.		
Innovate (Blessed Dominic)	01/09/2019	Records to be updated from monthly contribution return to be able to provide data submission to Hymans. Info provided to WYPF on contract – 19/03/2021. Phoned contact at Innovate and sent a spreadsheet to complete – 19/07/2021.	Member data provided by Innovate – 20/07/2021.	
M I Home Care	14/12/2018	New employer assessment requested from Hymans. Queries received from Hymans to respond to. Queries received from Hymans – 06/07/2021. Responded to Hymans queries – 27/07/2021. Hymans requested a further data submission at current date for Bond assessment – 02/08/2021.	Further data submission to Hymans – 26/08/2021.	
Olive Dining (St Joseph's Primary)	01/08/2019	Gathering data to enable new employer assessment to be requested.	Hymans issued queries and requested a further data submission at	

		Agreed approach to completing the data. Querying contract length with the employer. Last chased up – 08/04/2021. Length of contract confirmed. Data submitted to Hymans – 27/07/2021.	current date for Bond assessment – 03/08/2021.	
Caterlink (Holly Park School)	01/04/2019	Admission agreement in process of being signed/sealed.	No actions due by WYPF.	Confirmed as signed and sealed – 21/07/2021.
Atlas (Claremont)	01/05/2015	Admission agreement in process of being signed/sealed.	No actions due by WYPF.	
Atlas (St Michael's)	01/04/2015	Admission agreement in process of being signed/sealed.	No actions due by WYPF.	
HCL (Copthall School)	01/08/2018	Admission agreement in process of being signed/sealed.	No actions due by WYPF.	
Olive Dining (Archer Academy)	01/09/2018	Admission agreement in process of being signed/sealed.	No actions due by WYPF.	
Caterlink (Totteridge Academy)	01/08/2017	Awaiting response from Caterlink with membership data.	Data requested from Chris Thomas – 04/08/2021.	

Sancroft Community Care Ltd	01/7/2019	Requested further information on contract from Sancroft – 04/03/2021. Chasing up a response.	Last chased up – 19/07/2021.	
Signature Education	TBC	Admissions required in respect of contracts with 5 Barnet Schools. Data spreadsheet issued – 03/06/2021. Data received. Further queries on members listed. Data to be submitted to Hymans on the basis of data provided. Data submitted to Hymans – 02/08/2021.	Data queries from Hymans responded to – 17/08/2021.	

e) New Academies/Schools

Completed 0
Ongoing 0

New enquiries this month - 0

Name	Start date	Current position	Date completed

Ongoing

Name	Start date	Current position	Last action taken	Date completed

f) Other employer work

Name	Description	Current position	Last action taken	Date completed
St Johns N20 School	Barnet LEA school transferring to a new payroll provider.	Set up as a separate employer. Identify member records to be transferred. Employer record updated to active status – 07/05/2021.	Employer Relations Team have e-mailed the school to set up contacts – 30/07/2021. Followed up – 16/08/2021.	
Monken Hadley School	Barnet LEA school transferring to a new payroll provider.	Set up as a separate employer. Identify member records to be transferred. Employer record updated to active status – 14/04/2021. Queries ongoing re start date as Finance have only received May 2021 return and not one for April 2021 – 02/08/2021.	Now resolved and Finance now have monthly postings from new payroll provider up to date.	31/08/2021
Data cleansing for Valuation		Extracts have been run for all statuses as at 31 March 2020 and error reports produced. We are currently reviewing and correcting the errors on the pensioner extracts. Once this is complete we will be in a position to re-run the extracts and upload them to Hymans portal		

		where further checks will be carried out.		
Rimon Jewish Primary School	Admitting members again from 01/07/2021.	Awaiting first monthly return from Finance to allow new member records to be generated.		

g) Member issues

Member was a lost contact and the previous administrator had received confirmation of a new address. A letter was sent to the new address asking the member to confirm that this was the correct address. The son replied on the member's behalf to say he held a POA for the member and this was the correct address. The form included the members NINO which was different to that held on the pension record but this was not queried by the previous administrator. The address was updated to show the new address which is C/o the son and no further action was taken. A deferred retirement quote was sent to the new address in April 2021 as payment of benefits was due in July 2021 and also requested to see the original court of protection documents. The pensions team started an incapacity process. Mr Wright (Son) sent in the documents and a completed pension claim form. The pension was set up and the lump sum paid as per the retirement claim form. Mr Wright then phoned to confirm his Mum's NINO which was different to what was on the record. The NINO quoted by the Son was checked on our records and the NI database but we do not hold this NINO. E-mail was sent to Mr Wright to confirm the lump sum had been paid in error and that his Mum did not have any pension benefits with the LGPS. Mr Wright has repaid the lump sum back which was paid in error. Once the correct NINO was used it was found the member had other pension records and was contacted to check the correct address and that she has a deferred benefit which can be brought into payment.

h) Annual Benefit Statements (ABS) and Deferred Benefit Statements (DBS)

This year statements have been issued electronically. Members have been asked to sign up to the secure 'MyPension' portal to access their statements. However, members who still prefer a paper version will be able to opt out and receive one. As at 9 September 92.3% of ABS's and 98.6% of DBS's have been produced for Barnet members eligible to receive one.

5. Membership numbers

ACTIVES	DEFS	PENS	BENS	PRESERVED REFUND	LVRS OPTIONS PENDING

8588	9612	7494	959	942	1881

6. Management overview

a) Staffing

As you are aware we are recruiting to a number of posts within the section. The recruitment campaign has received a mixed response. There has been an appointment to the Senior Governance and Business Development post and we are hoping to make an appointment to the Head of Projects, Communications and IT and Governance and Business Development Manager shortly.

We were unsuccessful in our attempts to recruit:

- Deputy Director (Investments)
- Head of Governance and Business Development
- Web Developer
- Programme Manager
- Employer Pension Fund Representatives - we did identify two really strong candidates. However, they have decided to pursue alternative opportunities meaning that we still have vacancies on the team. The advert will go live again shortly, with a slight amendment to the essential criteria. The team is still managing high workloads absorbing the work to carry these vacancies.

We will continue our efforts to fill these posts as soon as possible.

7. Projects

- **McCloud** – Pre populated spreadsheets have been sent out to employers showing information we hold for members who may be in scope. Some replies have come back but we are awaiting Civica to design the calculations, screens to hold the information etc. A project team has been set up and will be meeting shortly to discuss the next stage.

- **Phase 3 (Monthly postings) -** Move all the functionality onto to the front end website to enable Employers to process the data. New system will also have the flexibility for Business Partners to take over any submitted file to complete the submitted file process.
    - Validation, verification of the data
    - Data loading onto the database
    - Auto record matching
    - Manual record matching

- Insert MP data onto member's record
- Identifying new joiner
- Identifying leavers
- Updating member's Hours changes
- Updating member's Address changes.
- Simplify and document the monthly contributions loading process. This will enable effective support and development of the system in future by a suitably qualified and experienced team of IT professionals.

As part of the simplification process consideration will be given to merging the processing of LGPS and Fire returns. Whilst the format of the returns differs, much of the background processing is the same and future support and maintenance will be aided by a single system.

Business Objectives

To increase efficiency of the monthly contributions load process by moving all the business functionality of incoming data to the employers rather than to WYPF staff. To enable more efficient support, maintenance and development of the system.

8. Regulatory update

GAD transactional data requirements

The Government Actuary's Department (GAD) has confirmed that it requires administering authorities in England and Wales to provide the transactional data set out in the Pension fund transactions briefing note issued in September 2016. HM Treasury is currently consulting on changes to the cost control mechanism. GAD expects the transactional data requirements to evolve once this consultation has closed and changes to the cost control mechanism have been decided.

The briefing note issued in September 2016 confirms that GAD will treat the pre April 2014 Scheme, the post-March 2014 main section and the post-March 2014 50/50 section as if these were individual periods of pension scheme membership.

The briefing note covers the types of income and expenditure that will need to be split to achieve this.

Pension schemes newsletter 131

HM Revenue and Customs (HMRC) published Pension schemes newsletter 131 on 30 July 2021. The newsletter contains articles on:

- amending an Accounting for Tax return using the Managing Pension Schemes service
- user research and testing of new features for the Managing Pension

Schemes service
- the requirement to send pension savings statements by 6 October 2021 to members who exceeded the annual allowance in the 2020/21 year
- reminding members who exceeded the annual allowance in 2020/21 to declare it when they complete their Self-Assessment tax return. They only need to make a declaration if they do not have sufficient unused allowance to carry forward to cover the excess
- an update on reporting non-taxable death benefits in respect of charity lump sum death benefits.

Update on the Managing Pension Schemes service

HMRC has issued an email and step by step guide to each sub-scheme administrator asking them to enrol on the Managing Pension Schemes service using their scheme administrator ID.

If you are a pension scheme practitioner that is acting on behalf of a scheme administrator, you must not use the scheme administrator's log in. You must access the pension scheme(s) you act on behalf of using a practitioner ID that has been authorised by the scheme administrator.

If you are not registered as a practitioner on the Pension Schemes Online service, you will need to Pre-register as a pension scheme practitioner. When you have completed the form, please send it to pensionschemes@hmrc.gov.uk.

Once a practitioner has been registered on the Pension Schemes Online service:

- a scheme administrator can authorise that practitioner to act on their behalf
- it can enrol on the Managing Pension Schemes Service in readiness for the migration of pension schemes and to be automatically authorised to the pension scheme once it migrates.

Third party and shared service administrators should not use the pension scheme administrator log in details to access the pension scheme and submit reports. These must only be used by the administering authority.

You can Find out more about the pension scheme practitioner role on GOV.uk. If you have any queries, please contact migration.mps@hmrc.gov.uk.

LGA responds to consultation on the discount rate methodology

The LGA has responded to HM Treasury's (HMT's) Public service pensions: Consultation on the discount rate methodology. The LGA response confirms:

- The interests of Scheme employers are the long-term stability of employer contributions and a downward pressure on costs.
- The SCAPE discount rate is used to set actuarial factors in the LGPS and can have an indirect impact on employer contribution rates as a result of The LGPS cost control mechanism. The continued use of the SCAPE rate

in the cost control mechanism does not truly reflect LGPS employer costs.
• The LGA preference to adopt the Social Time Preference Rate because it will produce a discount rate that is more affordable.
• Support for the proposal to align the timing of the discount rate reviews with the quadrennial public service pension scheme valuation cycle because this will contribute to improved stability.

You can find links to the consultation documents and the LGA response on the:

• Non-scheme consultations page of www.lgpsregs.org

SAB responds to HMT consultation on the cost control mechanism

The Scheme Advisory Board (SAB) (England and Wales) has responded to HMT's Public service pensions: cost control mechanism consultation. In the response SAB states that:

- the SAB operates a separate cost management process that already functions as an 'economic check'
- including only reformed scheme costs will be difficult to achieve in the LGPS because the underpin relates to the legacy scheme but will increase the reformed scheme benefits of some members
- widening the corridor to 3 per cent would mean that scheme changes would be more significant if there is a breach
- the SCAPE discount rate as an economic measure is not appropriate for the LGPS and that a measure that takes into account actual discount rates in operation would be more appropriate.

You can find links to the consultation and the SAB response on the:
• Non-scheme consultations page of www.lgpsregs.org and
• Non-scheme consultations page of www.scotlgpsregs.org.

Overpayment cases in the public sector

The Pensions Ombudsman (TPO) has recently made determinations on three complaints concerning overpayments made by public service pension schemes:

PO-28155 – Civil Service Pension overpaid between 2013 and 2018 because a transfer in was counted twice. TPO found that the overpayment could be recovered in full because:

- the scheme made a claim for recovery within six years of the overpayment first being made and
- TPO found that none of the defences against recovery applied.

TPO did partially uphold the complaint and awarded £500 for distress and inconvenience. This was because it took the scheme around five years to notice and

deal with the overpayment and then asked the member to repay the full overpayment within 28 days.

PO-27694 – Teacher's Pension in Scotland overpaid because the member exceeded the 'salary of reference' on re-employment. The teacher argued that the overpayment occurred because she had been provided with incorrect information by SPPA. TPO did not uphold the complaint and found that SPPA's claim for repayment of the full overpayment was made within time and no defences against recovery applied. SPPA has offered £500 in recognition of distress and inconvenience related to delayed responses and delayed action to suspend the pension, which TPO found to be adequate.

CAS-30002-K6Z8 – Teacher's Pension overpaid between 2014 and 2018 because service in respect of which a refund had been paid was wrongly included in the calculation of the pension. Teachers' Pensions offered £500 for distress and inconvenience. TPO upheld the complaint in part based on a change of position defence. TPO directed Teachers' Pensions to reduce the overpayment it is seeking to recover and to pay £1,000 for the serious distress and inconvenience. Teachers' Pensions will recover the amount by which the lump sum was overpaid, but not the pension.

Interim response to new code of practice consultation

The Pensions Regulator (TPR) has published an interim response to the new code of practice consultation. Responses to the consultation included around 10,000 individual answers. TPR has issued the interim response to allow time to consider these responses and to incorporate code content arising from the Pension Schemes Act 2021 in the new code.

TPR does not have a firm publication date for the new code, but it is unlikely to become effective before summer 2022.

Scheme return

TPR is sending out scheme return notices to managers of public service pension schemes in September. TPR is encouraging scheme managers to double check their details by logging in.

Completing the scheme return is a legal requirement. If you fail to complete and submit the return by the deadline, you could be fined. You can find more information about Reporting duties and how to complete the scheme return on TPR's website.

Pensions dashboards update

Visit the Pensions Dashboards Programme website to keep up with latest developments. Some of the recent announcements and publications include:

• seven major data providers signed up for initial testing phase
• Pensions dashboards blogs covering early connection and how pensions

dashboards fit into the wider MaPS vision of improving understanding and outcomes.

9. Scheme calendar for year commencing 1 April

January	February	March	April
Life Certificates HMRC Event Reporting Payment of Unauthorised Lump Sum and Scheme Sanction Charge to HMRC	Life Certificates	Life Certificates	Apply Pensions Increase Apply Care Revaluation Issue P60's (with April Payslip) Life Certificates Annual employer meeting
May	**June**	**July**	**August**
Active Annual Benefits Statements Life Certificates Deferred Annual Benefits Statements	Active Annual Benefits Statements Active Newsletter Life Certificates	Active Annual Benefits Statements Life Certificates	Active Annual Benefits Statements Life Certificates
September	**October**	**November**	**December**
Life Certificates Pension Savings Statement	Life Certificates Participate in NFI Active Newsletter tPR Scheme Returns Annual employer meeting	tPR Annual Survey Life Certificates Pensioner Newsletter Deferred Newsletter	Life Certificates

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AGENDA ITEM 8

Local Pension Board

12 October 2021

Title	**Pensions Administration Risk Register**
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Pensions Administration Risk Register: October 2021
Officer Contact Details	Mark Fox, Pensions Manager – 0208 359 3341

Summary

The Pensions Administration Risk Register is a standing agenda item for the Local Pension Board.

Recommendations

That the Local Pension Board are requested to note the most recent risk register.

1. WHY THIS REPORT IS NEEDED

1.1 It is important that the Council maintain the Pensions Administration Risk Register to help protect members of the LGPS.

1.2 The most recent Pensions Administration Risk Register can be found in Appendix A.

1.3 The Pensions Regulator's guidance on managing risk states that *"….the identified risks in a risk register should be reviewed regularly (at least once a quarter)*".

