MEETING
PENSION FUND COMMITTEE
DATE AND TIME
THURSDAY 10TH NOVEMBER, 2022
AT 6.00 PM
VENUE
HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4AX

TO: MEMBERS OF PENSION FUND COMMITTEE (Quorum 3)

Chair: Councillor Anne Hutton
Vice Chair: Councillor Andreas Ioannidis

Zahra Beg	Linda Lusingu	Simon Radford
Danny Rich	Mark Shooter	Elliot Simberg
Michael Mire		

Substitute Members

Edith David	Richard Barnes	Alison Moore
Melvin Cohen	Richard Cornelius	Dean Cohen

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted on Wednesday 7 November 2022 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 Services contact: Paul Frost
Media Relations Contact: Tristan Garrick 020 8359 2454

ASSURANCE GROUP

ORDER OF BUSINESS

18.	Any item(s) that the Chairman decides is urgent	

FACILITIES FOR PEOPLE WITH DISABILITIES
Hendon Town Hall has access for wheelchair users including lifts and toilets. If you wish to let us know in advance that you will be attending the meeting, please telephone Paul Frost. People with hearing difficulties who have a text phone, may telephone our minicom number on 020 8203 8942. All of our Committee Rooms also have induction loops.

FIRE/EMERGENCY EVACUATION PROCEDURE
If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by Committee staff or by uniformed custodians. It is vital you follow their instructions. You should proceed calmly; do not run and do not use the lifts. Do not stop to collect personal belongings Once you are outside, please do not wait immediately next to the building, but move some distance away and await further instructions. Do not re-enter the building until told to do so.

Decisions of the Pension Fund Committee

11 July 2022

AGENDA ITEM 1

Cllr Anne Hutton (Chair)
Cllr Andreas Ioannidis (Vice-Chair)

Zahra Beg
Linda Lusingu
Dean Cohen (substitute)
Simon Radford
Danny Rich
Mark Shooter
Elliot Simberg

1. MINUTES (Agenda Item 1):

Before the minutes of the meeting were signed the Chair welcomed everyone that was in attendance. She requested that everyone introduce themselves which they duly did.

RESOLVED that the minutes of the meeting held on 23 February 2022 be agreed as a correct record.

2. ABSENCE OF MEMBERS (Agenda Item 2):

The Pension Fund Committee noted the apologies for absence from Councillor Michael Mire, he was substituted by Councillor Dean Cohen.

At 7:55pm Councillor Zahra Beg gave her apologies and left the meeting.

3. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS (Agenda Item 3):

Councillor Zahra Beg made a declaration, she noted that she received a Barnet Pension. Councillor Beg took part in the consideration of all items before leaving at 7:55pm.

Councillor Dean Cohen declared an interest in relation to item 12, he noted that he was a Governor of one of the schools listed in the report. Councillor Cohen took part in the consideration and determination of the item.

4. PUBLIC QUESTION AND COMMENTS (IF ANY) (Agenda Item 4):

None.

5. REPORT OF THE MONITORING OFFICER (IF ANY) (Agenda Item 5):

None.

6. MEMBERS' ITEMS (IF ANY) (Agenda Item 6):

None.

7. ADMINISTRATION REPORT (Agenda Item 7):

The Pensions Manager introduced this report. He provided an update on the current performance in relation to the administration of the Barnet Pension Fund by West Yorkshire Pension Fund, along with other issues affecting the administration.

Having considered the report, the Committee:

Resolved

The Pension Fund Committee noted the current performance levels and updates on Annual Benefit Statements, GMP reconciliation project, Pensions Dashboard and McCloud judgement.

8. DATA IMPROVEMENT PLAN AND HISTORICAL LEAVERS REPORT (Agenda Item 8):

The Pensions Manager introduced this report. He outlined that the paper and provided the Pension Fund Committee with an update on the data improvement plan and historical leaver exercise, together with details of the data preparation for the 2022 triennial valuation.

Having considered the report, the Committee:

Resolved

The Pension Fund Committee noted the progress on the correcting of the member data and the historical leaver exercise.

9. TRIENNIAL VALUATION UPDATE (Agenda Item 9):

The Head of Pensions and Treasury introduced the report. He noted the funding position of the pension scheme and rate of contributions paid by employers is assessed every three years by the Scheme Actuary. The triennial valuation as at 31 March 2022 is commencing.

The Chair welcomed Gemma Sefton from Hymans Robertson, the Fund's Scheme Actuary, and requested that she make a representation which she duly did. The Chair thanked her for a detailed update that was in relation to the training that had been delivered before the meeting and the content documented in the appendix to the report.

Mr Kennedy from Middlesex University welcomed the intention to consult with employers relatively early in the process and also requested that consideration be given to any change of contributions arising from the process to take effect from 1 August 2023 to reflect the University's financial year.

A question was raised around whether the proposal for a limited allowance for the impacts of Covid on long-term life expectancy was overly cautious. The Scheme Actuary explained that there was still very limited data on the long-term impacts on Covid and that therefore taking a view on its impact from a Funding perspective would be imprudent. The Head of Pensions and Treasury noted that, given the limited data, the assumptions being proposed were likely to be in line with what other Local Government Pension Schemes would be adopting for the 2022 valuation..

The chair noted that in relation to recommendation 2 that it was problematic in arranging an additional meeting in September. The attending Governance Officer noted that there were a number of meetings due to take place in September that led to a number of member clashes, he added that there were also party group conferences and Jewish festival(s) in the month. He noted as a solution it may be possible that the Committee consider resolving to provide the Chief Officer with the delegated power to begin the consultation and provide feedback to the Committee in November.

Members had the opportunity to raise questions and give comments.

Resolved:

That the Pension Fund Committee:

(1) Approved the proposed assumption in Appendix A for the Barnet Pool;
(2) Delegated the consultation of the Funding Strategy Statement during October to the Chief Officer and report back an update to the November meeting.

10. KNOWLEDGE AND UNDERSTANDING (Agenda Item 10):

The Head of Pensions and Treasury introduced the report. He noted that it was a priority of the new Chair to ensure that the Pension Fund Committee members have access to sufficient training opportunities so that they can meet their duties.

Members welcomed the report and agreed that training was an important aspect of the Committee. Members requested that the Pension Regulator Toolkit be sent to the Committee membership for their information and optional completion.

It was agreed that Members should target 31 December 2022 for completing Hymans' LOLA training portal. The Head of Pensions and Treasury agreed to circulate joining instructions for the portal.

Members had the opportunity to raise questions and give comments.

Resolved:

- That the Pension Fund Committee noted the report
- That the Pension Fund Committee agreed that the membership should take part in mandatory training and take part in all other recommended training.

11. DEVELOPING THE FUND'S RESPONSIBLE INVESTMENT STRATEGY (Agenda Item 11):

Before the start of the item Councillor Beg noted that she had to leave the meeting and gave her apologies.

The Head of Pensions and Treasury introduced the report and noted that it provided the Pension Fund Committee with an update on matters relating to Responsible Investing ("RI") with a view to further progressing the Fund's strategy in this area, particularly with the setting of targets around reducing the Fund's carbon emissions. The Head of Pensions and Treasury also noted that analysis by Hymans confirmed that one of the Fund's investment vehicles, the RAFI Fund, contributed a disproportionate amount of Carbon relative to the rest of the portfolio. The Head of Pensions and Investment also noted that the RAFI Fund provided important diversification benefits to the overall portfolio. However, given an objective to consider overall emissions, the recommendation from Officers was that the Fund's RAFI investment allocation should be reviewed.

The Chair welcomed Independent Advisors from Hymans Robertson and requested that they make verbal representations which they duly did. The Chair gave thanks for all the contributions and, given the complexity of the topic, requested that the Committee devoted a time towards a Strategy Day to allow the progress to be made in this area.. Before making this commitment members requested that Officers provide further detail of what the Strategy Day may involve.

The Committee agreed a motion to exclude the press and public in order to consider the exempt information.

Members had the opportunity to raise questions and give comments.

Resolved:

- The Pension Fund Committee requested that the Chief Officer provide members with further details of what would be included within the Strategy Day, including date options with a view to confirm a training day(s)
- That the Pension Fund Committee agreed that a training session and workshop to be held with the purpose of establishing a Net Zero strategy, and (2) to review the RAFI fund against possible low emission alternatives
- That the exempt information be noted

12. ADMITTED BODY AND BOND STATUS (Agenda Item 12):

The Pension Fund Manager outlined the progress on outstanding admitted body and bond agreements, including bond renewals and cessation valuations.

During the consideration of the item Councillor Danny Rich and the Chair Councillor Anne Hutton noted therefore concerns in relation to the process of how admitted Body and Bonds are approved. They also noted concerns in relation to 1.8 of the report in connection with the approval of the admission of the contract Signature Dining has at Queens Road Kosher CPU. Councillor Rich noted that as a responsible Member he wanted to note his concerns.

Having considered the report:

Resolved:

That the Pension Fund Committee noted the progress on outstanding admitted body and bond agreements, including bond renewals and cessation valuations and that the Pension Fund Committee approved the admission into the Fund of Signature Dining in respect of four contracts at Queens Road Kosher CPU as listed in 1.8.

Councillor Danny Rich requested his abstention and concern to the approval of the admission into the Fund of Signature Dining in respect of four contracts at Queens Road Kosher CPU as listed in 1.8 be recorded.

13. BARNET COUNCIL PENSION FUND – VALUATION, TRANSACTIONS AND PERFORMANCE (Agenda Item 13):

The Head of Pensions and Treasury introduced the report and provided an update on investment valuations, transactions and performance in the 3 months to 31 March 2022 with an updated valuation to 31 May 2022.

The Chair welcomed the Independent Advisors from Hymans Robertsons and requested that they make verbal representations which they duly did.

The Committee agreed a motion to exclude the press and public in order to consider the exempt information.

Resolved:

- That the Pension Fund Committee note the investment activities and performance of the Pension Fund for the quarter to 31 March 2022.

- That the exempt information be noted

14. CESSATION REFUND RECOMMENDATIONS (Agenda Item 14):

The Head of Pensions and Treasury introduced the report.