Risk Velocity

1.4 Risk Velocity is defined as the time to impact (i.e. an estimate of the timeframe within which a risk may occur).

1.5 Officers have decided to use a traffic light system. How this classification in interpreted is classified as follows:

Red – very rapid impact within a couple of days
Amber – risk may occur within a few days up to a couple of months
Green – a slow impact that may occur over several months or more

1.6 Officers have reviewed each of the risks on the risk register and have determined the risk velocity as follows:

Risk ID	Short Risk Title	Risk Velocity
PB001	Operational - disaster (Fire / flood etc)	
PB002	Member data incomplete or inaccurate	
PB003	Admin process failure or maladministration	
PB004	Excessive charges by suppliers	
PB005	Employer failure to pay contributions to the fund	
PB006	Failure of non-public sector employers	
PB007	Failure to interpret rules or legislation correctly	
PB008	Appropriate personnel in place to perform in designated roles	
PB009	Conflicts of interest	
PB010	Admission agreements / securities (i.e. bonds) not arranged	
PB011	Commercial viability of strategic suppliers	
PB012	Non-compliance with GDPR	
PB013	Negative media exposure and member experience	
PB015	Impact of COVID-19 on pensions administration	
PB016	Cyber security	

PB017	Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements	

1.7 Officers have reviewed the Risk Velocity for each of the risks above and determined there are no changes at this time.

1.8 Updates on other risks are as follows:

1.8.1 **PB002** – West Yorkshire Pension Fund (WYPF) now provide Officers with monthly updates on the common and conditional data scores, along with updates on progress on the Data Improvement Plan. Generally, these tests are run annually and reported to The Pensions Regulator in the Scheme Return.

Common data is basic data such as name, date of birth, sex, address etc. The latest result for September 2021 gave a score of **96.59%**, which is very close to The Pensions Regulator expectations.

Conditional data tests (i.e. data used in the calculation of member benefits) are also run by WYPF. The last conditional data test run in November 2019 produced a figure of 40% of data being present. The score for September 2020 was **76.55%.** The Pensions Regulator does not set targets for conditional data.

WYPF continue to progress with completing the Data Improvement Plan to correct and update the data issues inherited from the previous administrator. Officers review this Plan regularly.

In addition, WYPF will also be submitting all the member data onto the Hymans Robertson portal as a further test on the data and this will be useful exercise in preparation for the 2022 triennial valuation.

The risk score remains at 10 but should reduce as the Data Improvement Plan nears completion.

1.8.2 **PB010** – Progress has been made in the completion of the “historic” Admission Agreements that have been outstanding since before 2020. Officers expect that for the three employers where Admission Agreements are in this scenario, these will be completed by the end of the year. New employers continue to join the Fund. Officers continue to work with WYPF, Hymans Robertson and employers to get Admission Agreements completed quicker than has been the case previously.

The risk score remains at 6**.**

1.8.3 **PB013** – It has now been a year since the administration of the Fund moved to WYPF. Feedback from members and employers has been positive and although, there are still challenges ahead, Officers believe the likelihood of negative publicity and poor member experience has reduced.

The risk score has been reduced to 4 (from 8).

1.8.4 **PB015** – The Covid-19 pandemic on the pensions administration service does not appear to have affected service levels at WYPF. Officers continue to regularly monitor performance, with any issues being highlighted at the fortnightly meetings (or sooner if required).

As such, the Risk Score has reduced from 12 to 8.

2. REASONS FOR RECOMMENDATIONS

2.1 Management of risk is critical to avoiding unfavourable outcomes.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not applicable in the context of this report.

4. POST DECISION IMPLEMENTATION

4.1 Not applicable in the context of this report.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Local Pension Board supports delivery of Council's strategic objectives and priorities as expressed through the Corporate Plan (Barnet 2024) 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 Risks that are not mitigated or managed can have a financial penalty to the Scheme.

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 LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 inserts regulation 106 into the Local Government Pension Scheme Regulations 2013 which requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice to ensure the effective and

efficient governance and administration of the Scheme and any connected scheme.

5.4.2 The Risk Register is a tool that assists the Board in ensuring that the Scheme has a mechanism in place to identify and review at least annually, the pension scheme administration risks

5.4.3 Under the terms of reference for the Local Pension Board, the role of the Board is to assist with:

- compliance with LGPS Government regulations;
- compliance with the requirements imposed by the Pensions Regulator.
- such other matters as the LGPS regulations may specify ensure the effective and efficient governance and administration
- ensure the Pension Fund's strategy and policy documents are maintained in accordance with the LGPS Regulations.
- ensure the Pension Fund's internal Risk Register is reviewed at least annually.
- review the Pension Fund's performance in complying with the requirements of the LGPS Regulations

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 Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 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, marriage and civil partnership.

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 Not applicable.

5.9 **Insight**

5.9.1 Not applicable

6. ENVIROMENTAL IMPACT

None

7. BACKGROUND PAPERS

7.1 None

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

Risk ID	Short Risk Title	Long Description	Nature of Risk	Controls and mitigations in place	Residual Risk			Target Risk			Further actions		Date risk identified
					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB001	**Operational - disaster (Fire / flood etc)**	An event occurs that would impact the ability to deliver all / parts of the pension service.	Business Continuity	The administrator has Business Continuity Procedures and Disaster Recover Plans in place. Officers have been updated with the latest version of the WYPF BCP (last review - January 2020). WYPF Business Continuity and Disaster Recovery Plans may be audited by either the internal audit team of Bradford Metropolitan District Council	5	1	**5**	5	1	Tolerate	Officers waiting for the last audit report on the WYPF BCP and date of next review.	Q3, 2021	Aug-17

Last Updated: 28/09/2021

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

Risk ID	Short Risk Title	Long Description	Nature of Risk	Controls and mitigations in place	Residual Risk			Target Risk			Further actions		Date risk identified
					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
				or external auditors appointed by the Council.									

Last Updated: 28/09/2021

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

Risk ID	Short Risk Title	Long Description	Nature of Risk	Controls and mitigations in place	Residual Risk			Target Risk			Further actions		Date risk identified
					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB002	**Member data incomplete or inaccurate**	To fulfil legal obligations, the pension service is dependent on receiving accurate information and data from scheme employers, and for the administrator to maintain member records. Incomplete and/or inaccurate information/ data could lead to incorrect benefit calculations. The Pension Regulator requires all pension schemes to maintain accurate data. Many unprocessed new	Information Governance	Employer Forums' to be held biannually to support scheme employers with returning the information / data required to ensure member records are accurate Common data analysis is now provided by WYPF monthly and is showing improvements in data presence. Officers have received assurance from Bradford City Council's	5	2	10	3	2	Treat	Next Employer Forum to be held in October or November 2021 (remotely). Employers will be asked to provide member data promptly and accurately, including providing leaver data to WYPF as soon as possible after a member leaves the Fund. Common and conditional data analysis now provided monthly by WYPF demonstrate progress with the Data	Q3 2021 Ongoing	Aug-17

Last Updated: 28/09/2021

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

Risk ID	Short Risk Title	Long Description	Nature of Risk	Controls and mitigations in place	Residual Risk			Target Risk			Further actions		Date risk identified
					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
		joiners and leavers were identified in the 2019 valuation process, along with incorrect pensionable salary and CARE for members who have two job roles.		Internal Audit team on processes undertaken on UPM on automated calculations and how WYPF processes for non-automated calculations.							Improvement Plan. WYPF to advise the Council when employers are not providing the relevant information - the Council to escalate. WYPF to confirm system processes on UPM for any system updates and authority levels. Officers are putting together a project plan to reduce the number of unprocessed leavers, so member benefits can be calculated	 Ongoing Q3, 2021 Q2, 2021	

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

Risk ID	Short Risk Title	Long Description	Nature of Risk	Controls and mitigations in place	Residual Risk			Target Risk			Further actions		Date risk identified
					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
											and records be updated. WYPF will test data quality by running data through the Hymans Robertson data portal.	Q3, 2021	

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB003	**Admin process failure or mal-administration**	Administration of the pension scheme should be in line with the Local Government Pension Scheme (LGPS) rules. Issues with the Annual Benefit Statement process and Pensions Savings Statements from previous tax years not issued in line with statutory deadlines.	Statutory Duty	Ongoing dialogue between Barnet and WYPF through fortnightly meetings Formal agreement in place with WYPF, including agreed SLA's. Authority level clearly agreed and kept up to date, including clear definition of delegated authorities and individual approval authorities. Scheme Event Calendar in place to ensure	5	2	10	2	1	Treat	Officers to review WYPF authority levels embedded within the UPM system so based on role on who can authorise and sanction large payments - these controls are tested annually in the ISO accreditations. Scheme Event Calendar in place and reviewed annually.	Ongoing Annual	Aug-17

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
				legislative / regulatory deadlines are achieved (i.e. ABS / Scheme Return etc.) Staff training plans in place to ensure processing in accordance with LGPS requirements Monthly reports by WYPF to scheme managers.									

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB004	**Excessive charges by suppliers**	The cost of running the pension scheme should not exceed the agreed budget.	Finance	Pension scheme budget agreed annually. Periodic review of suppliers.	2	1	2	2	1	Treat	Budget to be agreed annually.	Annually	Aug-17
PB005	**Employer failure to pay contributions to the fund**	The fund does not receive the correct amount of contributions from employers to fund employee pension liabilities, leading to a scheme deficit.	Finance	Monthly reconciliation of contribution payments received by the LBB and WYPF. Ongoing dialogue with employers around when contributions are due. LBB to monitor receipt of contributions (both on time and late).	2	2	4	2	1	Treat	Officers are checking that employers pay the correct contributions rates following the 2019 valuation.	Monthly	Aug-17

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
				Officers will enforce the collection of contributions and other costs from employers by threatening the use of fines and reporting to TPR, if applicable. Employers have been updated on the revised monthly reconciliation procedures that took effect from 1 November 2020. Revised procedures have been implemented to improve the									

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
				collection of strain cost invoices.									
PB006	**Failure of non-public sector employers**	Should admitted bodies default on payments, the fund is left with additional pension liabilities.	Finance	LB Barnet Pension Team monitoring of employer covenant and business strength. There is a	2	2	4	2	2	Treat	Review all admitted bodies to ensure an appropriate bond/guarantee is in place and reporting into the Pension Fund Committee.	Ongoing	Aug-17

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
				backlog of admission agreements and bonds that increase the risk of an unrecovered shortfall.							Admission Agreements for a small number of "old" employers remain outstanding, along with agreements for new employers joining the Fund. Officers are working with both WYPF and Hymans Robertson to ensure the Agreements are completed and signed.	Ongoing	

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB007	**Failure to interpret rules or legislation correctly**	The Board does not have the level of pension knowledge to perform their role effectively.	Compliance	Up to date training log in place, showing completion of training material. Technical advice and updates formally noted on training log. Training Policy drafted for approval by the Local Pensions Board.	2	1	2	2	1	Tolerate	No further actions required; risk has reached its target score and is being tolerated with the existing controls and mitigations in place. Officers to send all members of Board (and Pension Fund Committee) a training questionnaire to identify training requirements for 2022.	N/A Q2, 2021	Aug-17

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB008	**Appropriate personnel in place to perform in designated roles**	The Board does not comply with statutory obligations and is unable to evidence appropriate governance.	Compliance	Ensure that the personnel in key roles in relation to the administration of the Fund are suitably experienced and qualified to perform in their roles and have the appropriate authorities to ensure the administration is executed effectively at all times	4	2	8	2	1	Treat	Review of roles and responsibilities of relevant individuals to ensure individuals hold appropriate authorities or there is clear escalation of issues requiring decisions. Annual appraisal reviews and setting of objectives	Ongoing Annual	Aug-17

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB009	**Conflicts of interest**	Decisions made may be influenced by other factors and may be subject to challenge.	Compliance	Statutory Duty Pension Board awareness of legal responsibility. All Pension Board members to declare any conflicts and potential conflicts. All pension board members have completed relevant educational material. All conflict of interest documentation signed by all board members and recorded in conflict of	3	1	3	3	1	Tolerate	No further actions required; risk has reached its target score and is being tolerated with the existing controls and mitigations in place.	N/A	Aug-17

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
				interest register Any changes to be included with minutes at each meeting.									

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB010	**Admission agreements / securities (i.e. bonds) not arranged**	Should an employer not be admitted to the Fund in a timely manner then employees will not be able to draw their benefits or have access to death in service benefits relating to the LGPS. This could result in intervention from TPR possibly resulting in a financial consequence and reputational damage to the Council.	Compliance	The Council is working with Hymans, WYPF, HB Law and employers to improve the process for arranging for admission agreements and bonds/bond renewals to be put in place and to address the backlog.	3	2	6	2	2	Treat	Review all admitted bodies to ensure an appropriate bond/guarantee is in place and reporting into the Pension Fund Committee. Progress continues to be made on the processing of admission agreements and bonds. Admission Agreements for a small number of "old" employers remain outstanding, along with agreements for new employers	Ongoing Ongoing Ongoing	Jan-19

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
											joining the Fund. Officers are working with both WYPF and Hymans Robertson to ensure the Agreements are completed and signed.		
PB011	**Commercial viability of strategic suppliers**	If the commercial viability of a strategic supplier declines this could lead to operational failings resulting in service disruption/reduction, failure to complete statutory duties and financial costs.	Business Continuity	Contract management framework, with policy and procedures for commercial activity. Contract monitoring takes place monthly with quarterly reporting to Financial	5	2	10	4	2	Treat	Collate the information that would be required to enable the Council to take over the running of these services should it become necessary.	Ongoing	Mar-19

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
				Performance and Contracts Committee. Contract register kept under review with checks on financial status of strategic suppliers. Contract management arrangements in place, including indicators to identify financial stress. Business continuity plans in place.									

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB012	**Non-compliance with GDPR**	Failure to adhere to GDPR may lead to the breach of GDPR regulations (e.g. breach of personal information), which will result in enforcement action from TPR and the ICO, resulting in financial and reputational impact on the Council.	Statutory Duty	Council Officers are required to engage with GDPR eLearning to be trained on GDPR regulations. WYPF staff must complete GDPR awareness training and more in-depth training if they are involved in the processing of personal data.	3	2	6	2	1	Tolerate	WYPF ensure that all employees responsible for handling personal data will receive appropriate training in the use and control of this data. Officers responsible for sensitive personal data will also receive training appropriate to their roles. Officers will report any potential data breaches to the Council's Data Protection Team for review and advice.	Ongoing Ongoing Ongoing	Mar-19

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB013	**Negative media exposure and member experience**	Negative media attention may lead to ineffective media management impacting on the reputation of the Council and impacting on staff morale. Staffing and Culture Communications team to liaise with S151 Officer as and when a media enquiry arises. Member perception of the Fund may be negatively impacted due to both member experience and	Staffing and Culture	Staffing and Culture Communication team to liaise with S151 Officer as and when a media enquiry arises. Officers to provide regular communication on the Barnet Fund when changes or issues occur	4	1	4	2	1	Tolerate	Press releases to be shared with Local Pension Board members prior to publication (if possible). Member experience to be measured by satisfaction surveys and feedback by WYPF. Last results received for quarter ending 30 June 2021 received by Officers in August 2021. Officers and WYPF to discuss members issues at least fortnightly (or	Ongoing Every Quarter Ongoing	Mar-19

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
		negative reporting of the fund in the media.									more frequently should this be required).		
PB015	**Impact of COVID-19 on pensions administration**	Administration processes and levels being maintained whilst administrators working from home with no detrimental effect on the payment of members benefits and general service levels.	Business Continuity	WYPF have developed their own Business Continuity plan., This is to be shared with Council Officers. Officers will monitor service levels through regular reports and calls with WYPF.	4	2	8	2	1	Treat	Officers to monitor performance levels, complaints and resourcing levels. Any major dip in levels should be raised with Senior Management at WYPF and Commercial Team at the Council.	Ongoing	Apr-20

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB016	**Cyber security**	The Fund holds large amounts of personal data which can make them a target for fraudsters and criminals. Steps need to be taken to protect members which includes protecting them against the 'cyber risk'. This can be defined as the risk of loss, disruption or damage to the fund or its members as a result of the failure of its information technology systems and	Compliance	WYPF, as part of its Information Governance Toolkit, has adopted a Cyber Security policy which outlines how the Fund protects members' data from incidents of Cyber Crime and risk of hacking together with outlining the Fund's control mechanisms for its pension administration software system.	5	2	10	2	2	Treat	To obtain the latest report from WYPF on their cyber security risk mitigations.	Q2 2021	Jun-20

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
		processes. It includes risks to information (data security) as well as assets, and both internal risks (eg from staff) and external risks (eg hacking).											