The Committee agreed to move a motion to exclude the press and public. During the exempt session, Officers introduced the exempt information. The Committee had the opportunity to ask questions and make comments, this included in relation to the exempt appendix.

Having considered the report:

Resolved:

- That the Pension Fund Committee agreed the level of refund that should be provided to Fremantle Trust and Hartwig
- That the exempt information be noted.

15. PENSION SCHEME COSTS (Agenda Item 15):

The Head of Pensions and Treasury introduced the report.

The Committee agreed to move a motion to exclude the press and public.

The committee considered the exempt information.

Resolved:

- That the Committee note the scheme costs for the year 2021/22.
- That the exempt information be noted.

16. WORK PROGRAMME (Agenda Item 16):

It was noted that any work scheduled for the proposed September meeting be deferred to later meetings

Resolved:

That the Work Programme be noted

17. REVIEW OF PERFORMANCE OF ADVISORS - EXEMPT (Agenda Item 22):

Before the consideration of the item the Committee agreed a motion to exclude the press and public in order to consider the exempt information.

The Head of Pensions and Treasury introduced the report. He informed the Committee that the Pension Fund was supported by external advisors and service providers. Members noted that appointments are periodically renewed. The Committee were requested to consider the report and provide feedback on the performance on the advisors.

Resolved:

That the level of fees be carefully monitored, particularly against any commitments made during the procurement process.

18. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT (Agenda Item 23):

None.

The meeting finished at 21:15

AGENDA ITEM 7

	Pension Fund Committee **10 November 2022**
Title	**2022 Triennial Valuation – Whole of Fund results**
Report of	Executive Director of Strategy and Resources
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A - 2022 Funding Strategy Statement – Preface Document Appendix B - 2022 Funding Strategy Statement – Core documents (draft) Appendix C - Hymans' "Whole of Fund" results paper
Officer Contact Details	David Spreckley, Head of Pensions and Treasury 020 8359 6264 david.spreckley@barnet.gov.uk

Summary

The funding position of the Pension Fund and rate of contributions paid by employers is assessed every three years by the Fund Actuary. Provisional 'whole of fund' results for the 31 March 2022 have been provided. The Pension Fund Committee should be aware that different employer groups have different covenant characteristics.

The Committee will need to agree with the Fund Actuary the actuarial basis to be used in the calculations for each employer group and for this to be documented in a Funding Strategy Statement. It is a requirement that the Council consults with relevant stakeholders when amending its Funding Strategy Statement.

Officers Recommendations
That the Committee: (1) Note the whole of fund provisional Actuarial Results (2) Note differences in covenant and actions taken by Officers to manage this; and (3) Provide comment on the draft Funding Strategy Statement, which is currently being consulted on with employer groups.

1. WHY THIS REPORT IS NEEDED

1.1 The Committee are responsible for appointing a fund actuary and commissioning a triennial actuarial valuation in addition to formulating long term funding and investment strategies that ensure that the Fund has sufficient assets to pay benefits as they fall due.

1.2 Every three years the fund actuary assesses the funding position of the Pension Fund and determines the contributions payable by each employer for the next three years. The next valuation will be as at 31 March 2022 and the new rates and adjustment certificate will be effective from 1st April 2023.

1.3 A key part of the process is to determine the long-term assumptions to be used to calculate the actuarial liabilities and the level of confidence associated with that choice of assumption (i.e. the "prudence margin"). It is a legislative requirement that the collective assumptions used are set prudently. The Council's policy around actuarial assumptions is documented in a Funding Strategy Statement ("FSS").

1.4 It is good governance and a requirement of the regulations that the Council consults with interested stakeholders before finalising its FSS.

High-level valuation timetable

1.5 Consideration of whole of fund results and considering the FSS for different employer groups is part of the valuation process.

1.6 A high-level overview of the valuation process, with comment on progress, is summarised below.

Item	Time frame	Progress
Review Funding Strategy Statement and consider changes to assumptions consistent with maintaining the prudence margin at 2019 levels to calculate initial results (Barnet Pool)	June / July 2022	Complete
Consider prudence levels across employer base recognising covenant risk	July 2022	Complete – for tax raising bodies, academies and admitted bodies no change

Item	Time frame	Progress
		For Middlesex University, proposed changes reflecting covenant and likely maturation of liabilities is proposed. For Barnet & Southgate no change to approach pending review of underlying government guarantee
Cleanse membership data to use for valuation	By 31 July 2022	Analysing experience item see 1.11 below
Review draft 'whole of fund' results on initial prudence levels. Consider changes to prudence levels and likely contribution impact	November 2022	Considered at November PFC meeting
Consult with employers on any changes to Funding Strategy Statement	November to December 2022	Consultation to be launched 1 November
Share draft results and contribution requirements with each employer	November to December 2022	Pending
Finalise results and implement Rates and Adjustment certificate	By 31 March 2023	Pending
New contributions come into effect	From 1 April 2023	Pending

Hymans' advice for initial 31 March 2022 results

1.7 The Actuary's report on the whole of fund is provided as Appendix C. A summary is provided below:

- Before allowing for changes in assumptions, the deficit decreased from £190m (in 31 Mar 2019) to £8m. This improvement is primarily down to deficit contributions paid and significantly higher investment returns than expected, offset by a £47m increase to the deficit due to data, that is being analysed by LBB pension team, i.e. without the adjustment due to data there would have been a surplus of c£40m
- However, looking forward, the outlook for inflation is significantly higher than estimated in 2019 and the life expectancy assumptions has been strengthened, which have both contributed to increasing the deficit. However, this has partially been offset by a higher allowance for future investment returns (due to higher interest rate outlook)
- Allowing for changes in assumptions, the deficit for the whole of fund is £71m at 31 March 2022 (i.e. overall funding position of around 96%, up from 86% at 31 March 2019)

1.8 A further breakdown in the movement in funding position is summarised in the table below:

		£'m
Deficit at 31 March 2019		**190**
Interest on deficit	21	
Deficit contributions	(48)	
Investment returns higher than discount rate	(169)	
Inflation lower than expected	(30)	
Unexplained data	47	
Other miscellaneous	(4)	
Deficit at 31 March 2022 (2019 assumptions)		**8**
Higher future investment returns now expected from 2022	(49)	
Higher future inflation now expected from 2022	100	
Misc. other changes (inc. salary, mortality)	12	
Deficit at 31 March 2022		**71**

1.9 The Actuary has not assessed the future service rate at a whole of fund level, but has informally advised that, at an aggregate level, future service costs across the LGPS are likely to increase by c2% of pay, but that individual Funds (and employers within Funds) may experience different levels of changes reflecting their particular assumptions and Fund demographics.

1.10 This means that, in general, any reduction to deficit contributions due to a lower deficit is likely to be offset by an increase to future service contributions.

Unexplained Data item

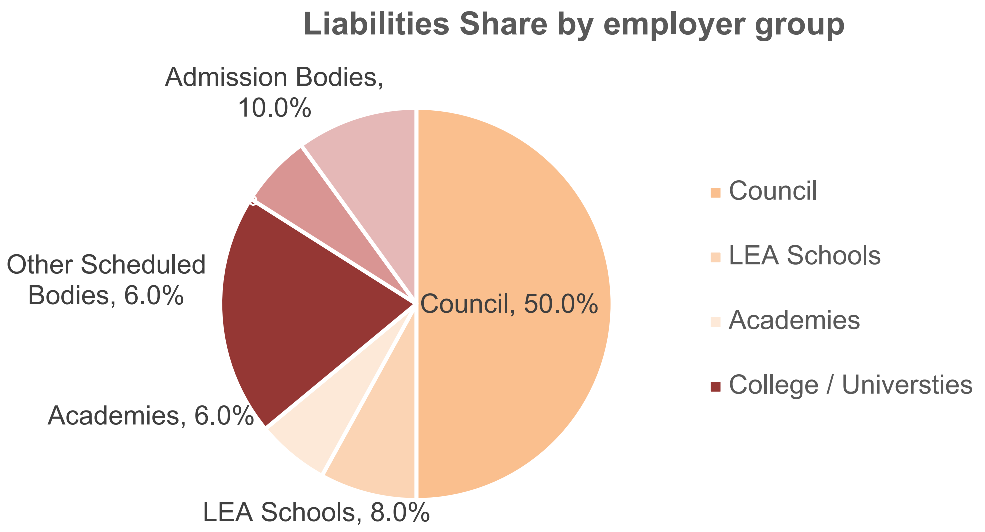
1.11 As noted above, there is a significant experience item due to unexplained data movements. This is likely to be due to improved data compared to the 31 March 2019 valuation. However, the experience item for data is significant and there is a potential risk that the data rectification was "over corrected". We are therefore currently analysing the differences between the 2019 data and the 2022 data and will report back findings at the January 2023 committee meeting. Depending on our findings, the provisional results presented here may change.

Employer Base

1.12 The Whole of Fund results provide a picture of the financial health of the Fund at an aggregate level. However, the funding requirements for individual employers within the Fund may be different for the following reasons:

a) Different employers have different membership profiles and this can influence the relative results of each employer
b) Contributions have been paid over different periods and so the average investment return achieved may be different for different employer groups
c) Certain employers have different credit qualities and so we may ask them to pay relatively higher contributions to reflect the higher risk to the Fund

1.13 The breakdown of our employers by different groups is summarised in the Pie Chart below:



1.14 It can be seen that the Council represents around half of the obligations, with Colleges and Universities representing a significant share at 20% - a separate exempt paper considers a proposed approach for Middlesex University.

1.15 Each of these employers have different covenant characteristics, i.e. the ability to support the underlying obligations. The points to consider from a covenant perspective are:

- **Recovery on insolvency** – on insolvency full responsibility for meeting the obligations falls back to the Council and increases our risk exposure and so the ability to recover cash on an insolvency of an employer is an important consideration
- **Covenant visibility** – pension schemes are long-term financial systems and so how confident we can be that the employer will be there in the future will influence the overall level of risk that the Fund is prepared to take
- **Ability to absorb higher contribution rates** – how flexible is the organisation able to absorb increasing pension contributions if experience is poor (which will be linked to the period under which contributions could be recovered).

1.16 Commentary on each of these considerations relative to our employer base is summarised below:

Employer Group	Insolvency	Covenant Visibility	Ability to absorb contribution increases
Council	Unlikely - but no formal monitoring	Can take very long-term view	Limited, extending time frames to manage volatility
LEA Schools	As per Council	As per Council	As per Council

Employer Group	Insolvency	Covenant Visibility	Ability to absorb contribution increases
Academies	Government Guarantee provided	As per Council	As per Council
College / Universities	No government guarantee (guarantee for FE being considered). Pension Fund ranks as unsecured creditor	Medium term?	Limited
Other Scheduled Bodies (i.e. Barnet Group)	No direct guarantee – formalise Council support?	Depends on formal guarantee from Council	As per Council
Admission Bodies	Depends on Bond / pass through	Limited	Limited

FSS decisions

1.17 Our overall approach to funding for the different employer groups needs to be documented in a Funding Strategy Statement. It is important that we consult on this Statement

1.18 A draft Funding Strategy Statement preface document and a supplementary paper providing much of the technical detail is included as Appendices A and B respectively. We are currently consulting on these documents – consultation started on 1 November 2022 and is due to close on 31 December 2022. We invite the Pension Fund Committee to comment on the proposal. We will bring a final version of the FSS to the January 2023 Pension Fund Committee meeting for approval.

Overall we recommend:

- Assumptions for whole of fund are agreed
- The approach for the majority of employer groups in left broadly unchanged
- A separate exempt paper discusses the proposed approach for Middlesex University

2. REASONS FOR RECOMMENDATIONS

2.1 The actuarial valuation is a statutory requirement and the recommendations have been made to allow the valuation process to proceed and to strike the right balance between long-term cost efficiency and the level of risk faced by the Council.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Alternative approaches for the whole of fund were discussed at the July 2022 Pension Fund Committee meeting.

3.2 An alternative approach of continuing to fund Middlesex University's obligations on an ongoing valuation basis, which assumes that Middlesex University's covenant is broadly the same as the Council's and that their membership profile remains stable is not appropriate as it exposes the Council to too much risk.

4. POST DECISION IMPLEMENTATION

4.1 The actions set out in the actuarial timetable will be followed.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Employers paid £48 million of contributions into the pension scheme in 2021/22. 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 There are no immediate financial implications from the report. However, higher deficits (particularly if sustained) may translate into higher contributions from the Council and other employers. Engaging with the Scheme Actuary during the 2022 triennial valuation will enable the Committee to identify ways to stabilise future contribution rates.

5.3 Social Value

5.3.1 Contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

5.4 Legal and Constitutional References

5.4.1 The Council's Constitution (Article 7) – includes within the responsibilities of the Pension Fund Committee,
"To consider actuarial valuations and their impact on the Pension Fund."

5.4.2 The Local Government Pension Scheme Regulations 2013 (regulation 62) requires the Council to obtain an actuarial valuation of the assets and liabilities of each of its pension funds as at 31 March 2016 and as at 31 March in every third year afterwards. Regulation 58 requires the administering authority to prepare a funding strategy statement.

5.5 Risk Management

5.5.1 The level of prudence margin set with the actuarial basis impacts the level of risk pushed forward to future periods – the lower the prudence margin, the higher the likelihood that future cash contributions will need to increase.

5.5.2 The ability of employers to absorb future increases to cash contributions may be limited.

At the same time, setting the prudence margin too high today may impact negatively on current budgets and the long-term viability of employers.

5.5.3 The accuracy of the valuation relies on the accuracy of the data provided to the actuaries. Any errors in the provision of the data could have a significant impact on the required contribution rates, particularly for the smaller scheduled and admitted bodies.

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.

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.

5.8 **Insight**

5.8.1 The report provides insight into the future direction of employers' contribution rates.

6. ENVIRONMENTAL CONSIDERATION

6.1 Not relevant.

7. BACKGROUND PAPERS

7.1 The Council's policy around actuarial assumptions is documented in a Funding Strategy Statement ("FSS"). The FSS for the 2019 valuation can be viewed: lbb_-_funding_stategy_statement.pdf (barnet.gov.uk)

London Borough of Barnet Pension Fund
Funding Strategy Statement covering the period 1 April 2023 to 31 March 2026

This preface to our Funding Strategy Statement covering the period 1 April 2023 to 31 March 2026 sets out the specifics of the London Borough of Barnet Pension Fund and the key areas we have considered to inform our Funding Strategy. The preface is supported by a more detailed document prepared in collaboration with our advisors, which also includes links to important Fund policies.

1. What is our overall objective?

1.1 Our overall objective is to ensure there are sufficient resources to meet pension benefits as they fall due.

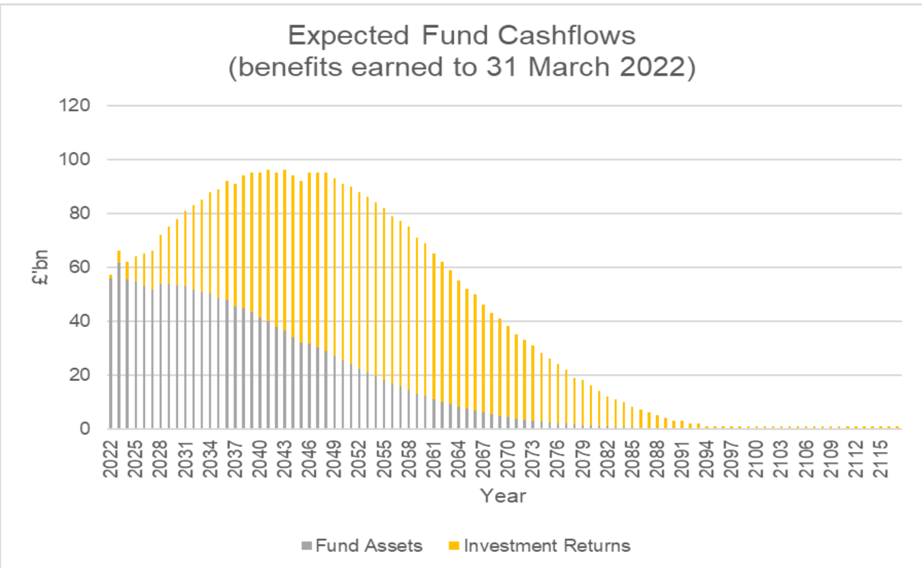
1.2 Our resources are:
- the assets we hold within the Pension Fund
- the return we may get on those assets in the future; and
- the ability for us to ask for contributions from our employer base in the future

1.3 A secondary condition is that we take risk in a measured way to ensure the overall efficiency and cost effectiveness of funding. Because we are taking risk, we need to manage those risks.

2. How are we doing against our objectives?

2.1 At 31 March 2022, and at a "Whole of Fund" level, we had c£1.5bn of assets. The nominal (i.e. not discounted) value of the benefit payments promised to that date, based on Hyman's central view on long-term inflation, was c£4bn. This leaves c£2.5bn to be funded via investment returns or additional contributions.

2.2 The balance between how benefits earned to date are expected to be met through current assets and investment returns on those assets is illustrated below – as can be seen, the majority of benefits are expected to be met through investment returns (orange area), which is why focusing on investment returns is so important.



2.3 Our actuary has calculated that we would need to achieve an annual return of at least 4.7% to meet these payments without requiring further contributions from our employers. Our actuaries assess that the probability of achieving this level of return over the long-term is around 70%.

2.4 This implies that, whilst there is a positive likelihood that further money isn't required to fund benefits built up, there is a material probability that the current assets are not sufficient to cover the benefits already promised and that further contributions may be required. This indicates the level of risk being taken to fund our pension obligations.

2.5 After considering the provisional results of the 31 March 2022 valuation and experience over the inter-valuation period, we are currently comfortable with our funding progress and the level of overall risk we are taking at a "Whole of Fund" level. However, the position for employer groups is more nuanced.

2.6 An important consideration when thinking about our employer groups and overall risk appetite is the ability to request contributions in the future.

3. Ability to request further contributions in the future

3.1 The ability for us to request contributions from employers in the future is a very important part of our overall risk management framework and funding strategy. This ability is constrained by the following two factors:

- The ability of the employer to flex its operating costs to allocate more resources towards the pension scheme if required - *For the majority of our employers this is limited without due notice (possibly a number of years). We also do not wish to negatively impact public service delivery because of increasing pension contributions*

- How confident we can be that the employer will be around in the very long-term to support the pension scheme - *For the majority of our employers we can be very confident about this, but for some employers, such as universities and colleges, we may need to take a more cautious view – not because we have any specific concerns around those employers within the Fund, but more reflecting the general uncertainty of any organisation who cannot guarantee future revenue streams*

4. Taking investment risk

4.1 In general, we are required to invest in assets that do not provide a guaranteed return. This means that there is a risk that the asset performance is lower than that assumed by our actuaries to determining funding contributions.

4.2 A key part of our funding strategy is how we might manage periods where assets do underperform relative to our assumptions. In this situation, further contributions may be required.

4.3 There are two broad ways asset under performance can be managed:

- We use time to smooth out periods of underperformance. This approach assumes underperformance is followed by a 'reversion' to a norm through overperformance. This is risky because the position may not revert

- We set a higher funding target to reduce the probability of underfunding. This approach reduces our risk but is potentially inefficient as it may lead to too much capital being tied up in the pension scheme or the pension scheme becoming over funded. Depending on the time frame used to reach such a funding target, contribution requirements to get there may be, in themselves, unaffordable

4.4 For our tax raising bodies and for those with an underlying government guarantee and / or bond we would generally seek to use a mixture of time and controllable increases to cash contributions to manage periods of underperformance. This may be achieved by taking less prudence in the Funding Target and / or allowing a longer timeframe to recover deficits.

4.5 For our non-tax raising bodies it may not be appropriate to take less prudence and / or increase the time to recover deficits. From a risk management perspective, we therefore may want to reduce the likelihood of underperformance by seeking to move to a higher funding target gradually over time. We will be looking to consult with employers over the period until the 31 March 2025 valuation to consider how best to achieve this.