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London Borough of Barnet Pension Fund – Pensions Administration Risk Register – October 2021

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
PB017	**Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements**	The Fund should evaluate the various forms of fraud in relation to pensions administration and then arrange for the implementation of appropriate controls that are both proportionate and pragmatic.	Compliance	WYPF run an annual pensioner existence to ensure that pensioners still alive and that pensions are being paid to the correct member. Pension transfer documentation sent to members contains the recommended literature from The Pensions Regulator so make members aware of "pension scams" and the administration processes to	4	2	8	2	1	Treat	WYPF to update Officers the results of the pensioner existence exercise and where members have not responded, their pension will be suspended until with the pensioner. Exercise to commence in October 2021. Officers review transfer documentation sent with transfer quotations to members and review the processes to ensure that appropriate checks are being	Ongoing Ongoing	Aug-20

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					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	
				ensure proper checks on the receiving arrangement before making payment.							taken to prevent transfer value payments being made to "pension scam" arrangements.		

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	Local Pension Board **12 October 2021**
Title	**Investment Strategy and Performance Review**
Report of	Director of Resources
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Summary of Investment Returns Appendix 2 – PIRC annual report Appendix C – Quarterly investment report to 30 June 2021
Officer Contact Details	George Bruce, Head of Pensions, 0208 359 7126 george.bruce@barnet.gov.uk

Summary

This report summarises the findings from the 2020-21 PIRC investment performance report comparing the Barnet Pension Fund with the Local Authority average returns and discusses developments in the investment policy over recent years.

Officers Recommendations

That the Local Pension Board note the report.

1. WHY THIS REPORT IS NEEDED

1.1 Although investment matters do not feature regularly at Board meetings, they are a major factor in the determination of employers' contribution rate and not excluded from the Board's remit to assist in ensuring the effective and efficient governance and administration of the pension fund. The purpose of this paper is to review the fund's investment performance and to comment on the recent changes to strategy and manager appointments.

PIRC's Annual Report on Investment Performance

1.2 The Pension Fund Committee receives quarterly reports of investment performance that compare returns over time periods ranging from three months to since inception for each manager and the overall fund with the benchmarks set for each mandate. An example of such a report prepared by the investment advisor is attached (appendix C). Comparison with the targets set for each manager is the means by which managers are monitored. The annual report comparing returns at asset class level with other local authorities while of interest does not take into consideration each fund's risk profile. PIRC's report does not replace the quarterly monitoring undertaken by the Pension Fund Committee. However, it can be used to indicate areas that need consideration.

1.3 PIRC receives quarterly return data from 62 funds and has constructed performance league tables with a 30-year history. These comparators are provided at total return level and for five broad assets classes, although Barnet has only invested in all five of the asset classes for the last two years. A summary of the Barnet results is given on appendix 1 and the PIRC annual report for Barnet is attached at appendix 2.

1.4 Appendix 1 indicates that at asset class level e.g. equities, Barnet's returns have mostly exceeded the average of other local authorities. In particular, equity and diversified growth returns have exceeded the average in all time periods. Despite asset class outperformance, at total fund level the picture is more mixed due to asset allocation decisions. Barnet has for many years operated a lower than average allocation to equities; the most volatile (risky) asset class. These have in each time period been the highest returning asset class. The impact has been that in shorter time periods, 1 and 3 years, total fund performance has exceeded the average, while for longer periods it has been behind the average.

1.5 Interpretation of the findings is that Barnet has a good history in determining the manner in which each asset class is managed but that the lower risk approach would, as expected, lead to lower average returns over longer periods. In particular, the allocation to diversified growth funds (which was as high as 29% five years ago) has materially underperformed the equity market.

1.6 The PIRC annual report for Barnet, appendix 2, similarly notes the different approach taken to fund allocations.

1.7 When comparing investment returns with benchmarks set for each manager (page 5 of appendix C), the findings are very similar; with one year outperformance, a slight 0.2% underperformance over three years and a 1% p.a. underperformance since inception. The major drag in performance would appear to be the overseas property allocation

established two years ago, however its allocation of less than 2% means that the impact on the total fund is much lower than the diversified growth funds that as mentioned above previously represented nearly 30% of the fund.

1.8 Looking at longer term absolute returns over longer periods (appendix 1), be it the 7.0% p.a. over 10 years or 7.7% p.a. over 30 years, these are all significantly above the discount rates used by the actuary of 4.2% in 2016 and 4.4% in 2019, that indicate a positive contribution by investments to the improving funding position reported at the June meeting (agenda item 7).

Changes in Investment Managers and Strategy

1.9 Changes in strategy and managers in recent years have been informed by the following considerations:

- Exit diversified growth funds while maintaining the overall risk profile
- Diversify the strategy while taking advantage of the illiquidity premium from limited life closed ended funds
- Incorporate ESG themes into the selection of managers and strategies
- Use the products offered by the London CIV to both meet pooling obligations and generate fee savings
- Be more opportunistic in the timing of investment decisions

1.10 The impact of incorporating these changes can be seen in a comparison of the portfolio in 2016 (soon after Hymans were first appointed as investment advisor) and as of June 2021.

Allocations	**Jun-16 %**	**Jun-21 %**
Equity	38	50
Diversified Growth Funds	29	13
Bonds & Credit	33	27
Property	0	4
Infrastructure	0	5
cash	0	1
Total	100	100
Number of Mandates		
Equity	1	6
Diversified Growth Funds	2	2
Bonds & Credit	6	10
Property	0	2
Infrastructure	0	1
Total	9	21

1.11 Taking each of the considerations mentioned above, the impact on the portfolio is discussed below.

Reallocation of Diversified Growth Funds

1.12 To maintain risk, the strategy was to move the DGF allocation roughly equally to equities and other asset classes. It has proved quicker to invest in equities than the other asset classes as demonstrated by the 9% underweighting in bonds / credit shown on page 3 of appendix C. As of 30 June 2021, there was £169 million of undrawn commitment which will utilise the remaining DGF exposure, since supplemented by a new commitment of €40 million in distressed debt. One of the two DGF mandates will be fully sold by the end of September, bringing the allocation to this asset class down to 10%.

Diversity the Strategy and take advantage of illiquidity premium

1.13 Allocations have been created for property (5%), infrastructure (7%) and private equity (5%) that are all new asset classes in the last two years. Infrastructure and private equity are both illiquid (realisation either at the end of a funds life or dependant on the ability to sell the underlying assets). In addition, there is an 11% allocation within credit to private debt, which can only be redeemed when the underlying loans mature.

1.14 Incorporate ESG themes into investment selection

The underlying belief is that (1) well managed companies with good governance arrangements will outperform and (2) climate change risk needs to be managed. Incorporation of these beliefs into the investment portfolio has seen significant changes within the equity portfolio. In addition, this was a key driver of the £40 million commitment to renewables infrastructure agreed in 2021.

1.15 Within LGIM index tracking equities, at the start of 2021 there was a 20% allocation to market capitalisation equities and 20% to a value-oriented index (RAFI). This was altered to:

LGIM Future Worlds	25%
LGIM RAFI	10%
LCIV Sustainable exclusion fund	5%

1.16 Future World weights companies by their market value but incorporates ESG tilts scoring companies' by ESG and transparency factors thus allocating more to companies with lower emissions and who rate better against governance and social criteria.

1.17 RAFI weights companies based not on their market value but on fundamental factors, such as a company's free cash flow, total sales and book equity value. As a result, RAFI has a bias towards 'value' stocks (unloved or undervalued stocks that are 'cheap' relative to book value or tangible assets). Recently RAFI has been renamed as "RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund" as it now targets an annual reduction of 3-3.5% in carbon emissions.

1.18 LCIV Sustainable Equities aims, as the name implies, to invest in companies whose business model is deemed sustainable in the long term through superior integration of ESG factors. The fund will not invest in alcohol, tobacco, adult entertainment, gambling, small arms, weapons & extracting, processing or transporting coal, oil or natural gas.

1.19 The changes to the equity holdings will be implemented over a two-year period to March 2023 at the end of which the exposures to carbon emissions will have reduced by 40% and to carbon reserves by 50%.

Pooling with the London CIV

1.20 The Board will be aware that Government guidance that appointment and monitoring of managers should be delegated to the London CIV. In the last two years new commitments have been made to LCIV emerging market equities, sustainable equities, private debt and renewables infrastructure with a combined target allocation of 16%. A current review of five credit mandates with a combined allocation of 21% is underway to determine if there is currently a suitable LCIV alternative. In addition the 41% held within passive mandates with LGIM is treated as pooled as fees are agreed between LCIV and LGIM.

1.21 LCIV provide an annual report on fee savings and the report for 2021-21 indicates that Barnet has saved an annual £435,000 in fund management costs through using LCIV products.

Be more opportunistic in the timing of investment decisions

1.22 This refers to selecting investments that are particularly suitable to current economic conditions. The most recent new investment is in distressed debt i.e. companies whose business model is sound, but their financial structure is unsustainable, with an increase in such opportunities as companies suffered during lockdown. A recommendation is likely to the next Pension Fund Committee on value added property, which includes property that is suitable for repositioning i.e. retail to residential or leisure. The recent commitment to renewables infrastructure can also be seen in the light of new opportunities for renewable power sources

1.23 While members of the Pension Fund Committee have significant investment expertise, changes in strategy and managers are only undertaken if supported by advice, including modelling of outcomes, from Hymans Robertson.

2. REASONS FOR RECOMMENDATIONS

2.1 One of the Board's responsibilities is to monitor the management of risks and investment strategy and manager appointments are two of the most significant risk faced by the Fund.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None.

4. POST DECISION IMPLEMENTATION

4.1 None.

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 & 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.

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 The Board's Terms of Reference include "ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund". The investments strategy process is central to ensuring that the pension fund has sufficient assets to pay pensioners.

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", Regulation 9(3) .

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 may 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.

5.6.2 Ensuring the long-term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met

5.7 **Corporate Parenting**

5.7.1 Not applicable in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 Not required.

5.9 **Insight**

5.9.1 Not applicable in the context of this report.

6. ENVIRONMENTAL IMPACT

6.1 N/A

7. BACKGROUND PAPERS

7.1 None.

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Appendix 1

Local Authority Investment return Comparison
31-Mar-21

	As at 31 March 2021 [PIRC Definitions]		One year			three years			five years			ten years			thirty years		
	Barnet Allocation %	Universe Allocation	Barnet return %	Universe average return %	Barnet decile ranking %	Barnet return %	Universe average return %	Barnet decile ranking %	Barnet return %	Universe average return %	Barnet decile ranking %	Barnet return %	Universe average return %	Barnet decile ranking %	Barnet return %	Universe average return %	Barnet decile ranking %
Total Equity	46	56	48.6	39.0	12	11.4	10.0	42	13.0	12.3	35	10.4	9.7	37	9.3	9.0	24
Bonds	28	18	10.2	7.3	36	3.9	3.9	40	4.8	4.9	38	6.3	5.7	30	7.3	7.3	44
Diversified Growth	13	2	22.6	15.2	7	8.8	3.6	1	6.8	4.0	1		n/a			n/a	
Property	4	8	3.6	0.4	20		2.5			4.5			6.9			7.7	
Alternatives (infrastructure & Private Equity)	6	14	3.8	8.0	74	9.9	8.1	25		9.2			8.3			n/a	
Cash	3	2															
Total Fund	100	100	27.6	22.8	28	7.9	7.6	49	8.5	9.5	82	7.0	8.3	97	7.7	8.4	96

Returns above average
Returns equal average
Returns below average

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Barnet Pension Fund Performance to March 2021

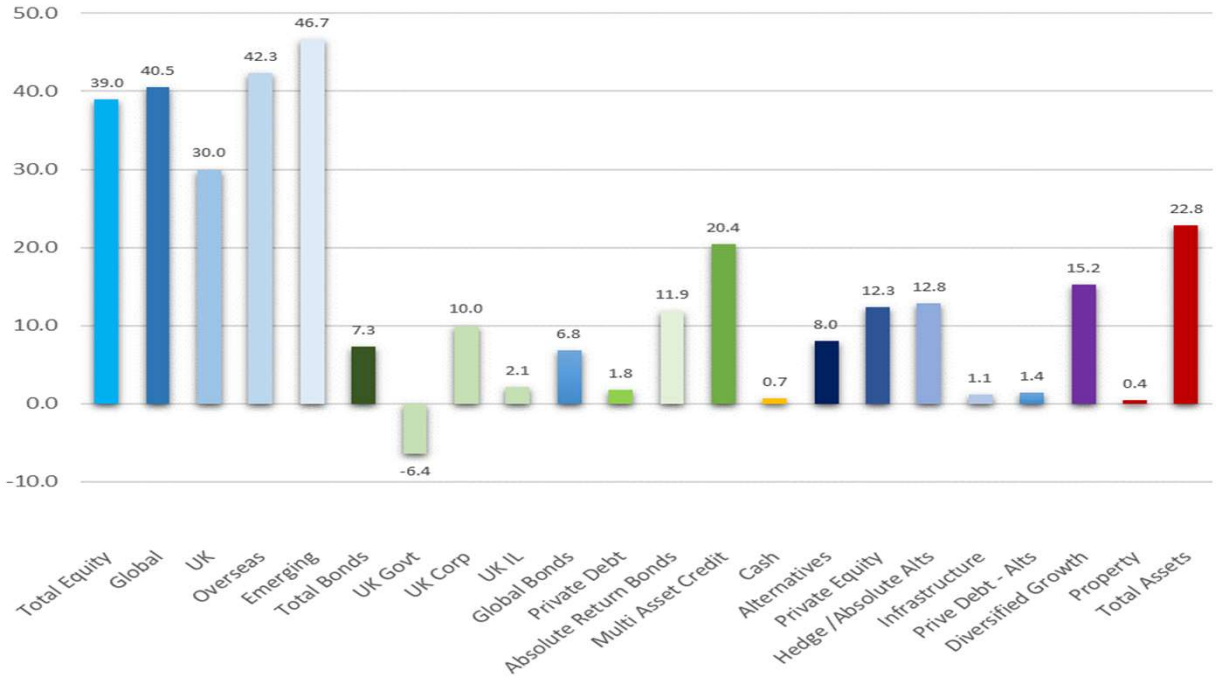
pirc.co.uk

Contents

PIRC LAPPA

2020/21 What a Year …..