4.6 For completeness, we may also keep back additional reserves when performance has been better than expected to provide a further cushion against periods of underperformance and we will consider whether it would be appropriate to reduce cash on case-by-case basis.

5. Can an LGPS request security?

5.1 Yes, to protect against the risk of an employer not being there in the future we may explore how additional security can allow us to adopt a less prudent funding target. However, additional security may help reduce an employer's cash contributions, but it does not, in itself, reduce an employer's risk unless the security embeds increased commercial certainty and / or is combined with a change in investment strategy.

6. Experience since 31 March 2019

6.1 Our Funding Strategy will evolve over time and our experience over the last three years has, of course, informed our Funding Strategy for the period 1 April 2023 to 31 March 2026.

6.2 In terms of overall commentary, it is no understatement to say that the world has experienced significant change since the last valuation assessment at 31 March 2019. Covid-19 has had a dramatic impact on mortality rates as well as global markets, but we have also seen:

- the formalisation of Brexit, which has changed the UK's trading relationships which has caused some market uncertainty;
- a significant rise in interest rates as Central Banks try to control increasing inflation; and

- the emergence of a conflict in Ukraine and the shock to energy supplies that has followed

6.3 As a Pension Fund investing in risky assets, we are not immune to the impact of these factors: the one certainty we be sure of is that we are now facing greater uncertainty. We will be undertaking a full investment review in the Spring of 2023 and we are also evolving our Responsible Investment strategy and overall investment procedures to consider how we can be more nimble and flexible in our decision making.

6.4 Against this backdrop, the experience over the period 1 April 2019 to 31 March 2022 for Investment Returns, Inflation, Longevity and Data is summarised below:

Item	Experience	Commentary
Investment Returns	8.9% p.a. on average), compared to required return of 4.4% p.a.	Favourable investment returns have contributed to around £100m improvement in funding position over the valuation period. In context, over the inter valuation period, there was substantial support for capital markets via Central Banks quantitative easing programmes which, given the levels of inflation, is unlikely to continue. This could put pressure on capital values more generally from 2023 and is something we need to be mindful of as we conduct our investment review.
Inflation	5.4% over the period compared to 7.1% assumed	Inflation over the valuation period was around 2% lower than what was assumed at 31 March 2019. This has contributed to around a £30m gain in the overall funding position. However, the future outlook for inflation is very uncertain, with CPI increasing significantly since the 31 March 2022 valuation date. Looking forward, Hymans central estimate for future inflation is that CPI will average around 4% to 5% overr the next 5 years, then gradually reverting to the Bank of England's long-term target for inflation of c2%. Markets are pricing in a higher level of long-term inflation (at around 3.0% to 3.5%, so significantly higher than the Bank of England target). This difference is indicative of the level of future risk we face in relation to inflation. Allowing Hymans central estimate for future inflation increases liabilities by around £100m relative to the assumptions adopted in 2019. Allowing for market pricing for inflation would increase liabilities by a further c30% (£450m LBB analysis) relative to the assumptions adopted in 2019.

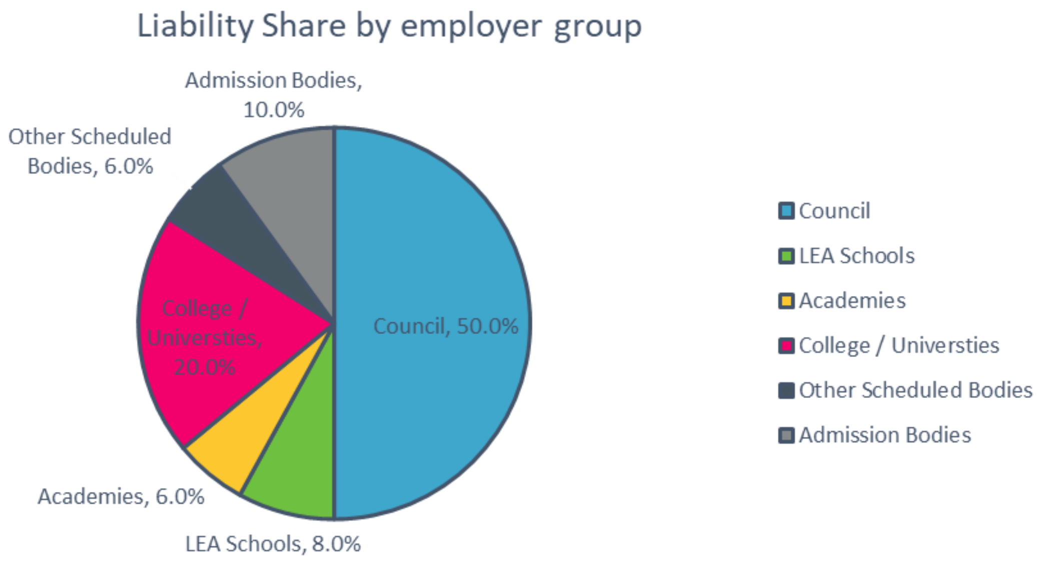
Item	Experience	Commentary
Mortality	Not analysed	Whilst the number of excess deaths increased dramatically in 2020 and 2021 due to the impact of Covid, these deaths were predominantly at older ages (80 years plus) and so, from a Pension Fund perspective, the financial impact has not been as material as some of the other issues discussed here, such as investment returns and inflation. The longer-term impact due to Covid is not known. On advice from our Actuary, we have actually marginally strengthened our longevity assumptions but will keep the position under review fort the 31 March 2025 valuation.
Data	£50m impact	There has been a process of rectifying data records since the last valuation after it was found that the overall level of record keeping was poor. There is a significant 'true-up' number of £50m to reflect the more up-to-date data used. Given the significance of this item we will be analysing the differences between the 2019 and 2022 data to understand where the main areas of differences are.

Areas of focus for 31 March 2022

7. Employer Groups

7.1 The Barnet Pension Fund has a diverse range of employers, and a higher overall allocation to non-taxing raising bodies relative to most other LGPS funds.

7.2 A summary of the different employer groups at 31 March 2022 is provided below:



7.3 The average level of exposure to non-tax raising bodies for the LGPS in general is around 10% based on information provided in Aon's 2018 report on non-tax raising bodies. This means the Pension Fund has over double the level of exposure than that experienced more generally.

8. Implications of maturing scheme

8.1 When the flow of new entrants towards a pension scheme slows it means that, overall, the average age of pension scheme members starts to increase and the 'duration' (i.e. time frame) of future cashflows starts to reduce.

8.2 A consequence of this is that the time horizon that risk can be comfortably taken reduces. This position is compounded if the Pension Fund cannot be 100% confidence in the ability of the employer to make contributions in the future – i.e. when there is a situation where the time horizon for paying benefit starts to shrink and the visibility for being able to rely on future pension contributions is limited, the sensible risk mitigating strategy is to plan to take less risk in the future.

8.3 This is reflected in the Fund's general policy of funding 'cessation' liabilities (i.e. liabilities without employer backing) on a "least risk" actuarial basis.

8.4 For the Council's obligations, this is not a concern, indeed the inflow of new members that are expected to arise out of the in-sourcing of certain contracts may increase the duration of obligations overall for Council – that said, depending on the contribution agreement following the 31 March 2022 valuation discussions, the Fund may switch to being a net dis-investor of assets as benefit outgo starts to exceed income.

9. The Council

A summary of the approach funding approach adopted for each employer group in 31 March 2019 is provided below, together with a high-level summary of any proposed changes from 31 March 2023.

2019 approach

Funding Consideration	Comment
Funding target	Ultimate target consistent with probability of success of at least 75% based on long-term investment strategy (based on Hymans; proprietary ESS model)
Financial position relative to Funding Target	78%
Timeframe proposed to reach funding target	17 Years (assumes at least 70% probability of success)

Overall comment on Council Funding approach

9.1 Based on provisional results, the funding for the Council's share of obligations has progressed well. We are not seeking to amend the funding approach for the Council, apart from adjusting the timeframe for meeting the Funding Target to ensure overall stability of contribution rates.

10. Other Scheduled Bodies (Tax Raising or wholly owned by the Council)

10.1 Funding approach was consistent with the Council's. Aggregate Funding for this group was 81% of target at 31 March 2019.

10.2 Based on provisional results, funding for other Scheduled Bodies has progressed well. We are not seeking to amend the funding approach for other Scheduled Bodies, apart from adjusting the timeframe for meeting the Funding Target to ensure overall stability of contribution rates.

11. Academies

11.1 Funding approach was consistent with the Council's. Funding was 78% of target at 31 March 2019 across all academies. Academies obligations are ultimately underwritten by DfE which means we are comfortable taking a relatively long-term view for this employer group. That said, we still need to be mindful of stability, because it is responsible to do so and a requirement of the regulations.

11.2 Based on provisional results, funding for academies has progressed well. We are not seeking to amend the funding approach for academies at an aggregate level, however, note comment below which may impact individual academy contribution rates from 31 March 2023.

11.3 In 2019 contribution rates were set as the average across all academies. Whilst contributions were set as a common rate, asset and liabilities were not pooled. This means that some academies may have been over / under paying relative to their true cost. We believe this approach, whilst easier to administer, introduces risk of systematic under or over funding for some academies.

11.4 We will therefore be amending the approach so that each academy pays the contribution rate consistent with the liabilities and asset share. We will enter into discussions with academies where the change in contribution rate is more than 2% to discuss whether smoothing would be appropriate.

12. Admitted Bodies

12.1 We take a range of approaches for Admitted Bodies, and these are documented within the respective admission agreements and other contractual documentation associated with each employer. Overall, Funding for Admitted Bodies has progressed well and we are not proposing a change to the overall approach. We are also not envisaging a significant change to contribution rates.

12.2 We have a number of relatively "small" employers joining the scheme with a handful of members (e.g. to service contracts for schools around catering) and the admission process is complex. Over the period to 2025 we will review the admission process to see whether it can be made simpler without prejudicing the overall security of the scheme materially.

12.3 The Council is looking to in-source a number of contracts over the next few years. All things being equal, this will increase our overall membership and pace at which the Fund grows. Whilst it may increase the overall duration of the Scheme, which is potentially positive from the perspective of us being able to take a long-term view on investments, it also potentially increases risk as the Pension Fund increases in size relative to the employer base.