Latest Year Returns



- After the sharp fall in global markets in the Quarter to March 2020, returns bounced back almost immediately despite the ongoing challenges of the COVID pandemic which has been larger and longer lasting than predicted.
- Funds returned an average of 22.8% for the year, but the range of results was far wider than usual.
- Performance was dominated by extremely strong equity returns, enhanced for many by active manager outperformance.
- Defensive assets performed more modestly with property being the most disappointing of the major assets, only just delivering a positive result

PIRC LAPPA

Asset Allocation Impacted by Equity Strength

Latest Year Asset Allocation

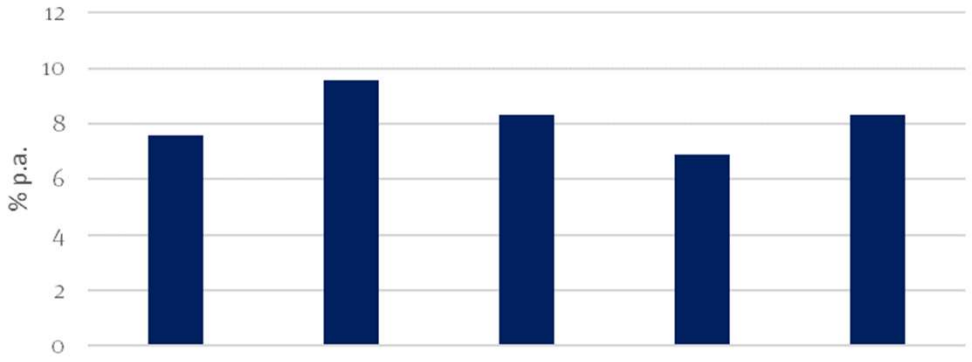
% Allocation	End March 2020	2021	Change
Equities	**51**	**56**	**5**
UK	*10*	*10*	*0*
Overseas	*41*	*46*	*5*
Bonds	**21**	**17**	**-4**
UK	*11*	*7*	*-4*
Global	*2*	*2*	*0*
Absolute Return	*6*	*5*	*-1*
Multi Asset Credit	*2*	*3*	1
Private Debt	*0*	*1*	1
Cash	**2**	**2**	**0**
Alternatives	**12**	**14**	***2***
Private Equity	*6*	*7*	*1*
Infrastructure	*3*	*5*	*2*
Absolute Return	*3*	*2*	-1
Private Debt	*0*	*1*	*1*
Diversified Growth	**4**	**2**	**-2**
Property	**10**	**8**	**-2**

- Most of the change to allocations at this level came about through relative market movements.
- Funds have not rebalanced following the strong equity returns over the year.
- Within Equities there was a significant switch into 'planet aware' investments.
- Elsewhere there was further diversification into multi asset credit, private debt and alternative income strategies.

PIRC LAPPA

Longer Term Results Back in Line

Long Term Asset Returns (% p.a.)

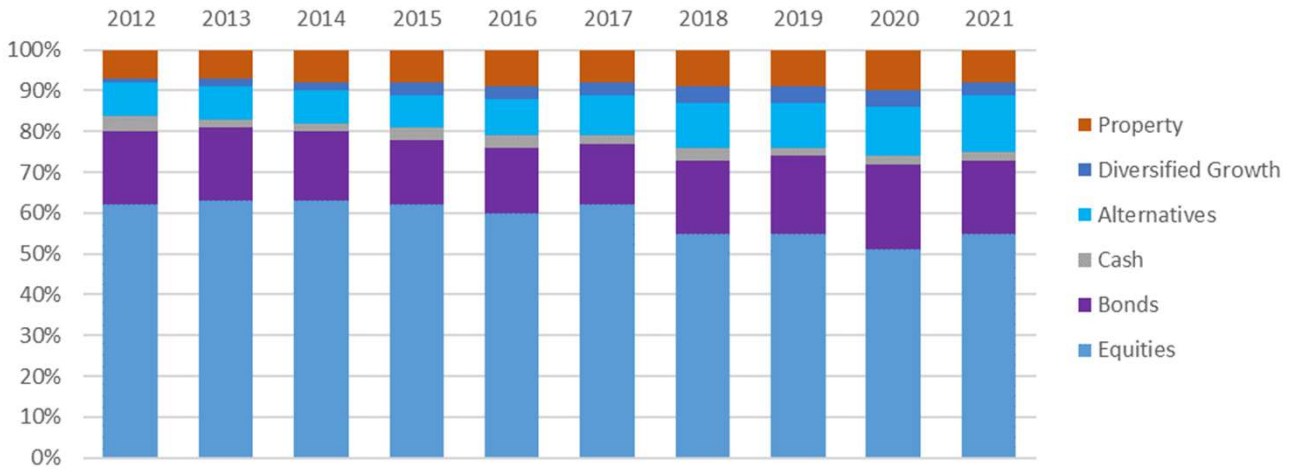


	3 Years	5 Years	10 Years	20 Years	30 Years
Total	**7.6**	**9.5**	**8.3**	**6.9**	**8.3**
Equity	10.0	12.3	9.7	7.5	9.0
Bonds	3.9	4.9	5.7	5.8	7.3
Cash	0.5	0.3	0.8	2.3	3.8
Diversified Growth	3.6	4.0			
Alternatives	8.1	9.2	8.3	6.2	
Property	2.5	4.5	6.9	6.5	7.7

- Long term performance of the LGPS remains extremely strong.
- The average funds delivered a positive return in all bar six of the last 30 years and delivered an annualised performance of over 8% p.a.
- Equities have driven the performance.
- Alternatives have performed strongly due in a large part to the excellent returns from private equity.

PIRC LAPPA

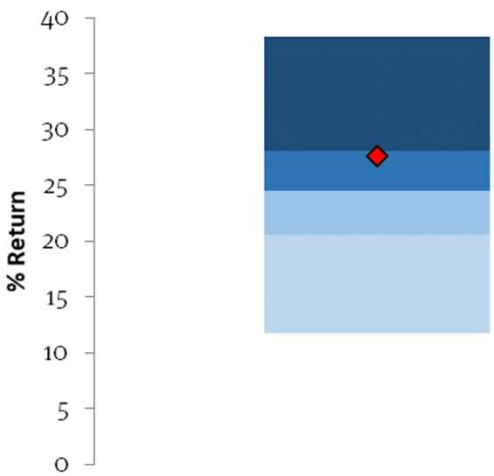
Equities Continue to Dominate Fund Structures



- Equities remain the largest allocation within most fund's assets. Over 80% of this allocation is now invested overseas.
- The Bond exposure has remained steady but, within that the allocation has changed greatly as funds have moved from a principally UK index based approach towards more global, diversified absolute return strategies.
- Alternatives have increased over the decade. Private equity makes up a half of this allocation with infrastructure becoming an ever larger component of the average fund.

Fund Performance

Fund Performance Within Universe Range of Results

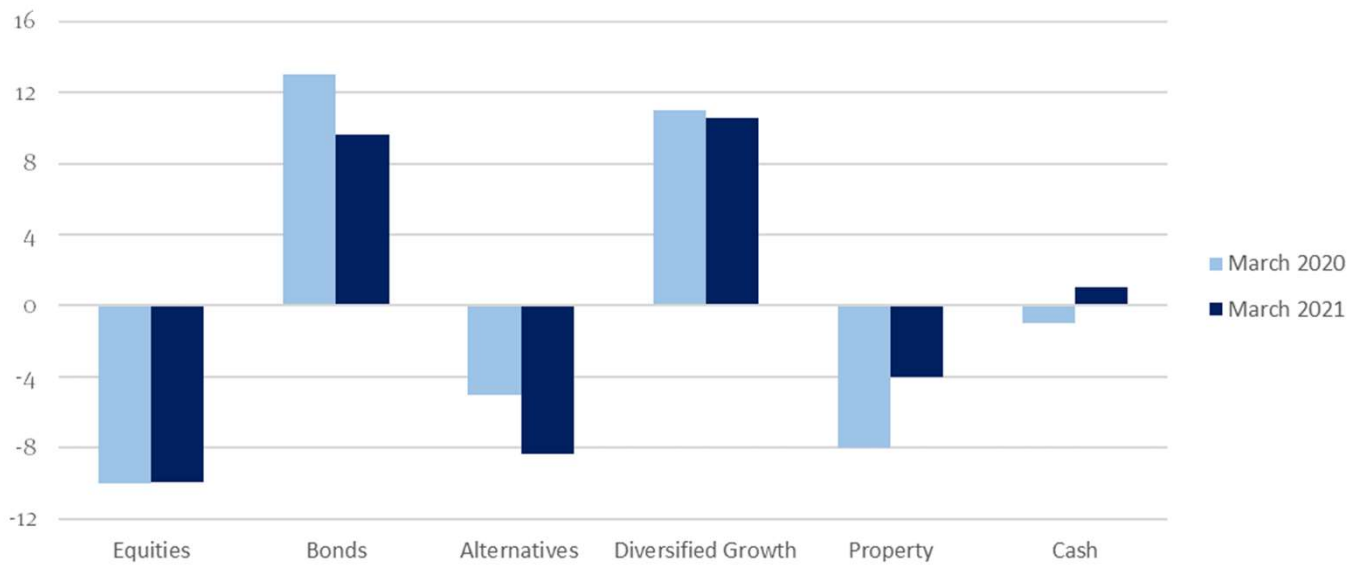


The figure shows the Fund return within the range of results achieved by the LGPS Universe in the latest year. The returns are divided into quarters (quartiles) and the fund is shown as a red diamond.

- The range of results was much wider in the latest year than is usually seen. This is mainly due to the large differences between asset classes.
- Funds with a higher equity allocation have outperformed their peers.
- In the latest year the Fund return of 27.6 % was well above the average of 22.7 % .
- This ranked in the 28th percentile of funds.

Fund Asset Allocation

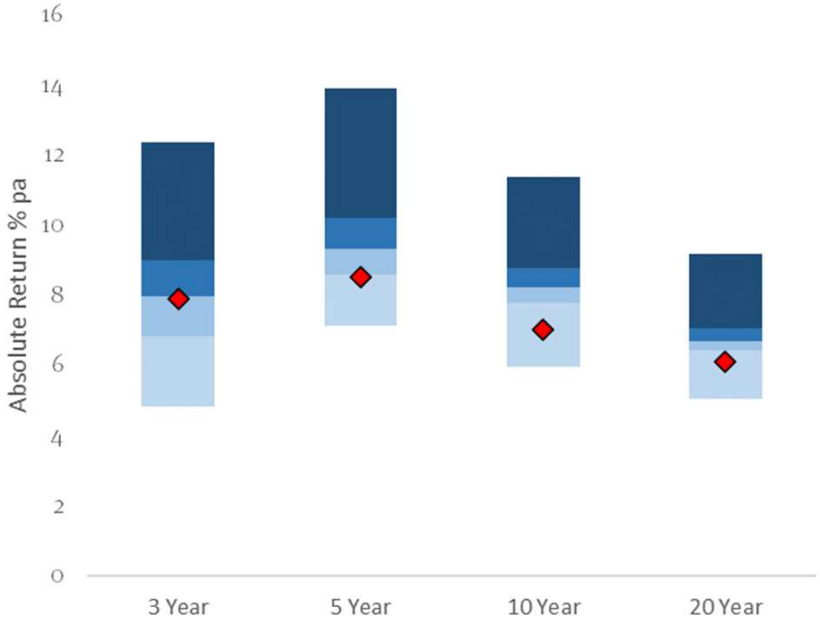
Asset Allocation Relative to Universe Average



- The Fund is structured quite differently from the average allocation.
- The key difference is the relatively high level of bonds and low equity commitment.
- This allocation delivered a return well below average.
- This was more than offset though by strong results within equities (12th percentile), diversified growth (7th percentile) and bonds (36th percentile) this year.

Fund Longer Term Performance

Longer Term Returns and Rankings



Fund	**7.9**	**8.5**	**7.0**	**6.1**
Universe Average	7.6	9.5	8.3	6.9
Ranking	(49)	(82)	(97)	(93)

- The latest year results has lifted the 5 year ranking out of the bottom decile. The longer term results however remain there.

London Borough of Barnet Pension Fund

Q2 2021 Investment Monitoring Report

Nick Jellema – Senior Investment Consultant
Yoel Deal – Investment Consultant
Tianna Patel – Investment Analyst

HYMANS ROBERTSON

Executive Summary

Fund assets totalled c.£1,452m at the end of Q2 2021, an increase of c.£59m from the end of the previous quarter.

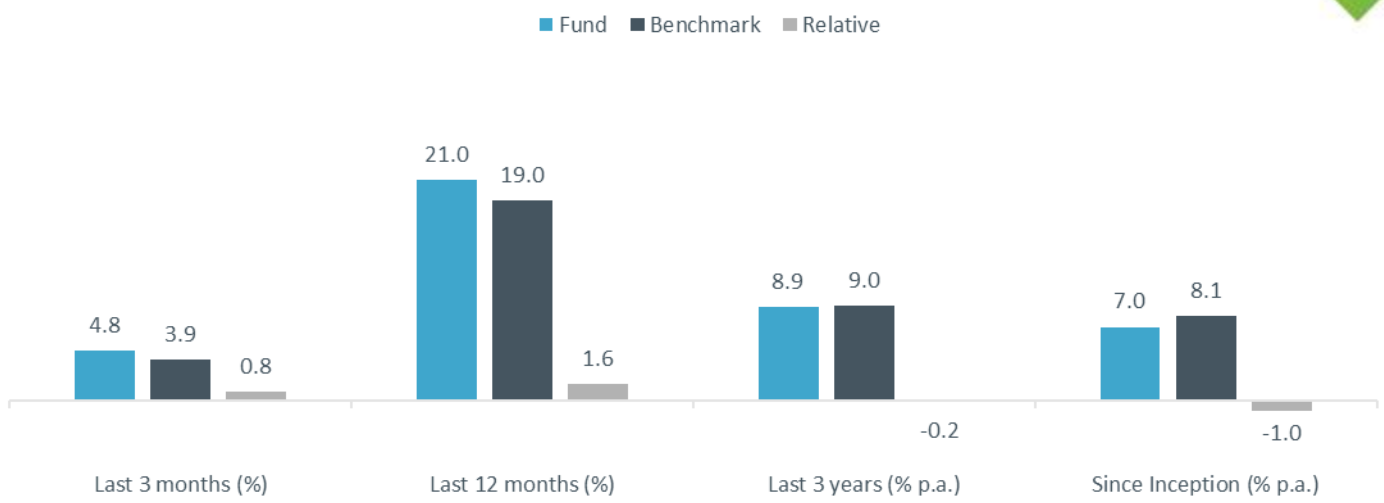
The Fund's assets returned 4.8% (net of fees) over the quarter, outperforming the benchmark by 0.8%.

Key Actions

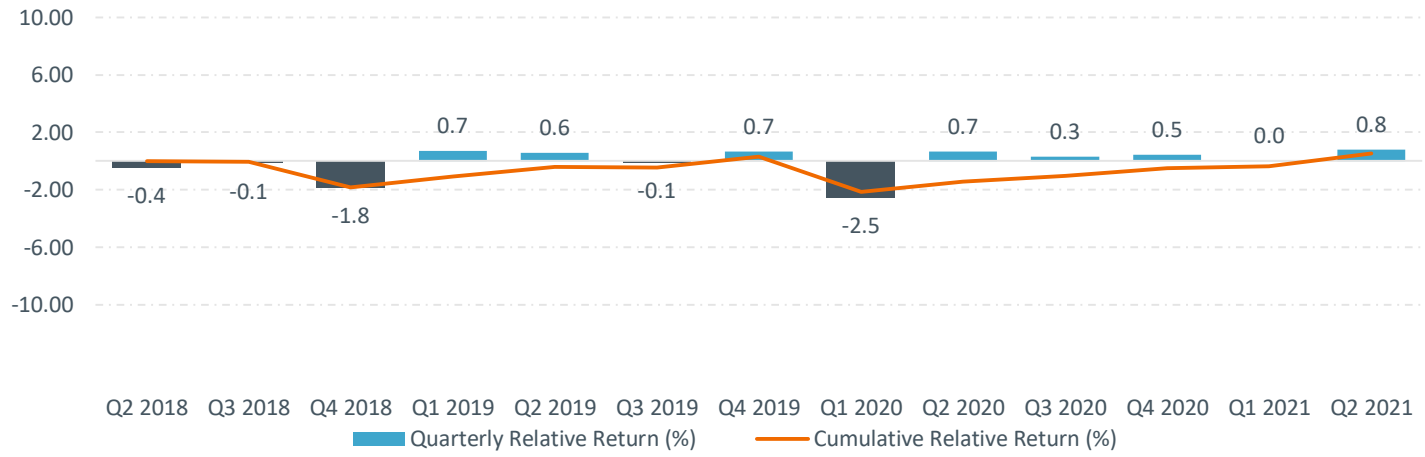
Over the quarter the Fund made the following transactions:

- The first of three £22m tranches was invested in the LCIV Sustainable Equity Exclusion Fund
- Adams Street Partners 2019 Global fund called c.£3m
- LCIV Private Debt called upon its first capital commitment, of c.£8m

Historic quarterly performance (net of fees)



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



The Q2 21 valuation for Alcentra Direct Lending, Adams Street partners and CBRE Global Alpha are as at Q1 21, due to a lag applied by the manager. Where applicable the valuations are adjusted for cash movements post quarter end.