13. Universities / Colleges

2019 approach

Funding Consideration	Comment
Funding target	Ultimate target consistent with probability of success of 75% based on long-term investment strategy (based on Hymans; proprietary ESS model).
Financial position relative to Funding Target	94%
Timeframe proposed to reach funding target	15 Years (assumes 70% probability of success)

13.1 We note that the approach taken in 2019 for Universities and Colleges was not significantly different to the approach adopted for the Council (with the core difference being the timeframe to reach target set as 15 years rather than 17 years).

13.2 Given that the Universities / Colleges do not have the same level of long-term covenant visibility as the Council, the level of risk we are taking is, relatively, much higher. This is compounded given our relatively high exposure to these types of employers as a percentage of the overall Fund.

13.3 Of potential concern for the 2022 valuation is the level of long-term inflation risk we are exposed to, particularly given our advisors central view on long-term inflation, which is broadly in line with Bank of England long-term targets, but significantly different to that implied by market indicators.

13.4 We are also aware that steps have been taken by Middlesex University to provide alternative pension provision. This will significantly reduce the flow of new entrants into the Fund. Whilst this will slow the build-up of liabilities for this employer, which is positive from a risk management perspective, it does potentially accelerate the point at which we may need to start planning for cessation and accelerates the maturation of the Middlesex University section of the Fund.

13.5 As noted in Section 8. above, where the maturation of obligations happens, it is sensible to start to plan to take less risk. This is compounded when there is also a limited level of covenant visibility associated with the employer.

13.6 Because of this we will be seeking to switch the Funding Target for Middlesex University to a Least Risk funding basis. The timeframe and probability of success will depend on affordability, but provisionally we believe it would be appropriate to target a 15-year time horizon with at least a 60% probability of success.

13.7 For Barnet & Southgate College we will not be amending the Funding Approach for the 31 March 2022 valuation, but we will keep the situation under review pending the outcome of the Government's review of whether to provide an underlying government guarantee to Further Education pension liabilities.

14. Supplementary Information

14.1 The attached document prepared in conjunction with our advisors sets out further details of:

- How employer contributions are calculated
- How assets and liabilities are calculated
- What happens when an employer joins the fund
- What happens when an employer leaves the fund
- What the statutory reporting requirements are

The document also provides further information on the:

- The regulatory framework around setting a Funding Strategy Statement
- Roles and responsibilities
- General risks and controls
- Actuarial assumptions

This page is intentionally left blank

London Borough of Barnet Pension Fund
Funding Strategy Statement
Covering the period
1 April 2023 to 31 March 2026

Contents

1 Introduction

This document sets out the funding strategy statement (FSS) for London Borough of Barnet Pension Fund. It is supplemented by a preface document which provides more specific commentary on our Strategy and experience since the last FSS was set as part of the 31 March 2019 valuation.

1.1 Context

The London Borough of Barnet Pension Fund is administered by Barnet Council, known as the administering authority. Barnet council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective over the period 1 April 2023 to 31 March 2026.

There's a regulatory requirement for Barnet Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact david.spreckley@barnet.gov.uk

1.2 What is the London Borough of Barnet Pension Fund?

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

1.3 What are the funding strategy objectives?

In addition to the overall aims highlighted in the preface document, the more general funding strategy objectives are to:

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

1.4 Who is the FSS for?

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

Different types of employers participate in the fund:

Scheduled bodies

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

Barnet Council has a number of wholly owned subsidiary companies who participate in the Fund and these have been treated as Schedule Bodies.

Middlesex University and Barnet & Southgate College are substantial Schedule Bodies within the Fund.

Admission bodies

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

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

1.5 How does the funding strategy link to the investment strategy?

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

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

1.6 Does the funding strategy reflect the investment strategy?

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

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

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

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

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

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

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

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer		Scheduled bodies			TABs
Sub-type	**Local authorities**	**Universities**	**Colleges**	**Academies**	**(all)**
Funding target*	Ongoing	Least Risk	Ongoing	Ongoing	Contractor exit basis, assuming fixed-term contract in the fund
Minimum likelihood of success	70%	60%	70%	70%	70%
Maximum time horizon	17 years	15 years	15 years	15 years	Same as the letting employer
Secondary rate	Monetary amount	Monetary amount		% of payroll	% of payroll

Type of employer	Scheduled bodies				TABs
Sub-type	Local authorities	Universities	Colleges	Academies	(all)
Treatment of surplus	N/A at 31 March 2022	N/A at 31 March 2022	N/A at 31 March 2022	N/A at 31 March 2022	N/A at 31 March 2022
Phasing of contribution changes	None	None	None	None	None

*See Appendix D for further information on funding targets.

2.3 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy can be accessed here. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.4 What is pooling?

The administering authority does not operate funding pools for similar types of employers, apart from LEA Schools which are pooled with the Council. This means that each employer of the Fund receives a specific contribution rate reflecting their underlying membership and asset share.

Note that Academies contribution rates were pooled at the 2019 valuation. However, this pooling was purely for administrative purpose and there was no actual cross subsidy of contributions or experience across different Academies. This meant that some Academies may have been substantially over or under paying contributions relative to their share of obligations.

For the 2022 valuation each Academies contribution will be assessed based on their actual share of obligations. Where the change in rate from 2019 to 2022 due to moving to individual rates is significant smoothing may be employed subject to agreement with the Fund.

2.5 Administering authority discretion

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

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided.

Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, asset backed funding or security over an asset.

3 What additional contributions may be payable?

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

An employer may decide to award an additional pension to an employee if this is allowed in their discretions policy. If an employer awards an additional pension, the employer must pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

Under its discretions policy, an employer may also decide to waive actuarial reductions when an employee retires before their normal retirement age. This may mean that there is an additional cost to the employer, who will be asked to pay this additional contribution, which is called a "strain payment".

This is payable when the employee retires, and employers must also make strain payments as a single lump sum immediately.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, there will be a funding strain cost to the employer, which may be a large sum.

The administering authority does not offer any arrangement to mitigate this. Individual employers should make their own arrangements if they are concerned about the risk of unmanageable ill-health strain costs.

The ill health funding strain cost is not paid at the time of retirement. It is included in the actuarial calculation of the employers contribution rate at the triennial valuation following the employees retirement.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

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

From 2023 the fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share. Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 4).

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

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

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

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

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

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

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

5.2 New academies

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

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

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

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a multi-academy trust (MAT) and the MAT requests that contributions are pooled. The new academies' contribution rate is based on the current funding strategy (set out in section 2) and the transferring membership.

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

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

5.3 New admission bodies as a results of outsourcing services

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

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

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

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

5.4 Other new employers

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

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 Risk assessment for new admission bodies

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

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

This must cover some or all of the:

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

6 What happens when an employer leaves the fund?

6.1 What is a cessation event?

Triggers for considering cessation from the fund are:

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

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

6.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

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

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

The cessation policy can be viewed here.

6.3 What happens if there is a surplus?

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

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

The exit credit policy can be viewed here.

6.4 How do employers repay cessation debts?

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

- spread over an agreed period, if the employer enters into a deferred spreading agreement
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy can be viewed here.

6.5 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA.

6.6 Are bulk transfers allowed?

Cases will be looked at individually, but generally:

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

7 What are the statutory reporting requirements?

7.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

7.2 Solvency

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

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

or

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

7.3 Long-term cost efficiency

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

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

Relative factors include:

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

Absolute factors include:

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

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

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

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

- *establish a* ***clear and transparent fund-specific strategy*** *identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain* ***as nearly constant employer contribution rates as possible***
- *ensure the fund meets its* ***solvency and long-term cost efficiency*** *objectives*
- *take a* ***prudent longer-term view*** *of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

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

For the 31 March 2022 we will run a two-month consultation period running from 1 November 2022 to 31 December 2022. Each employer will be provided with a copy of this document (in draft form) and the opportunity to speak to the Head of Pensions and Treasury and the Scheme Actuary as required. Each employer will be invited to provide written feedback on the FSS.

The Council will also host employer forums, which will be attended with the Scheme Actuary and Council Officers, to explain the document. During the consultation period employers will receive their individual results.

A3 How is the FSS published?

The FSS will be published here.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

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

The documents will be accessible here.

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the fund against employer default

9 works with the fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the fund.

B3 The fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

2 provides information to the Government Actuary Department so they can carry out their statutory obligations

3 advises on fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

Some of the key risks facing the Fund together with controls employed to manage those risks are summarised in the tables below

C2 Financial risks

Risk	Control
Fund assets don't deliver the anticipated returns that underpin the valuation of liabilities and contribution rates over the long-term.	Anticipate long-term returns on a prudent basis to reduce risk of under-performing. Use specialist advice to invest and diversify assets across asset classes, geographies, managers, etc. Analyse progress at three-year valuations for all employers. Roll forward whole fund liabilities between valuations.
Inappropriate long-term investment strategy.	Consider overall investment strategy options as part of the funding strategy. Use asset liability modelling to measure outcomes and choose the option that provides the best balance. Operate various strategies to meet the needs of a diverse employer group.
Active investment manager under-performs relative to benchmark. Pay and price inflation is significantly more than anticipated.	Use quarterly investment monitoring to analyse market performance and active managers, relative to index benchmark. Focus valuation on real returns on assets, net of price and pay increases. Use inter-valuation monitoring to give early warning. Invest in bonds. Employers to be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Increased employer's contribution rate affects service delivery and admission/scheduled bodies.	Agree an explicit stabilisation mechanism, with other measures to limit sudden increases in contributions.
Orphaned employers create added fund costs.	Seek a cessation debt (or security/guarantor). Spread added costs among employers.