The benchmark asset allocations for the equity portfolio have been updated to the newly-agreed targets. The assets are being transitioned to the new funds, LGIM Future World and LCIV Sustainable Exclusion, in a phased manner. The allocations to those funds will therefore be underweight until the transition is complete in 2022 (and overweight to the LGIM passive market-cap funds).

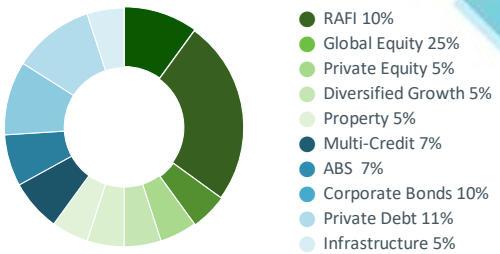
The target allocations to Alcentra EDL and Partners Group have been reduced to allow for the new allocation to LCIV Private Debt.

The allocation chart shows a diverse range of assets invested across Growth and Income mandates.

Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 2021	Q2 2021			
LGIM FTSE RAFI All World 3000 Equity Index GBP Hdgd	251.6	265.0	18.2%	10.0%	8.2%
LGIM UK Equity	11.4	12.0	0.8%	0.0%	18.9%
LGIM World ex UK Dev Equity Index	118.0	127.0	8.7%		
LGIM World ex UK Dev Equity Index GBP Hdgd	106.4	114.4	7.9%		
LGIM World Emerging Markets Equity Index	20.1	21.1	1.5%		
LGIM Future World Global Equity Index GBP Hdgd	34.0	36.6	2.5%	15.0%	-12.5%
LGIM Future World Global Equity Index	22.0	23.7	1.6%	10.0%	-8.4%
LCIV Emerging Markets Fund	75.9	78.3	5.4%	5.0%	0.4%
LCIV Sustainable Exclusion Fund	0.0	22.7	1.6%	5.0%	-3.4%
BNY Mellon Real Return Fund	43.4	44.4	3.1%	0.0%	3.1%
Schroder Life Diversified Growth Fund	143.2	150.1	10.3%	5.0%	5.3%
Adams Street 2019 Global Fund LP	12.6	15.4	1.1%	5.0%	-3.9%
Total Growth	**838.5**	**910.9**	**62.7%**	**55.0%**	**7.7%**
IFM Global Infrastructure	69.5	74.2	5.1%	5.0%	0.1%
Standard Life Long Lease Property Fund	30.0	30.8	2.1%	2.5%	-0.4%
CBRE GIP Global Alpha Fund	25.7	25.7	1.8%	2.5%	-0.7%
Alcentra Multi-Credit	37.6	38.6	2.7%	3.5%	-0.8%
Barings Multi-Credit	41.1	42.2	2.9%	3.5%	-0.6%
Insight Secured Finance Fund	45.0	45.5	3.1%	4.0%	-0.9%
M&G ABS Alternative Credit Fund	31.1	31.3	2.2%	3.0%	-0.8%
Schroder All Maturities Corporate Bond Fund	138.7	141.9	9.8%	10.0%	-0.2%
Alcentra Direct Lending	20.4	18.9	1.3%	1.5%	-0.2%
Partners Group MAC 2015	11.8	11.3	0.8%	0.0%	0.8%
Partners Group MAC 2017	25.0	22.1	1.5%	3.0%	-1.5%
Partners Group MAC V	31.2	30.2	2.1%	2.5%	-0.4%
LCIV Private Debt Fund	0.0	8.3	0.6%	4.0%	-3.4%
Total Income	**507.0**	**521.1**	**35.9%**	**45.0%**	**-9.1%**
Cash	47.6	20.1	1.4%	0.0%	1.4%
Total Fund	**1,393.2**	**1,452.2**	**100.0%**	**100.0%**	

Strategic allocation



Source: Investment Managers.

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

Contents of the remaining slides:

The Q2 21 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q1 21, due to a lag applied by the manager. Hymans Robertson calculate the performance numbers for the Partners Group, Alcentra Direct Lending, Adams Street Partners 2019 Global Fund and IFM Global Infrastructure mandates, these may differ to the managers net IRR. Alcentra Multi-Credit Fund uses the manager's estimated performance for June 2021.

Manager performance (gross of fees)

	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 FTSE RAFI All World 3000 Equity Index GBP Hdgd	5.3	5.4	0.0	41.2	41.3	0.0	9.2	9.3	-0.1	9.7	9.8	0.0
LGIM UK Equity	5.6	5.6	0.0	21.5	21.4	0.1	2.1	2.0	0.1	6.0	5.8	0.1
LGIM World ex UK Dev Equity Index	7.6	7.6	0.0	25.4	25.4	0.0	14.4	14.4	0.0	14.4	14.3	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	7.6	7.6	0.0	37.3	37.4	-0.1	n/a	n/a	n/a	18.2	18.2	0.0
LGIM World Emerging Markets Equity Index	5.0	5.1	-0.1	24.3	24.2	0.0	10.1	10.1	0.0	11.1	11.1	0.0
LGIM Future World Global Equity Index GBP Hdgd	7.7	7.7	0.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LGIM Future World Global Equity Index	7.6	7.6	0.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LCIV Emerging Markets Fund	3.3	4.9	-1.5	31.2	26.0	4.1	n/a	n/a	n/a	20.5	15.6	4.3
LCIV Sustainable Exclusion Fund	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.5	2.6	0.9
BNY Mellon Real Return Fund	2.5	1.0	1.5	13.8	4.1	9.4	8.4	4.5	3.7	4.8	4.5	0.2
Schroder Life Diversified Growth Fund	4.9	3.0	1.9	18.4	7.5	10.1	6.9	6.8	0.1	5.5	7.3	-1.7
Adams Street 2019 Global Fund LP	32.2	4.7	26.2	200.0	44.7	107.3	n/a	n/a	n/a	147.8	16.8	112.3
Income												
IFM Global Infrastructure	7.0	2.4	4.5	8.1	10.0	-1.8	n/a	n/a	n/a	11.8	10.0	1.6
Standard Life Long Lease Property Fund	2.5	2.2	0.3	6.5	-4.4	11.4	n/a	n/a	n/a	5.4	3.7	1.6
CBRE GIP Global Alpha Fund	-0.4	2.4	-2.7	-1.8	10.0	n/a	n/a	n/a	n/a	1.6	10.0	-7.6
Alcentra Multi-Credit	2.8	1.0	1.8	17.4	4.1	12.8	4.2	4.6	-0.4	5.6	4.5	1.0
Barings Multi-Credit	2.8	1.3	1.5	17.5	5.2	11.8	4.5	5.6	-1.1	5.8	5.6	0.2
Insight Secured Finance Fund	1.3	1.0	0.3	9.5	4.1	5.2	3.4	4.6	-1.2	3.8	4.6	-0.7
M&G ABS Alternative Credit Fund	0.9	0.5	0.4	5.3	1.8	3.4	2.1	2.3	-0.2	2.8	2.3	0.5
Schroder All Maturities Corporate Bond Fund	2.3	1.7	0.6	3.8	1.8	1.9	6.7	4.7	1.9	6.6	5.8	0.8
Alcentra Direct Lending	2.2	2.3	-0.1	7.3	9.5	-2.1	5.9	9.5	-3.3	6.8	9.5	-2.5
Partners Group MAC 2015	8.0	1.3	6.6	8.5	5.2	3.2	n/a	n/a	n/a	5.9	5.1	0.7
Partners Group MAC 2017	1.5	1.3	0.3	6.5	5.2	1.3	n/a	n/a	n/a	4.8	5.1	-0.3
Partners Group MAC V	1.7	1.3	0.4	9.0	5.2	3.6	n/a	n/a	n/a	4.1	5.1	-1.0
LCIV Private Debt Fund	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	**4.8**	**3.9**	**0.9**	**21.4**	**19.0**	**2.0**	**9.2**	**9.0**	**0.2**	**7.4**	**8.1**	**-0.6**

Source: Fund performance provided by Investment Managers and is gross of fees. Benchmark performance provided by Investment Managers and DataStream.

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

Contents of the remaining slides:

The Q2 21 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q1 21, due to a lag applied by the manager. Hymans Robertson calculate the performance numbers for the Partners Group, Alcentra Direct Lending, Adams Street Partners 2019 Global Fund and IFM Global Infrastructure mandates, these may differ to the managers net IRR. Alcentra Multi-Credit Fund uses the manager's estimated performance for June 2021.

Manager performance (net of fees)

	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 FTSE RAFI All World 3000 Equity Index GBP Hdgd	5.3	5.4	-0.1	41.2	41.3	-0.1	9.1	9.3	-0.1	9.7	9.8	-0.1
LGIM UK Equity	5.6	5.6	0.0	21.5	21.4	0.1	2.1	2.0	0.1	6.0	5.8	0.1
LGIM World ex UK Dev Equity Index	7.6	7.6	0.0	25.4	25.4	0.0	14.4	14.4	0.0	14.4	14.3	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	7.6	7.6	0.0	37.2	37.4	-0.1	n/a	n/a	n/a	18.1	18.2	-0.1
LGIM World Emerging Markets Equity Index	5.0	5.1	-0.1	24.2	24.2	0.0	10.0	10.1	-0.1	11.0	11.1	0.0
LGIM Future World Global Equity Index GBP Hdgd	7.7	7.7	0.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LGIM Future World Global Equity Index	7.6	7.6	0.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LCIV Emerging Markets Fund	3.2	4.9	-1.6	30.6	26.0	3.7	n/a	n/a	n/a	20.0	15.6	3.8
LCIV Sustainable Exclusion Fund	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.5	2.6	0.9
BNY Mellon Real Return Fund	2.4	1.0	1.3	13.2	4.1	8.7	7.7	4.5	3.1	4.2	4.5	-0.4
Schroder Life Diversified Growth Fund	4.8	3.0	1.7	17.7	7.5	9.5	6.3	6.8	-0.5	4.9	7.3	-2.3
Adams Street 2019 Global Fund LP	31.4	4.7	25.5	188.7	44.7	99.5	n/a	n/a	n/a	130.9	16.8	97.8
Income												
IFM Global Infrastructure	6.8	2.4	4.3	7.2	10.0	-2.5	n/a	n/a	n/a	10.9	10.0	0.9
Standard Life Long Lease Property Fund	2.4	2.2	0.2	6.0	-4.4	10.9	n/a	n/a	n/a	4.9	3.7	1.1
CBRE GIP Global Alpha Fund	-0.5	2.4	-2.8	-2.2	10.0	-11.1	n/a	n/a	n/a	1.2	10.0	-8.0
Alcentra Multi-Credit	2.7	1.0	1.7	16.8	4.1	12.2	3.7	4.6	-0.9	5.0	4.5	0.5
Barings Multi-Credit	2.6	1.3	1.4	16.9	5.2	11.2	3.9	5.6	-1.6	5.2	5.6	-0.3
Insight Secured Finance Fund	1.2	1.0	0.2	9.2	4.1	4.9	3.0	4.6	-1.5	3.5	4.6	-1.1
M&G ABS Alternative Credit Fund	0.8	0.5	0.4	5.0	1.8	3.1	1.8	2.3	-0.5	2.5	2.3	0.2
Schroder All Maturities Corporate Bond Fund	2.3	1.7	0.5	3.6	1.8	1.7	6.5	4.7	1.7	6.4	5.8	0.6
Alcentra Direct Lending	1.9	2.3	-0.4	6.0	9.5	-3.2	4.6	9.5	-4.5	5.5	9.5	-3.7
Partners Group MAC 2015	7.8	1.3	6.4	7.7	5.2	2.4	n/a	n/a	n/a	5.1	5.1	0.0
Partners Group MAC 2017	1.4	1.3	0.1	5.8	5.2	0.6	n/a	n/a	n/a	4.1	5.1	-1.0
Partners Group MAC V	1.5	1.3	0.2	8.2	5.2	2.9	n/a	n/a	n/a	3.4	5.1	-1.6
LCIV Private Debt Fund	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	**4.8**	**3.9**	**0.8**	**21.0**	**19.0**	**1.6**	**8.9**	**9.0**	**-0.2**	**7.0**	**8.1**	**-1.0**

Source: Fund performance provided by Investment Managers and is net of fees.
Benchmark performance provided by Investment Managers and DataStream

Market Background

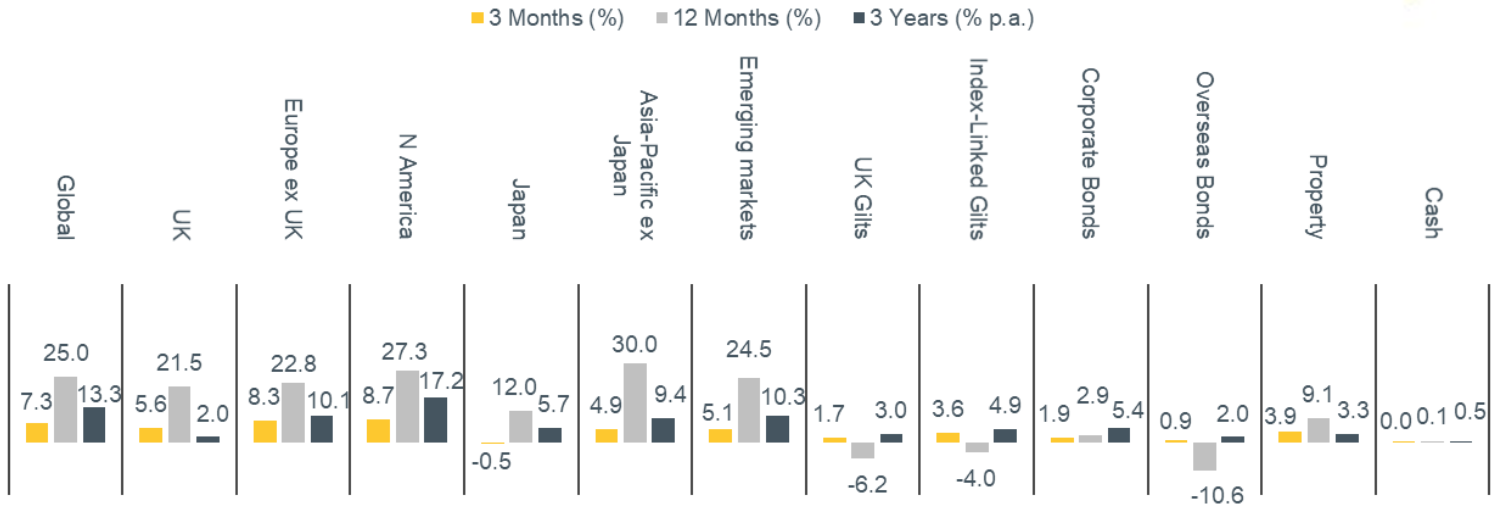
Amid accumulating evidence of the effectiveness of vaccines, the deployment of large US fiscal stimulus, and greater economic resilience to the latest waves of COVID-19, growth forecasts continued to see upwards revisions. A very sharp rebound in global GDP growth is expected to have been recorded in Q2 as restrictions eased in the major advanced economies. Leading indicators, such as PMI business surveys, have reached multi-year highs and suggest growth momentum remains strong.

Global equities have risen 7.1% (Local Currency) in Q2. Cyclical, shorter-duration sectors, such as financials, industrials and basic materials, and styles, such as value and small-cap, have underperformed, having outperformed significantly since the initial positive vaccine news in November last year. Conversely, technology, with its longer-duration growth characteristics, outperformed during Q2.

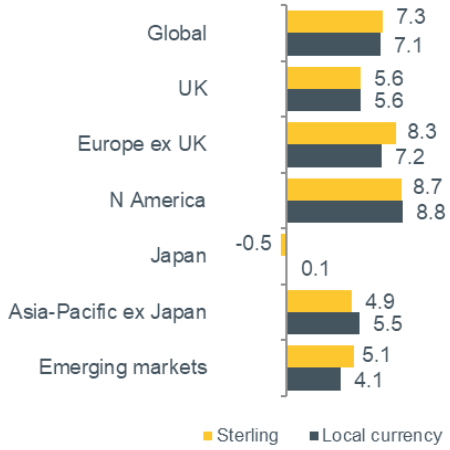
From a regional perspective, Japan has materially underperformed as a resurgence in new COVID-19 cases led to new restrictions. Outperformance by the technology sector helped North America to outperform.

Supply and demand imbalances, largely due to pandemic-induced shortages, and a weak base of comparison in 2020 suggest UK headline CPI will increase above May's 2.1% year-on-year rise. June's 5.0% year-on-year increase in US headline CPI exceeded expectations. However, most forecasters and central bankers expect the inflationary spike will prove temporary.

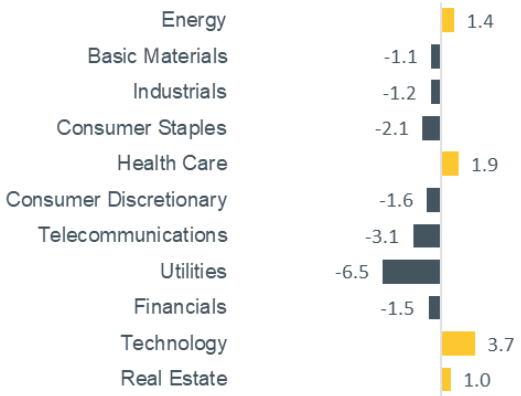
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, 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; UK Interbank 7 Day. [2] FTSE All World Indices. Commentary compares regional equity returns in local currency. [3] Returns shown in Sterling terms and relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021.

HYMANS ROBERTSON

Market Background

On news that the Fed expects to increase its policy rate twice in 2023, short-term yields rose, and longer-term yields fell. Despite upside inflation surprises, US 10-year treasury yields fell 0.3% p.a. to 1.5% p.a. and UK yields fell 0.1% p.a. to 0.7% p.a. The gathering pace of vaccine roll out in the eurozone helped equivalent German yields rise 0.1% p.a.

UK 10-year gilt-implied inflation fell from 3.7% p.a. to 3.5% p.a. as nominal yields fell relative to real yields.

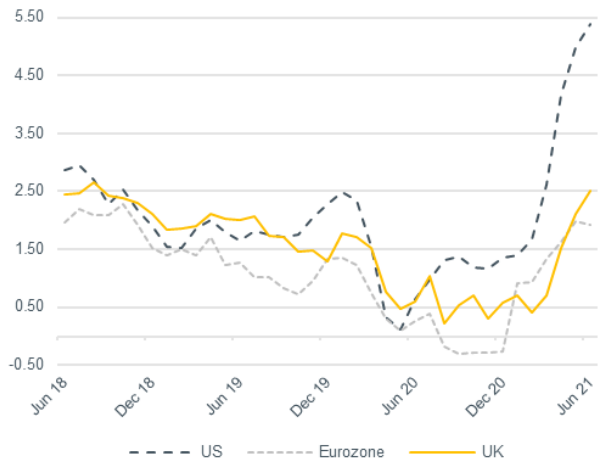
Despite rising 1.4% in June on the back higher near-term rate expectations, the trade-weighted dollar has weakened 1.6% since the end of March, as the global economic recovery became broader based. Sterling has weakened marginally in trade-weighted terms, down 0.5% since the end of March.

Despite slipping 7% in the wake of the Fed meeting in June, gold prices were still up 3.6% over the quarter while oil prices rose strongly.

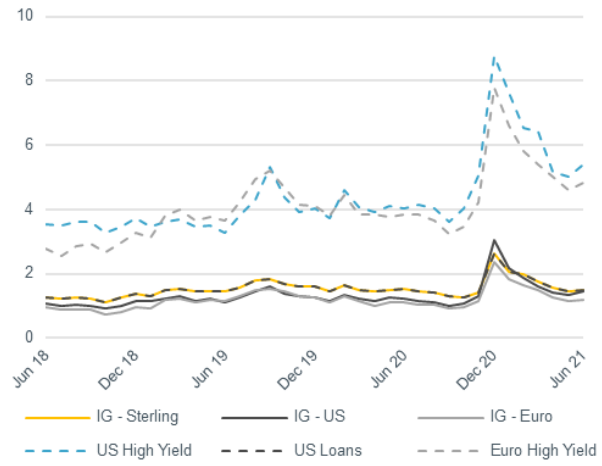
Global credit spreads continued to trend lower in-line with declining default rates and improving credit fundamentals.

Rolling 12-month UK Monthly Property Index metrics have improved as March 2020 values fell out of the comparison. The rolling 12-month total return on the index was 9.1% to end-June, with monthly returns positive since July 2020. Capital values, in aggregate, have risen 3.4% over the last 12 months, with values rising month-on-month since November 2020: Industrial capital values are responsible for the rise, having risen 17.9% over the last 12 months, while retail and office values have fallen, by 5.4% and 3.4%, respectively. The office sector has been experiencing the largest capital declines in recent months.

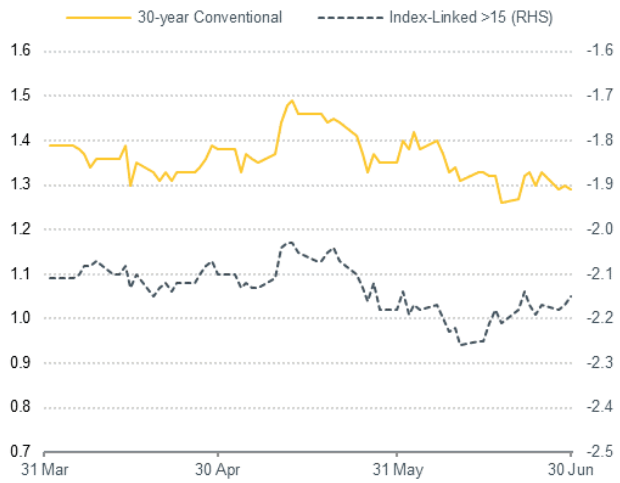
Annual CPI Inflation (% p.a.)



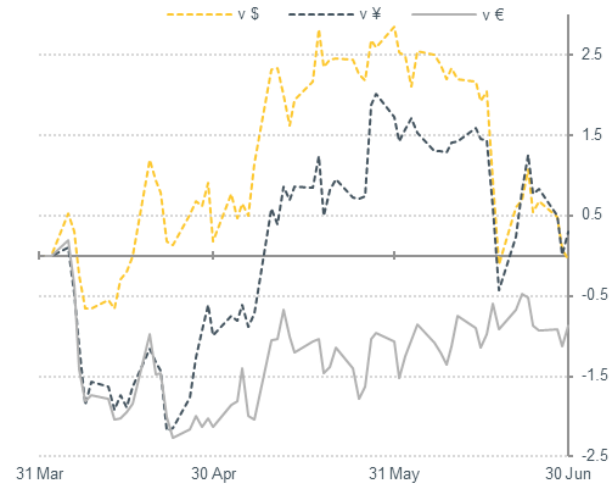
Investment and speculative grade credit spreads (% p.a.)



Gilt yields chart (% p.a.)



Sterling trend chart (% change)



Source: DataStream, Barings and ICE

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.

Geometric v Arithmetic Performance

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

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

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance - Benchmark\ Performance$$

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.

	Local Pension Board **12 October 2021**
Title	**Consultation on Contribution Policies**
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Exit Credit Policy Appendix 2 – Deferred Debt and Debt Spreading Policy Appendix 3 – Contribution Review Policy
Officer Contact Details	George Bruce, Head of Pensions, 0208 359 7126 george.bruce@barnet.gov.uk

Summary

This report outlines three draft policies that have been prepared in response to changes in LGPS Regulations in connection with the setting of employers' contributions either when an employer leaves the Fund or between triennial valuations. The Local Pension Board is invited to review the proposed polices. Any comments will be forwarded to the Pension Fund Committee prior to adoption of the policies.

Officers Recommendations

That the Local Pension Board review the draft policies.

1. WHY THIS REPORT IS NEEDED

1.1 In response to recent regulatory changes, three new polices dealing with contributions payable by employers have been drafted. These are:

- Exit credits – relates to surpluses on cessation
- Deferred Debt and Debt Spreading – relates to deficits on cessation
- Contribution review – relates to reviewing contribution rates between triennial valuations

1.2 The requirement to have each of these polices and the most significant aspects of each policy are discussed below. The draft policies were reviewed by the Pension Fund Committee at their July 2021 meeting and they requested consultation with the Local Pension Board and participating employers. The draft policies were sent to all employers on 30th July with a request for comments by end August. One employer has provided comments and as a consequence the policies have been revised, subject to Pension Fund Committee approval and a response will be sent to the employer. It is intended that following consultation, comments received will be reported to the Pension Fund Committee. All three policies have been reviewed by the Fund Actuary and their comments incorporated. The polices are also consistent with guidance produced by both MHCLG and Scheme Advisory Board.

Exit Credits

1.3 The LGPS 2013 (the 2013 Regulations) were amended in 2018 to allow exit credits to be paid for the first time. The changes came into effect on 14 May 2018. Where an employer ceased to be a participating employer in the Fund an exit credit became due if their pension liabilities has been overfunded at their date of exit. (An employer typically ceases to be a participating employer when their last active member of the LGPS leaves or when an admission body's admission agreement comes to an end e.g. on expiry on a contract.)

1.4 Previously scheme employers were responsible for any shortfall against their liabilities at the point of exit but could not receive the benefit of any surplus. Any surplus on exit was retained in the Fund. On the cessation of a contractor who had provided a service to a letting authority, any surplus of assets on exit would have previously been reallocated to that letting authority on the exit of the contractor from the Fund.

1.5 Following concerns with the exercise of exit credit provisions, LGPS (Amendment) Regulations 2020 came into force on 20 March 2020, but have effect from 14 May 2018, and set out that:

"An administering authority must determine the amount of any exit credit, which may be zero, taking into account the following factors:

- the extent to which the employer's assets in the pension fund are in excess of its benefit liabilities,
- the proportion of this excess of assets which has arisen because of the value of the employer's contributions,
- any representations made by the exiting employer and, where the employer participates in the LGPS by virtue of an admission agreement, any guarantor for the employer's pension liabilities, and
- any other relevant factors"

1.6 As mentioned in the Regulations, the exit credit may be nil. The main reason for that is where other parties carried some or all of the pension risks e.g. the employer was compensated if their contribution rate increased. The other main limitation is that the value of contributions paid will

be compared with the scale of the surplus. Other factors to be considered include unpaid contributions and failure to provide a required bond.

1.7 In developing the policy some additional principles have been incorporated:

- The credit will be calculated on the same basis as a deficit as specified in the Funding Strategy Statement. Some schemes have incorporated a 'gilts basis' to minimise any exit credits.
- Where the admission agreement was signed before exit credits were introduced (May 2018), it is unlikely that an exit credit will be payable unless the employer can demonstrate that this regulation was factored into their contractual arrangements.
- The Actuary can make adjustments for uncertainness' in the benefit structure e.g. while awaiting the Government's decision on McCloud discrimination.

1.8 Any unresolved dispute will be referred to the Pension Fund Committee as will any recommendation to make an exit credit.

Deferred Debt and Debt Spreading

1.9 This policy covers two distinct situations linked to an employer ceasing with a deficit when it has no active staff participating in the Fund; deferred debt, where the employer continues as an active employer and debt spreading, where the deficit is fixed at cessation and recovered over a period of years. Historically when an employer ceased due to no active members, any deficit was payable immediately in full unless there was a prospect of recruiting active members within three years. This remains the preferred approach to employer cessations.

Deferred Debt Agreement (DDA)

1.10 Regulation 64 (special circumstances where revised actuarial valuations and certificates must be obtained) (7A) of the LGPS Regulations 2013 enables the Fund to enter into an agreement with an employer who continues to pay secondary (deficit) contributions, that are reviewed at each triennial valuation. This type of arrangement will only be considered if there is a prospect of future active service or if the ability to recover the full deficit contributions will be enhanced by allowing continued participations or the risk to not receiving full payment does not increase. Entering into a DDA will require security in the form of bond, guarantee or asset pledge to be provided. It is not envisaged that employers who are able to pay the cessation deficit in full will be offered a DDA as continuing as a participating employer might be a less costly option for the employer but increases the risk of not collecting the cessation deficit in full.

1.11 Any proposal for a DDA will be reported to the Pension Fund Committee.

1.12 Each DDA will include a maximum duration at the end of which any remaining deficit will be assessed by the Actuary and is payable by the exiting employer unless an extension is agreed. The duration is not expected to exceed the deficit recovery period set out in Funding Strategy Statement. Both parties have the right to early termination, which also occurs if the deficit is eliminated. Termination can give rise to an exit credit. Ongoing agreements will form part of the quarterly monitoring reports to Pension Fund Committee.

Debt Spreading Agreement

1.13 Regulation 64B (LGPS Regulations 2013) [effective September 2020] enables the Fund to enter into a debt spreading agreement (DSA) whereby the deficit is calculated by the Actuary and repaid over an agreed period with an appropriate interest adjustment based on the discount rate used to calculate the deficit on cessation.

1.14 Entering into a DSA may be advantageous to the Fund when the prospect of recovering the cessation deficit as a single immediate payment is remote but recovery over an extended period is probable. It is intended for situations when the employer is not expected to resume active participation and the risks of using a DDA with continued exposure to changes in funding level are undesirable. Once agreed, the amounts payable are fixed and are not impacted by triennial valuations.

1.15 As with a DDA, security in the form of bond, guarantee or asset pledge will be required. The maximum period of a DSA is five years with extensions unlikely. Both the Fund and Employer can terminate the agreement early and require the remaining balance to be paid.

DSA's will form part of quarterly monitoring reports to the Pension Fund Committee.

Contribution Review

1.16 Regulation 64A of the LGPS Regulations 2013 (as amended) [effective September 2020] allows changes to an employer contribution rates between triennial valuations when:

- The Funding Strategy Statement has a policy on amending contributions, and
- The liabilities of the employer have changed significantly since the last valuation, or
- A significant change in the employer's ability to meet their obligation to the Fund, or
- The Employer requests a review.

1.17 The purpose of the regulations is to enable contributions to be reset to an appropriate level when there has been a significant change in either the funding position or employer's ability to pay, in both cases either favourably or adversely. Such reviews will be rare and any proposal to commence a review or employer's request will be reported to the Pension Fund Committee. An employer's request can only proceed if it relates to the same two criteria; change in liabilities or ability to pay. Changes in asset values or actuarial assumptions are not a reason for a contribution review. Changes in contribution rates will involve engagement with the employer and a preference for an agreed outcome.