C3 Demographic risks

Risk	Control
Pensioners live longer, increasing fund costs.	Set mortality assumptions with allowances for future increases in life expectancy. Use the fund actuary's experience and access to over 50 LGPS funds to identify changes in life expectancy that might affect the longevity assumptions early.
As the fund matures, the proportion of actively contributing employees declines relative to retired employees.	Monitor at each valuation, consider seeking monetary amounts rather than % of pay. Consider alternative investment strategies.
Deteriorating patterns of early retirements	Charge employers the extra cost of non ill-health retirements following each individual decision. Monitor employer ill-health retirement experience, with optional insurance.0.
Reductions in payroll cause insufficient deficit recovery payments.	Review contributions between valuations. This may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Control
Changes to national pension requirements or HMRC rules.	Consider all Government consultation papers and comment where appropriate. Monitor progress on the McCloud court case and consider an interim valuation or other action once more information is known. Build preferred solutions into valuations as required.
Time, cost or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis (see Section 5).	Take advice from the actuary and consider the proposed valuation approach, relative to anticipated Section 13 analysis.
Changes to employer participation in LGPS funds leads to impacts on funding or investment strategies.	Consider all Government consultation papers and comment where appropriate. Take advice from the fund actuary and amend strategy.

C5 Governance risks

Risk	Control
The administering authority is not aware of employer membership changes, for example a large fall in employee members, large number of retirements, or is not advised that an employer is closed to new entrants.	The administering authority develops a close relationship with employing bodies and communicates required standards. The actuary may revise the rates and adjustments certificate to increase an employer's contributions between valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, heeded, or proves to be insufficient in some way	The administering authority maintains close contact with its advisers. Advice is delivered through formal meetings and recorded appropriately. Actuarial advice is subject to professional requirements like peer review.
The administering authority fails to commission the actuary to carry out a termination valuation for an admission body leaving the fund.	The administering authority requires employers with Best Value contractors to inform it of changes. CABs' memberships are monitored and steps are taken if active membership decreases.

Risk	Control
An employer ceases to exist with insufficient funding or bonds.	It's normally too late to manage this risk if left to the time of departure. This risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Requiring a bond to protect the fund, where permitted. Requiring a guarantor for new CABs. Regularly reviewing bond or guarantor arrangements. Reviewing contributions well ahead of cessation.
An employer ceases to exist, so an exit credit is payable.	The administering authority regularly monitors admission bodies coming up to cessation. The administering authority invests in liquid assets so that exit credits can be paid.

C6 Employer covenant assessment and **monitoring**

Many of the employers participating in the fund, such as TABs and CABs, have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities	Tax-raising or government-backed, no individual assessment required	n/a
Colleges & Universities	No formal assessment currently undertaken. However, this is likely to be reviewed over period to 31 March 2025	n/a
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (TABs & CABs)	Bonds or Council guarantee required as a condition of participating in the Fund	Bonds are monitored at PFC meetings

C7 Climate risk and TCFD reporting

The Fund is reviewing its Responsible Investment policy and its reporting requirements.

Appendix D – Actuarial assumptions

The fund’s actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don’t affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn’t rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson’s Economic Scenario Service (ESS) to project each employer’s assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns															
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	Developed World ex UK Equity	Private Equity	Property	Emerging Markets Equity	Unlisted Infrastructure Equity	Multi Asset Credit (sub inv grade)	Asset Backed Securities (AA rated) GBP	Asset Backed Securities (BBB rated) GBP	Direct Lending (private debt) GBP Hedged	CorpShort A	CorpMedium A	CorpShort BBB	CorpMedium BBB
10 years	16th %'ile	0.8%	-1.9%	-0.3%	-0.7%	-1.2%	-0.6%	-2.5%	0.7%	1.7%	1.1%	1.3%	2.7%	1.4%	-0.1%	1.3%	0.0%
	50th %'ile	1.8%	0.2%	1.1%	5.6%	9.4%	4.4%	5.8%	5.9%	3.5%	2.3%	2.9%	6.0%	2.4%	1.6%	2.7%	1.9%
	84th %'ile	2.9%	2.4%	2.4%	11.7%	20.1%	9.5%	14.4%	11.2%	5.2%	3.6%	4.5%	9.2%	3.4%	3.2%	3.9%	3.6%
20 years	16th %'ile	1.0%	-1.5%	0.7%	1.5%	2.4%	1.4%	0.1%	2.6%	2.8%	1.5%	1.9%	4.3%	2.0%	1.1%	2.2%	1.3%
	50th %'ile	2.4%	0.1%	1.5%	6.1%	10.0%	5.0%	6.3%	6.5%	4.4%	3.0%	3.5%	6.8%	3.2%	2.1%	3.5%	2.5%
	84th %'ile	4.0%	1.9%	2.2%	10.8%	17.6%	8.9%	12.8%	10.6%	6.0%	4.7%	5.4%	9.2%	4.6%	3.2%	5.0%	3.6%
40 years	16th %'ile	1.2%	-0.3%	1.5%	3.1%	4.7%	2.6%	2.1%	3.9%	3.6%	1.8%	2.3%	5.5%	2.4%	2.0%	2.6%	2.3%
	50th %'ile	2.9%	1.2%	2.3%	6.5%	10.3%	5.5%	6.8%	7.0%	5.3%	3.5%	4.0%	7.7%	3.9%	3.1%	4.2%	3.4%
	84th %'ile	4.9%	3.1%	3.5%	10.2%	16.1%	8.8%	11.7%	10.3%	7.1%	5.6%	6.3%	10.0%	5.8%	4.4%	6.2%	4.9%
	Volatility (Disp) (5 yr)	2%	7%	6%	19%	30%	15%	26%	15%	6%	3%	4%	10%	3%	7%	4%	7%

		Inflation (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	2.4%	1.6%	-1.7%	1.1%
	50th %'ile	4.1%	3.3%	-0.5%	2.5%
	84th %'ile	5.7%	4.9%	0.7%	4.3%
20 years	16th %'ile	1.6%	1.2%	-0.7%	1.3%
	50th %'ile	3.1%	2.7%	1.1%	3.2%
	84th %'ile	4.7%	4.3%	2.7%	5.7%
40 years	16th %'ile	1.1%	0.9%	-0.6%	1.1%
	50th %'ile	2.4%	2.2%	1.3%	3.3%
	84th %'ile	3.9%	3.7%	3.2%	6.1%
	Volatility (Disp) (5 yr)	3%	3%		

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except closed community admission bodies	2.0%

Discount rate (for funding level calculation only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.6% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 75% likelihood that the fund's assets will future investment returns of 4.6% over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 1.0% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

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

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

Life expectancy

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

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by

+0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions	
Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of maximum tax-free cash
50:50 option	1.0% of members will choose the 50:50 option.

Males

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0	0	0	0
25	117	0.17	267.06	537.03	0	0	0	0
30	131	0.2	189.49	380.97	0	0	0	0
35	144	0.24	148.05	297.63	0.1	0.07	0.02	0.01
40	150	0.41	119.2	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.9	0.68	0.23	0.17
55	162	1.7	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.1	0	0	11.83	8.87	0	0

Females

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.1	352.42	467.37	0	0	0	0
25	117	0.1	237.14	314.44	0.1	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.1	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.1	0.08
50	162	0.9	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.4
65	162	1.95	0	0	10.26	7.69	0	0

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Least-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

- The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
- The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
- Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Contractor exit basis

Where there is a guarantor (eg in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates, with the discount rate adjusted based on the margin over the risk free rate set to allocate assets to the employer on joining the fund.

London Borough of Barnet Pension Fund

Actuarial valuation at 31 March 2022

Initial results

Steven Scott FFA

Gemma Sefton FFA

6 September 2022
For and on behalf of Hymans Robertson LLP

Use the menu bar above to navigate to each section.

Contents

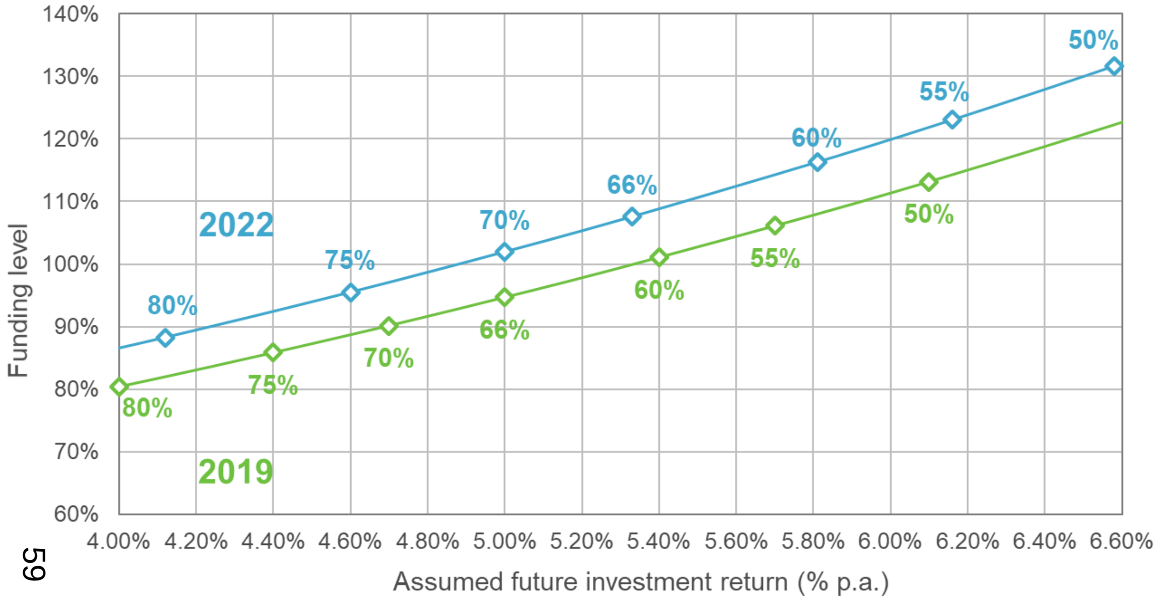
In this report:

A glossary of technical terms used in this report can be found in Appendix 5

Executive summary

Funding position

- As at 31 March 2022, the funding position has improved from the last valuation.
- The required investment return to be 100% funded is now 4.9% pa (5.4% pa at 2019).
- The likelihood of the Fund's investment strategy achieving the required return is 71% (60% at 2019).



Changes since the last valuation

The main factor driving the funding position improvement is stronger than expected investment returns.

These have more than offset the increase in short to medium-term inflation expectations.