1.18 A significant change in liabilities is most likely to arise from a change in a contract with the Council or school. We have used 10% of the liabilities as the definition of significant. Revised contributions will be calculated by the Actuary. No review will be commenced within twelve months of the next triennial valuation.

2. REASONS FOR RECOMMENDATIONS

2.1 One of the Board's responsibilities is to monitor the management of risks and funding is one of the most significant risk faced by the Fund. The Barnet Pension Fund can only consider the increased flexibilities in the LGPS Regulations if it agreed polices for the implementation.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None

4. POST DECISION IMPLEMENTATION

4.1 Comment from the Board and employers will be reported to the Pension Fund Committee.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2019-2024. Changes in contribution rates can have a significant cashflow implication for employers and will impact on the Council's ability to spend in other areas.

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

5.2.1 Employers paid £54 million of contributions into the pension scheme in 2020-21. Changes in contribution rates can have a significant cashflow implication for employers and will impact on the Council's ability to spend in other areas.

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 The Board's Terms of Reference include "ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund". The contribution setting process is central to ensuring that the pension fund has sufficient assets to pay pensioners.

5.4.2 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. Legal references are highlighted throughout the paper.

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.

5.6.2 Ensuring the long-term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met

5.7 **Corporate Parenting**

5.7.1 Not applicable in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 Consultation with Scheme Employers is discussed in the report.

5.9 **Insight**

5.9.1 Linkage is made with guidance issues by both MHCLG and the Scheme Advisory Board.

6. ENVIRONMENTAL IMPACT

6.1 N/A

7. BACKGROUND PAPERS

7.1 MHCLG guidance

https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-local-valuation-cycle-and-management-of-employer-risk/outcome/guidance-on-preparing-and-maintaining-policies-on-review-of-employer-contributions-employer-exit-payments-and-deferred-debt-agreements

7.2 Scheme Advisory Board Guidance

https://lgpsboard.org/index.php/empflexm

London Borough of Barnet Pension Fund

Exit Credit Policy

Introduction

The Local Government Pension Scheme (Amendment) Regulations 2020 came into force on 20 March 2020 and are effective from 14 May 2018.

If an employer becomes an exiting employer on or after 14 May 2018 under Regulation 64 of the 2013 Local Government Pension Scheme (LGPS) Regulations (as amended) it may be entitled to receive an exit credit.

In accordance with Regulation 64(2ZAB) of the LGPS Regulations 2013, the Administering Authority, which is London Borough of Barnet, acting through its Pension Fund Committee, will determine the amount of any exit credit (which may be zero) by considering the factors set out in Regulation 64(2ZC):

a. the extent to which there is an excess of assets in the fund relating to that employer over the liabilities specified in paragraph (2)(a);

b. the proportion of this excess of assets which has arisen because of the value of the employer's contributions;

c. any representations to the Pension Fund Committee made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 to these Regulations; and

d. any other relevant factors

In determining whether an exit credit may be payable and the value of such payment, the Pension Fund Committee will in addition to considering factors (a) to (c) above also consider whether any contractual or informal pension risk sharing provisions existed between the exiting employer and the letting authority and/or other relevant scheme employer. Any exit credit payable will be reduced where the pension risks were wholly or partly carried by a party other than the exiting employer. For example, usually no exit credit will be payable to any employer who participates in the Fund via a pass-through agreement. Other relevant factors include:

- The exiting employer did not provide a bond or guarantee required under the admission agreement.
- There are unpaid employer or employee contributions
- The exiting employer has not provided all the data required in accordance with the Administration Strategy Statement.

Exit Credit Policy

The Pension Fund Committee will apply the following principles.

1. If an employer becomes an exiting employer on or after 14 May 2018 under Regulation 64 of the 2013 Local Government Pension Scheme (LGPS) Regulations (as amended) it may be entitled to receive an exit credit.

2. The exit credit will be determined on the same basis as for a cessation deficit as set out in the Funding Strategy Statement.

3. For pre-14 May 2018 admissions, the Pension Fund Committee will take into account the fact that original commercial contracts between admission bodies and letting authorities/guarantors could not have been drafted with regard to the May 2018 regulation changes that implemented exit credits retrospectively. Subject to any representations to the contrary, it will be assumed that the employer priced the contract accordingly and that no subsequent agreements covering the ownership of exit credits have been negotiated.

4. If an employer leaves on the 'gilts exit basis' as set out in the Funding Strategy Statement, any exit credit will normally be paid in full to the employer, subject to consideration of the individual circumstances.

5. If a scheduled body or resolution body becomes an exiting employer due to a reorganisation, merger or take-over, no exit credit will generally be paid.

6. If an admission agreement ends early, the Pension Fund Committee will consider the reason for the early termination, and whether that should have any relevance on the determination of the value of any exit credit payment.

7. If there is any doubt about the applicable LGPS benefit structure at the date of exit (e.g. McCloud remedy), the Pension Fund's actuary may include an estimate of the possible impact of any resulting benefit changes when calculating an employer's pension liabilities to determine the level of any exit credit.

Representations

8. In reaching its determination, the Pension Fund Committee will consider representations from the exiting employer, the scheme employer / letting authority and anyone providing a guarantee or indemnity to the Pension Fund in respect of the exiting employer.

Other Matters

9. If there is any dispute from either party with regards interpretation of contractual, risk sharing or guarantor agreements as outlined above, payment of any exit credit will be withheld until such disputes are resolved by the letting authority and/or other relevant scheme employer and the exiting employer.

10. The Pension Fund Committee will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its exit credit determination under Regulation 64.

11. Should any decisions be disputed, the Pension Fund Committee will seek to engage with an employer to achieve an agreed resolution but the final decision rests with the Pension Fund Committee.

12. There may be some situations that are bespoke in nature and do not fall into any of the categories set out above. In these situations, the decision of the Pension Fund Committee is final in interpreting how any arrangement applies to the value of an exit credit payment.

13. The exiting employer will be advised of the exit credit amount due to be repaid and the Pension Fund will seek to make the payment within six months of the exit date. Meeting the six-month timeframe requires prompt notification of an employer's exit and for all data and relevant

information to be provided as requested. The Pension Fund Committee is unable to make any exit credit determination or payment until the Pension Fund has received all data and information required and if the delay caused by the Pension Fund requiring data means the 6-month date is passed, the parties will work constructively to enable a decision to be reached as soon as possible thereafter.

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London Borough of Barnet Pension Fund
Deferred debt and debt spreading agreement policies
23 June 2021

Contents

Introduction

This document sets out the London Borough of Barnet as administering authority of the London Borough of Barnet Pension Fund, acting through its Pension Fund Committee, policy on deferred debt agreements (DDAs) and debt spreading agreements (DSAs) for exiting employers.

London Borough of Barnet Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the Pension Fund Committee to enter into a deferred debt agreement with the employer while Regulation 64B enables the Pension Fund Committee to enter into a debt spreading agreement.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Pension Fund Committee.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the Pension Fund Committee) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the Pension Fund Committee's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the Pension Fund Committee following consultation with the Fund's Scheme employers. In drafting this policy document, the Pension Fund Committee has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued by the Ministry of Housing, Communities and Local Government, the Scheme Advisory Board's guide to employer flexibilities and where appropriate, the opinions of the Fund's advisors.

Approach for exiting employers

In the event that an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The Pension Fund Committee makes the exiting employer aware an exit payment is due by providing a revised rates and adjustments certificate in the form of a cessation valuation report produced by the Fund's Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the Pension Fund Committee, along with evidence, that they are unable to do so and or that it is in the Fund's best interest not to seek immediate payment in full and may request to enter either a DDA or DSA. If the Pension Fund Committee is satisfied with the evidence provided and that it is not detrimental to other participating employers, the DDA or DSA process may proceed.

Requests should be submitted within 28 calendar days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 30 days as per "Employer Responsibilities" when you become a Fund employer.

Where possible, the Pension Fund Committee encourages employers who are approaching exit and suspect they will have a deficit to engage with the Pension Fund Committee in advance in order to understand the options that may be available. The exiting employer may request at their expense that an indicative cessation report be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case.
A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then perhaps a suspension notice may be more appropriate;
- the employer wants to minimise costs in comparison to a DSA by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the Pension Fund Committee may be willing to defer crystallisation of the cessation debt for an appropriately period of time to be determined on a case by case basis, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or

- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The Pension Fund Committee may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer. However, the Fund will also consider the potential impact of a deterioration in the employer's funding position.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;
- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pension risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the Pension Fund Committee will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The Pension Fund Committee has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA arrangement from an exiting employer the Pension Fund Committee will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the arrangement was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Managing of costs

On receiving a request the Pension Fund Committee will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the Pension Fund Committee agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the Pension Fund Committee will keep the exiting employer up to date with any increases. The Pension Fund Committee will provide information on how and when payments should be made.

Dispute resolutions

Whether a DDA or DSA arrangement is agreed or not is ultimately the decision of the Pension Fund Committee. In the event of any dispute from an employer, the Fund will seek to engage with the employer and a further 28 calendar days will be granted in which further discussions can take place to seek a resolution. If the dispute is not resolved in that period, the LB Barnet Pension Fund Committee will make a final determination, which may be to confirm its original decision.

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the Pension Fund Committee may request further evidence. In particular, the Pension Fund Committee may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Pension Fund Committee will aim to make a decision on whether to enter into a DDA within 28 calendar days of receiving a request, but this may vary to reflect specific circumstances, for example if the Pension Fund Committee chooses to request a covenant assessment then the process may take longer.

To reach a decision the Pension Fund Committee will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the impact on the continuity of the employer's business of being required to immediately pay the full exit payment

- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out.
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund's advisors.

The Pension Fund Committee is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the Pension Fund Committee may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the Pension Fund Committee is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the Pension Fund Committee will consult with the exiting employer as required under the Regulations. If the Pension Fund Committee does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the Pension Fund Committee accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the Pension Fund Committee has concerns about the level of risk arising due to the DDA, the Pension Fund Committee may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the Pension Fund Committee and the exiting employer and will be set out in a formal legal agreement.

The Pension Fund Committee and the exiting employer will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated

strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the Pension Fund Committee may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The duration of the DDA will not be expected to exceed the appropriate maximum deficit recovery period applying to the exiting employer set out in the FSS.

The Fund Actuary will calculate secondary contributions on an appropriate basis consistent with the determination of an exit payment for that employer as agreed with the Pension Fund Committee, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 3 calendar months, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as strain costs as a result of ill health retirements;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in the administration strategy statement produced by the Pension Fund Committee;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the Pension Fund Committee and provided to the deferred employer;
- promptly provide all such information that the Pension Fund Committee may reasonably request in order to administer and manage the agreement; and
- give notice to the Pension Fund Committee, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the Pension Fund Committee. The Pension Fund Committee reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the Pension Fund Committee and employer may agree to amend the terms of the agreement.

The Pension Fund Committee will monitor a DDA in the following ways:

Changing funding position

The Pension Fund Committee will request regular, and at least annual, updates of the deferred employer's funding position in order to review the progress of the DDA. The costs of the regular reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review, then the Pension Fund Committee may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

The Pension Fund Committee monitors the level of covenant of its Scheme employers on an ongoing basis. Once an employer enters into a DDA, the Pension Fund Committee will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the Pension Fund Committee may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the Pension Fund Committee will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the Pension Fund Committee to assist with monitoring the level of covenant, for example by providing information requested by the Pension Fund Committee in a timely manner.

Timeliness of payments

The agreement will set the frequency by which payments of contributions are made and the Pension Fund Committee will monitor if contributions are paid on time. Successive late or in particular missing payments will influence whether a notice is issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the Pension Fund Committee will check there has been no change to the security at agreed regular intervals and as a minimum at each valuation cycle. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the Pension Fund Committee aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the Pension Fund Committee at any time throughout the agreement to enable the Pension Fund Committee to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrols new active members;
- the duration of the agreement has elapsed;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the Pension Fund Committee serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or
- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the Pension Fund Committee at the earliest opportunity. The Fund Actuary will calculate any outstanding contribution due from the employer.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Unless the deferred employer has enrolled new active members and becomes an active employer again, once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The Pension Fund Committee will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy).

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members, then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS. If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the Pension Fund Committee and in line with the Fund's exit credit policy.

Debt Spreading Agreements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the Pension Fund Committee following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund. Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts

- details of position of other creditors

This is not an exhaustive list and the Pension Fund Committee may request further evidence. In particular, the Pension Fund Committee may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The Pension Fund Committee will aim make a decision on whether to enter into a DSA within 28 calendar days of receiving a request but this may vary to reflect specific circumstances, for example if the Pension Fund Committee chooses to request a covenant assessment then the process may take longer.

To reach a decision the Pension Fund Committee will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the impact on the continuity of the employer's business of being required to immediately pay the full exit payment
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out for the Fund;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- if appropriate, the opinion of the Fund's advisors.

The Pension Fund Committee is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the Pension Fund Committee may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or
- the exiting employer cannot afford the required payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the Pension Fund Committee having consulted with the exiting employer. The structure should protect all other employers in the Fund whilst

being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a deferred debt agreement but the Pension Fund Committee reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;
- the interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the Pension Fund Committee of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the Pension Fund Committee will consult with the exiting employer as required under the Regulations. If the Pension Fund Committee does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the Pension Fund Committee accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the Pension Fund Committee has concerns about the level of risk arising due to the DSA, the Pension Fund Committee may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DSA

The Pension Fund Committee and the exiting employer will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 28 calendar days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the Pension Fund Committee will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the

schedule of payments would be fixed for the spreading period, the Pension Fund Committee may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case by case basis and set out in a side agreement as required.

The Pension Fund Committee will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the Pension Fund Committee then the DSA may be reviewed and/or terminated.

Changing employer covenant

The Pension Fund Committee will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the Pension Fund Committee to assist with monitoring the level of covenant, for example by providing information requested by the Pension Fund Committee in a timely manner.

Timeliness of payments

The DSA will set out the frequency by which payments will be made and how long for, and the Pension Fund Committee will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the Pension Fund Committee and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the Pension Fund Committee will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The Pension Fund Committee may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the Pension Fund Committee aware of any changes in their ability to make payments or of a change in circumstance that affects their

ability to make payments. Information should be shared with the Pension Fund Committee at any time throughout the agreement to enable the Pension Fund Committee to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the Pension Fund Committee believes that the exiting employer may not be able to make any of their remaining payments, the Pension Fund Committee reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the rates and adjustment schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the Pension Fund Committee will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the Pension Fund Committee will consult with the exiting employer about their change in circumstances.

If the DSA has to be terminated prematurely the Pension Fund Committee will seek to obtain from the exiting employer the outstanding exit payments or look at alternative arrangements such as a deferred debt agreement.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

London Borough of Barnet Pension Fund
Contribution review policy
26 July 2021

Contents

Introduction

This document sets out the London Borough of Barnet Pension Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

London Borough of Barnet Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

Under Regulation 62, London Borough of Barnet, as the administering authority for the Fund, acting through its Pension Fund Committee, is required to obtain a formal actuarial valuation of the Fund and a rates and adjustments certificate setting out the contribution rates payable by each Scheme employer for three-year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the Pension Fund Committee. This policy document sets out the Pension Fund Committee's approach to considering the appropriateness of a review and the process in which a review will be conducted.

In all cases the justification for a review should be that a change has occurred that is likely to have a material impact (up or down) on the contributions required in order to achieve the funding objectives set out in the Funding Strategy Statement.

This policy has been prepared by the Pension Fund Committee and has been reviewed by the Fund Actuary and following consultation with the Fund's Scheme employers. In drafting this policy document, the Pension Fund Committee has taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the Pension Fund Committee can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under this contribution review policy.

The review process

The events that may trigger a review are set out in the Triggering a contribution review section. The general process for assessing and conducting a review is set out below. Timescales may vary in practice depending on each individual circumstance but the timeline below provides a rough guide of the Pension Fund Committee's general expectation.

Following completion of the review process, the Pension Fund Committee may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by the Pension Fund Committee in order to allow effective monitoring.

Timeline where initiation is made by the Pension Fund Committee

Where the review is initiated by the Pension Fund Committee (i.e. under conditions (i) and (ii) in the Triggering a contribution review section), the employer will be notified that a review is underway and the reasons for the review. After the Pension Fund Committee has conducted its analysis, they will engage with the Scheme employer and provide written evidence for undertaking the review.

The Scheme employer will be given 28 calendar days from the later of (1) the date of receipt of the evidence provided by the Pension Fund Committee and (2) the date of receipt of the results of the formal contribution review to respond to the Pension Fund Committee on the proposal. It is intended that employer notification will not be deferred awaiting on actuarial results. Should no challenge be accepted within this period then the Pension Fund Committee will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed date, which will be effective no earlier than the end of the appeals process and will not be backdated to a prior period.

Should the Scheme employer challenge the Pension Fund Committee's evidence for a review, then the Pension Fund Committee will continue to engage with the Scheme employer in order to reach an agreeable decision. Should the Committee accept the employer's arguments, the review will be terminated. If no decision has been agreed within 28 calendar days of the proposed revised contribution rates being provided to the employer, then the Pension Fund Committee may proceed with the revised contribution rates unless an extension is granted to allow the employer to furnish additional information within an agreed timescale. Further details of the appeals process for the Scheme employer is set out in the Appeals process section.

Although the ultimate decision for review belongs to the Pension Fund Committee, the Pension Fund Committee is committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Timeline where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review section.

The Pension Fund Committee will aim to provide a response to the Scheme employer within 28 calendar days from the date of receipt. This will depend on the quality of the documents provided and any need from the Pension Fund Committee to request further information from the Scheme employer. The Pension Fund Committee will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where the review of contributions has been initiated by the Pension Fund Committee, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the Pension Fund Committee as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

(i) it appears likely to the Pension Fund Committee that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the Pension Fund Committee that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the Pension Fund Committee and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values (except in circumstances such as an employer nearing cessation).

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of staff
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.
- There are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation

In terms of assessing the triggers under a) above, the Pension Fund Committee will only consider a review if the change in liabilities is expected to be more than 10% of the total liabilities.

As part of its participation in the Fund, Scheme employers are required to inform the Pension Fund Committee of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, the Pension Fund Committee may identify events that merit a review of contributions.

In addition, the Pension Fund Committee may initiate a review of contributions if they become aware of any events that they deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution

- Provision of, or removal of, security, bond, guarantee or some other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Legal proceedings linked to allegations of unlawful business activity
- Decision to cease business
- Breach of banking covenant
- Concerns felt by the Pension Fund Committee due to behaviour by a Scheme employer's, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the Pension Fund Committee over a significant period of time.

The Pension Fund Committee monitors the level of covenant of its Scheme employers on an ongoing basis. This may affect the Pension Fund Committee's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

In this instance, any review of the contribution rate would include consideration of the updated funding position (both on an ongoing and termination basis) and would usually allow for changes in asset values when considering if the employer can meet its obligations on both an ongoing and termination basis (if applicable). This could then lead to the following actions:

- The contributions changing or staying the same depending on the conclusion, and/or;
- Security to improve the covenant to the Fund.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This must be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Any requests not arising from either of these conditions will not be considered by the Pension Fund Committee. An employer request based purely on a change in market conditions affecting the value of assets and or liabilities will not be allowed. In most cases, requests by a Scheme employer are limited to one review per calendar year.

With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, the Pension Fund Committee will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored into the formal review and any benefits of carrying out a review just

prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required. If a request is made with an effective date within the 12 months preceding the next rates and adjustments certificate, the Pension Fund Committee will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
    - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change

- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
    - The most recent annual report and accounts for the Scheme employer
    - The most recent management accounts
    - Financial forecasts for a minimum of three years
    - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities

The Pension Fund Committee may require further evidence to support the request and this will be requested from the Scheme employer on a case by case basis

Assessing the appropriateness of a review

The following general considerations will be taken into account by the Pension Fund Committee, regardless of the condition under which a review is requested:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, the Pension Fund Committee will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required and will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. The Pension Fund Committee will also consider whether it is

necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

Whether any changes require the Pension Fund Committee to exercise its powers to carry out a contribution review will be assessed on a case by case basis and with advice from the Fund Actuary and may involve other considerations as deemed appropriate for the situation. The final decision of whether a review of contribution rates will be carried out rests with the Pension Fund Committee after, if necessary, taking advice from the Fund Actuary. Should a Scheme employer disagree with the Pension Fund Committee, then details of the Appeals process is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the Pension Fund Committee's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

In assessing whether or not the Pension Fund Committee will exercise its powers to review a Scheme employer's contribution rates under this condition, the Pension Fund Committee will take into account the general considerations set out earlier in this section and:

- The results of any employer risk analysis undertaken by a suitable entity
- The perceived change in the value of the indemnity to the Fund, relative to the size of the Scheme employer's liabilities

It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case by case basis. Further considerations to that set out above may be relevant and will be taken into account by the Pension Fund Committee as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, the Pension Fund Committee will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The starting point for reviewing a Scheme employer's contribution rates will in most cases be the most recent actuarial valuation. The table below sets out the general approach that will be used when carrying out this review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

	General approach
Member data	In some cases, where the review is happening during or shortly after the valuation, the most recent actuarial valuation data will be used as a starting point. In most cases, given the review is due to an anticipated change in membership, the Pension Fund Committee and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment. Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous Fund valuation are known.
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, and in line with that set out in the Fund's Funding Strategy Statement.
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary (e.g. where an employer is targeting exit from the Fund), the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the conditions will be in line with those at the most recent actuarial valuation.

Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted for the particular employer at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Time horizon	The funding time horizon adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Assets Allocated to the employer	To be calculated either as at the date of the most recent triennial valuation or the date of review as determined by the Actuary as appropriate.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing revised rates and adjustments certificate. Any deviations from the general approaches set out above will be agreed by the Pension Fund Committee and the Fund Actuary.

Appeals process

The final decision as to whether a change in contributions is to be implemented will rest with the Pension Fund Committee after, if necessary, taking advice from the Fund Actuary. In the event of any dispute from an employer, the Fund will seek to engage with the employer and a further 28 calendar days (which can be extended if both parties agree an alternative timetable to provided additional information) will be granted in which further discussions can take place to seek a resolution. Any further dispute or appeal will be referred to the Pension Fund Committee for final determination.

In raising any dispute or appeal, an employer is required to evidence at least one of the following:

(i) A deviation from the published policy or process by the Pension Fund Committee

and/or

(ii) Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the Pension Fund Committee.

An appeal will be considered within 28 calendar days of receipt of all required information.

AGENDA ITEM 11

Local Pension Board

12 October 2021

Title	**Decisions made by the Pension Fund Committee**
Report of	Director of Finance
Wards	n/a
Status	Public
Urgent	No
Key	No
Enclosures	None
Officer Contact Details	George Bruce, Head of Treasury, george.bruce@barnet.gov.uk - 0208 359 7126

Summary

Part of the role of the Local Pension Board is to ensure the effective governance of the Pension Fund. This role is not clearly defined but is deemed to include considering whether the decision-making processes of the Pension Fund Committee are reasonable or appropriate i.e. soundly based, consider relevant information, are consistent with the objectives and policies of the Fund and are taken after considering appropriate advice. The paper considers recent decisions by the Pension Fund Committee and summarises the rationale, the processes followed and the link with policy documents and regulations.

Officer Recommendations

That the Local Pension Board notes the procedures applied by the Pension Fund Committee when reaching decisions at recent meetings and considers any issues associated with those procedures and decisions.

1. WHY THIS REPORT IS NEEDED

1.1 The Board's role is to assist the administering authority in securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme and in ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.

1.2 Part of the Board's role is to review the decision-making processes and ensure that these are soundly based, meet regulatory requirements and consider advice received as appropriate. While it is not appropriate for the Board to seek to replace its own judgments for those of the Pension Fund Committee, it is appropriate to review whether decisions have followed an appropriate process. Should the Board wish to make any comments or recommendations, these will be brought to the attention of the Pension Fund Committee.

1.3 Since the last Local Pension Board meeting there has been one meetings of the Pension Fund Committee. The paper will highlight decisions made at these meetings.

Meeting 26 July 2021

1.4 The meeting was attended by the Investment Advisor (Hymans Robertson) and officers from Governance and Finance.

1.5 Each of the agenda items for which a paper was presented is discussed below.

Administration Report

The Committee noted a report from officers that provided an update on the current administrator performance compared with service standards, member satisfaction levels, work outstanding, the issuance of annual benefit statements, complaints received and progress on the data remediation plan. Also included was a summary of an initiative lead by the Pensions and Lifetime Savings Association (PLSA) called "Retirement Living Standards" to inform members on the adequacy of their pension savings though the provision of estimates of the income required in retirement to achieve example living standards. The agenda for the Board includes an update on the issues included in this report.

Approval of Contribution Policies

1.6 The Committee agreed to circulate for consultation three policies that have been prepared in response to changes in LGPS Regulations in connection with the setting of employers' contributions either when an employer leaves the Fund or between triennial valuations. These policies are included for review on the Board's agenda.

Admitted Body Status Report

1.7 A report on outstanding admission, cessations and bonds was discussed noting that progress on the backlog continued. The discussion focused on one cessation surplus and it was noted that no decision could be made until the exit credit policy (discussed on the Board's agenda) was approved following consultation.

Annual Investment Performance Report

1.8 The Committee noted the annual report from PIRC that reviewed the Fund's investment returns in comparison with those of other local authority funds and included PIRC's commentary on both returns and asset allocation. PIRC's report is included on the Board's agenda.

External's Auditor's Timetable

1.9 An update was provided to the Committee on the Auditor's timetable for reviewing the 2020-21 annual accounts. The audit is expected to take place during November with the Auditor's report not available until December 2021. The delay is due to BDO staffing constraints.

Pension Fund Performance for the quarter to 30 June 2021

1.10 The Committee received from officers a report that summarised the valuation of the fund as of 30 June 2021 and the transactions in the quarter. The timing of the meeting did not allow sufficient time for Hymans to report on fund performance although they discussed market developments and any significant fund manager developments. A copy of the Hyman's June performance report is included within the Board's meeting pack.

LCIV Pooling Update

1.11 There is an obligation on the Fund to transfer responsibility for manager appointment decisions to the London CIV. The Committee considered a paper setting out the current level of pooling and projection for pooled assets over the next four years. The projection was that unpooled assets would reduce from 48% of total assets to 42%. The Committee authorised a review of the potential for pooling the fund's various credit mandates, agreed to hold a training session on the LCIV London Fund and also to invite the LCIV to the next Committee meeting.

Scheme Expenses

1.12 The Committee noted a report that detailed scheme fees and expenses in the year to 31 March 2021.

Investment Strategy

1.13 The February meeting of the Committee had agreed to allocate 25% of the Fund to LGIM's Future Worlds portfolio that gives a higher weighting to environmental, social and governance factors and 10% to the value-oriented index, RAFI. Two developments impacting on these decisions were discussed. Firstly, LCIV are about to launch a low carbon product based on the S&P Developed Paris-Aligned Index that is a potential alternative to Future Worlds. Secondly, LGIM will be changing the index on which RAFI is based to incorporate a reduced emissions target. Papers from Hymans reviewing these developments and concluding that the original decisions remained valid were accepted by the Committee.

1.14 Based on a recommendation from Hymans, the Committee agreed to invest €40 million (circa £35 million) into the Barings Special Situations Credit Fund that invests in companies with unsustainable capital structures.

Internal Audit Report

1.15 This paper provided the Committee with an update on ongoing Internal Audit recommendations. These comprise:

Continuing to monitor and report on the data improvement plan – the plan is anticipated to be substantially completed by the end of 2021 (progress is discussed on the Board agenda).

Monitoring controls around calculations that are not fully automated – with virtually all calculations now fully automated this recommendation has altered to one concerning the sources of assurance on the control environment at WYPF, which is currently being drafted.

Further circulate the 'lessons learned' report for feedback from external parties involved in the transition – now done and no new comments received.

Addressing the backlog of admissions, cessations and bonds – progress is reported to each Committee meeting. With new admissions and cessations this will always be an ongoing issue, but progress is being made on the historical backlog.

2. REASONS FOR RECOMMENDATIONS

2.1 The Local Pension Board may wish to review Pension Fund Committee decision making procedures as part of its role in assisting the administering authority on ensuring good governance.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 N/A. The paper does not propose options.

4. POST DECISION IMPLEMENTATION

4.1 Recommendations from the Board will be communicated to the next Pension Fund Committee meeting.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2019-2024.

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

5.2.1 None in the context of this report.

5.3 Social Value

5.3.1 There are no specific social value issues arising out of this report, however 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 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Public Service Pensions Act 2013 requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice.

5.4.2 This paper considers the governance arrangement of the LGPS pension scheme that form part of the remit of the Local Pension Board.

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.

5.5.2 Good governance is essential to ensuring that risks are identified and managed.

5.6 Equalities and Diversity

5.6.1 There are no Equalities and Diversity issues arising from this report.

5.6.2 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 N/A

5.8 **Consultation and Engagement**

5.8.1 The paper is part of the process of co-ordinating the activities of the Pension Fund Committee and Local Pension Board.

5.9 **Insight**

5.9.1 N/A.

6. ENVIRONMENTAL IMPACT

6.1 N/A

7. BACKGROUND PAPERS

7.1 Papers and minutes of the three Pension Fund Committee Meetings discussed can be located at:

https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=10917&Ver=4

London Borough of Barnet

Local Pensions Board - Work Programme

October 2021 – April 2022

AGENDA ITEM 12

Title of Report	Overview of decision	Report Of	Issue Type (Non key/Key/Urgent)
6 December 2021			
Decisions made by the Pension Fund Committee	To approve the Pension Fund Committees decision making processes.	Finance Director	Non-Key
Administration Performance Report	To monitor the performance of the pension administration service and priorities for the new administrator.	Finance Director	Non-Key
Administration Risk Register	To review the administration risk register.	Finance Director	Non-Key
Annual Report of the Local Pension Board	To approve the annual report of the Local Pension Board to Full Council	Finance Director	Non-Key
Annual Update on Funding and Investment Strategy	To review the approach being taken to setting both funding and investment strategies.	Finance Director	Non-Key
3 February 2022			
Decisions made by the Pension Fund Committee	To approve the Pension Fund Committees decision making processes.	Finance Director	Non-Key
Administration Performance Report (including any transition issues)	To monitor the performance of the pension administration service	Finance Director	Non-Key

Subject	Decision requested	Report Of	Contributing Officer(s)
Scheme Risk Register	To review the Scheme Risk Register	Finance Director	Non-Key
26 April 2022			
Decisions made by the Pension Fund Committee	To approve the Pension Fund Committees decision making processes.	Finance Director	Non-Key
Administration Performance Report	To monitor the performance of the pension administration service	Finance Director	Non-Key
Administration Risk Register	To review the administration risk register.	Finance Director	Non-Key
External Audit Plan	To note the work to be undertaken by the external auditor in respect of the Fund's 2020-21 accounts.	Finance Director	Non-Key
Compliance with TPR Code of Practice	Detailed review of compliance with the TPR code.	Finance Director	Non-Key
Training Policy	To approve the Board's Training Policy.	Finance Director	Non-Key
Review of Administration Strategy, IDRP and Breaches Policy.	To review the key administration processes in place.	Finance Director	Non-Key

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