The Covid-19 pandemic has seen a higher level of mortality in the membership than expected. However, the funding impact on liabilities has not been significant.

	Expected	Actual	Difference	Impact on funding surplus (deficit)
Pre-retirement				
Early Leavers	2,083	3,799	1716	+£0m
Ill-health retirements	44	43	-1	+£1m
Salary increases	3.5% pa	2.1% pa	-1.4% pa	+£9m
Post-retirement				
Benefit increases	2.3% pa	1.8% pa	-0.6% pa	+£21m
Pension ceasing	£3.6m	£3.4m	-£0.1m	-£3m

The valuation process

The valuation process

Initial results

This report:

- presents the funding position of the London Borough of Barnet Pension Fund (“the Fund”) on the valuation date of 31 March 2022,
- explains why the funding position has changed since the last valuation in 2019, and
- shows the sensitivity of the funding position.

There are two main actions:

1. Understand the fund-level funding position, noting this does not directly drive individual employer contribution rates.
2. Identify risks to explore and consider options for management.

Data and assumptions

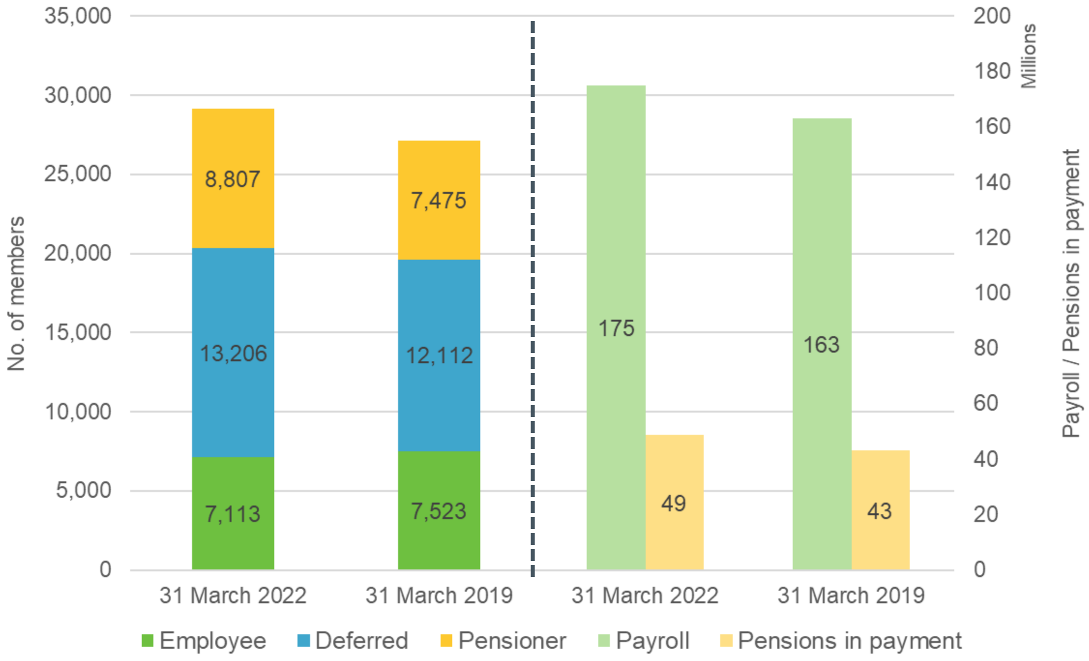
Data

We have used the below data provided by the Administering Authority:

- Membership data uploaded to the DataPortal on 21 July 2022
- Cashflow data uploaded to the DataPortal on 15 June 2022
- Investment data, provided over the intervaluation period

Accurate results depend on good data quality. Based on the Data Portal's validations, we believe the membership data is fit for purpose for these initial results. The data will be reviewed again when we prepare employer-level results at the next valuation stage.

Membership summary



The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as at 31 March 2022. Details can be found at http://www.lgpsregs.org/.

Assumptions

To set and agree assumptions for the valuation, the Administering Authority commissioned an assumption setting paper – '220622 LB Barnet 2022 Valuation assumptions advice'. The assumptions in this report were agreed by the Pensions Committee on 11 July 2019. The assumptions represent the 'best estimate' of future expectations – that means we estimate there is a 50% chance that future events will be better or worse than the assumption. The discount rate is the exception, as it includes the margin of prudence required by the LGPS Regulations.

Financial assumptions

Summary of assumptions used for measuring the funding level, compared to last valuation on 31 March 2019

Assumption	31 March 2022	Required for	31 March 2019
Discount rate	4.6% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 75% likelihood of returning above the discount rate.	4.4% pa (based on a 75% likelihood)
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.3% pa
Salary increases	3.7% pa	To determine the size of future final-salary linked benefit payments.	3.0% pa

Assumptions

Demographic assumptions

Longevity

Whole fund average life expectancies from age 65, with 2019 comparison.

	31 March 2022	31 March 2019
Male pensioner	21.9 years	21.7 years
Male non-pensioner	23.1 years	22.9 years
Female pensioner	24.7 years	24.0 years
Female non-pensioner	26.2 years	25.7 years

Pensioners are assumed to be aged 65 at the respective valuation date and non-pensioners are assumed to be aged 45.

Other demographic assumptions

Death in service	See sample rates in Appendix 2
Retirements in ill health	See sample rates in Appendix 2
Withdrawals	See sample rates in Appendix 2
Promotional salary increases	See sample rates in Appendix 2
Commutation	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option
Retirement age	The earliest age at which a member can retire with their benefits unreduced
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.

Further information on these assumptions can be provided upon request.

Assumptions

Benefit structure

Results are based on our understanding of the benefit structure of the LGPS in England and Wales on 31 March 2022 – see www.lgpsregs.org. However, there are areas of uncertainty and potential change.

McCloud

Benefits accrued by certain members between 2014 and 2022 may increase following the McCloud case, which ruled that transitional protections introduced in 2014 for older members were discriminatory. We've made an allowance for the cost of these potential improvements, based on the guidance issued by Department of Levelling Up, Housing and Communities on 22 March 2022. We expect minimal impact for most employers.

Cost sharing mechanism

Benefits could change because of the 2020 cost cap valuation; the outcome is currently unknown. There is also an ongoing legal challenge to the 2016 cost cap valuation. We have assumed that there will be no changes required to the benefit structure due to cost cap.

Guaranteed Minimum Pension equalisation and revaluation

We have assumed the Fund will pay all increases on GMP for members with a State Pension retirement date after 5 April 2016, as we did in the 2019 valuation.

Other legal cases

Benefits could change as a result of other legal challenges (eg the Goodwin case affecting partner pensions). Given the lack of information about possible benefit changes and their relatively small impact, we have made no allowance for these changes.

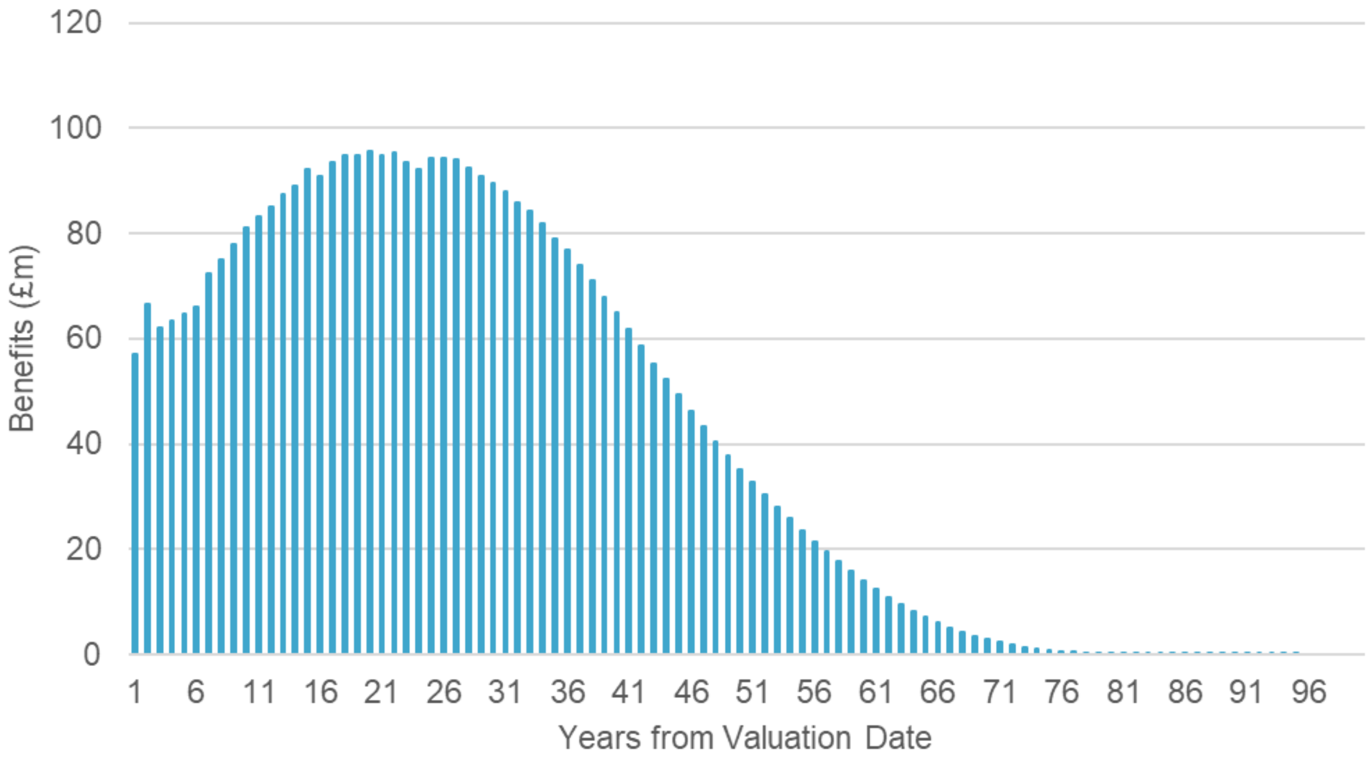
Fund-level results

Projected future benefit payments

Combining membership data and the assumptions allows us to project future benefit payments for all benefits accrued up to 31 March 2022.

The projection will be different from the last valuation due to:

1. Events between 2019 and 2022 which were different from expectations – reflected in the updated membership data.
2. Estimates of the future which have changed – reflected in the updated assumptions.



Funding position as at 31 March 2022

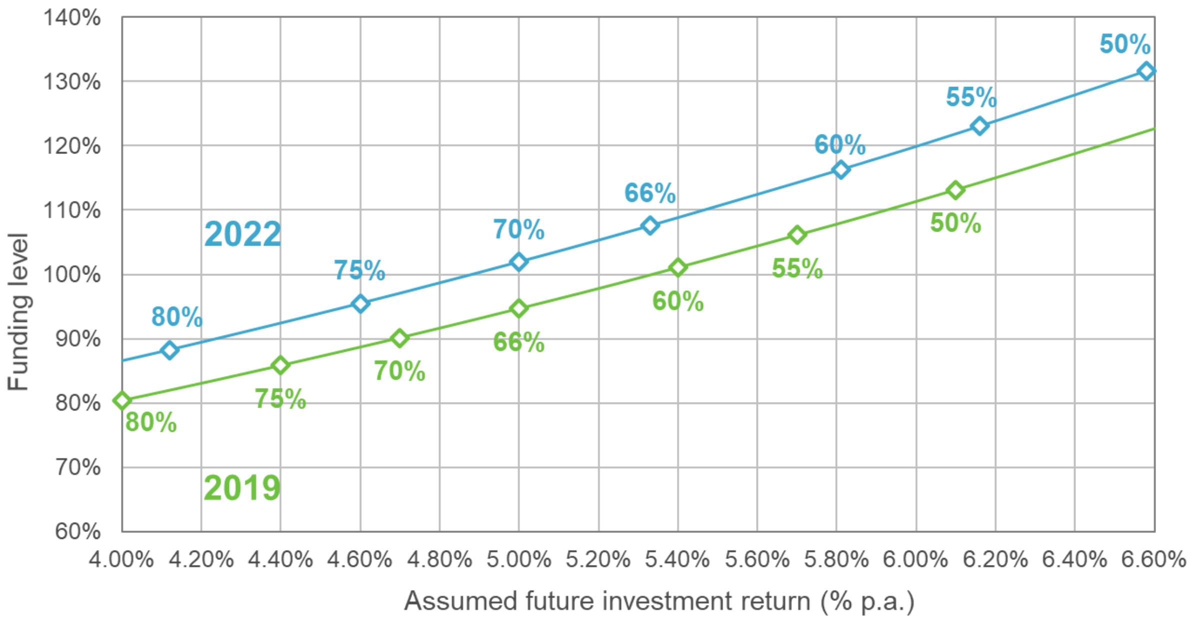
We can place a single value on all the future projected benefit payments for current members, called the liabilities. Comparing the liabilities to the market value of the Fund's assets at the valuation date provides the funding level (assets divided by liabilities).

To calculate the liabilities, we discount the benefit payments with an assumed future investment return (the 'discount rate'). Future investment returns are uncertain, so we calculate the liabilities and funding level across a range of future investment returns.

To help stakeholders better understand funding risk, we also calculate the likelihood of the Fund's investment strategy achieving certain levels of return.

- The funding level is 100% if future investment returns are c.4.9% pa
- The likelihood of the Fund's assets yielding at least this return is around 71%.
- The comparator at 2019 was a return of 5.4% pa which had a likelihood of 60%.
- The funding position at 2022 is stronger than 2019.
- There is a 50% likelihood of an investment return of 6.6% pa. So the best-estimate funding level is 132% at 31 March 2022 (112% at 2019).

Funding level across a range of future investment returns



Figures on each line show the likelihood of the Fund's assets exceeding that return at the valuation date

Single funding position as at 31 March 2022

The chart on the previous page provides stakeholders with a better understanding of the funding position. However, we are still required to report a single funding position at 31 March 2022.

To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 4.6% pa has been used. There is a 75% likelihood associated with a future investment return of 4.6% pa.

This table details the liabilities, split by member status and the market value of assets at the valuation date. The results at the 2019 formal valuation are shown for comparison.

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position on 31 March 2022. There are limitations:

- The liabilities are calculated using a single set of assumptions about the future, so are very sensitive to the choice of assumptions.
- The market value of assets changes daily

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	445	372
Deferred Pensioners	405	326
Pensioners	721	645
Total Liabilities	**1,572**	**1,342**
Assets	**1,501**	**1,152**
Surplus/(Deficit)	**(71)**	**(190)**
Funding Level	**96%**	**86%**

Important: *the reported funding level does not directly drive employers' contribution rates. Contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and reflect each employer's funding profile and covenant.*

Changes since the last valuation

Events between 2019 and 2022

Financial

	Expected	Actual	Difference	Impact on funding surplus (deficit)
Investment returns				
3 year period	13.8%	27.9%	14.1%	+£169m
Annual	4.4% pa	8.5% pa	4.1% pa	

The Fund's expenses (in relation to non-investment activities) over the last 3 years have totalled £5.5m. This figure is equivalent to 1.0% of the Fund's total pensionable pay. This is in line with the allowance included in contribution rates at the last valuation (1.0%).

Unless otherwise instructed, we will make allowance for the Fund's expenses by adding an allowance of 1.0% of pay to employer contribution rates from 1 April 2023.

Membership

	Expected	Actual	Difference	Impact on funding surplus (deficit)
Pre-retirement				
Early leavers	2,083	3,799	1,716	+£0m
Ill-health retirements	44	43	-1	+£1m
Salary increases	3.5% pa	2.1% pa	-1.4% pa	+£9m
Post-retirement				
Benefit increases	2.3% pa	1.8% pa	-0.6% pa	+£21m
Pension ceasing	£3,585m	£3,437m	-£148m	-£3m

The most significant external event since the last valuation was the Covid-19 pandemic. The experience analysis shows that sadly, there were a higher than expected number of deaths. However, the impact on the funding position has been small, likely due to the age profile of the excess deaths and the level of pension. Further information on the Fund's mortality experience can be found in the latest Club Vita reports.

Changes since the last valuation

Future expectations

Factor	What does it affect?	What's changed?	Impact on liabilities
Future investment returns	The rate at which future benefit payments are discounted back, ie the discount rate assumption	Future investment returns slightly higher at 2022 than at 2019. The required return is now 4.6% pa vs. 4.4% pa at 2019.	Decrease of £49m
Inflation	The rate at which pensions in payment and deferment and CARE pots increase	Significant increase in short-term future inflation expectations.	Increase of £100m
Salary increases	The rate at which future salaries increase. This affects benefits that are still linked to final salary, ie accrued before 1 April 2014	No material change since last valuation given competing factors e.g. tighter budgetary conditions vs. strong job market and pressure from National Living Wage increases.	Increase of £3m
Current life expectancy	How long we expect people to live for based on today's current observed mortality rates.	Slight reduction in life expectancy based on current observed data (not allowing for Covid-related excess deaths)	Decrease of £1m
Future improvements in life expectancy	How we expect life expectancies to change (increase) in the future.	Uncertainty about effectiveness of mitigations against life expectancy increases in the LGPS i.e. State Pension Age increases and Cost Cap. Need to better reflect wider pension and insurance industry long-term expectations.	Increase of £8m

Reconciling the overall change in funding position

The tables below provide insight into the funding position changes between 31 March 2019 and 31 March 2022.
Firstly, the changes we expect to happen, which relate mostly to items on the asset side.
Then the impact of actual experience, which mainly affects the liabilities.

Expected development

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Last valuation at 31 March 2019	**1,152**	**1,342**	**(190)**
Cashflows			
Employer contributions paid in	167	0	156
Employee contributions paid in	37	0	37
Benefits paid out	(180)	(180)	0
Net transfers into / out of the Fund	0	0	0
Other cashflows (e.g. Fund expenses)	(5)	0	(5)
Expected changes			
Expected investment returns	161	0	161
Interest on benefits already accrued	0	183	(183)
Accrual of new benefits	0	145	(145)
Expected position at 31 March 2022	**1,332**	**1,490**	**(158)**

* We have insufficient data to value the impact on the liabilities as a result of transfers in/out

Impact of actual events

Change in the surplus/deficit position	Assets	Liabilities	Surplus / Deficit
	£m	£m	£m
Expected position at 31 March 2022	**1,332**	**1,490**	**(158)**
Events between 2019 and 2022			
Salary increases lower than expected	0	(9)	9
Benefit increases lower than expected	0	(21)	21
Ill health retirement strain	0	(1)	1
Early leavers less than expected	0	0	0
Commutation less than expected	0	0	0
McCloud remedy	0	3	(3)
Other membership experience	0	47	(47)
Higher than expected investment returns	169	0	169
Changes in future expectations			
Investment returns	0	(49)	49
Inflation	0	100	(100)
Salary increases	0	3	(3)
Longevity	0	7	(7)
Other demographic assumptions	0	2	(2)
Actual position at 31 March 2022	**1,501**	**1,572**	**(71)**

Numbers may not sum due to rounding

Sensitivity and risk analysis

Valuation results depend on actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means it's important to understand their sensitivity and risk levels.

Financial assumptions

How results vary with the assumed future investment return is set out on page 14. Future inflation is currently very uncertain, the impact of varying levels is set out below.

CPI Assumption	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
2.5%	(24)	98%
2.7%	(71)	96%
2.9%	(119)	93%

Regulatory, Administration and Governance risks

Potential risks include changes in central government legislation which may affect the future cost of the LGPS; failures in administration processes leading to incorrect data; and inaccuracies in actuarial calculations. These risks should be included in the Fund's risk register and monitored and managed as part of its ongoing risk management framework.

Demographic assumptions

The main demographic risk is that people live longer than expected. The table below shows the impact of longevity rates improving at a faster rate (1.75% pa vs 1.5% pa used in the results).

Long term rate of improvement	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
1.5%	(71)	96%
1.75%	(82)	95%

Climate change risk

Results may materially change due to the impact of climate change, because of transition and physical risks.

Initial employer results

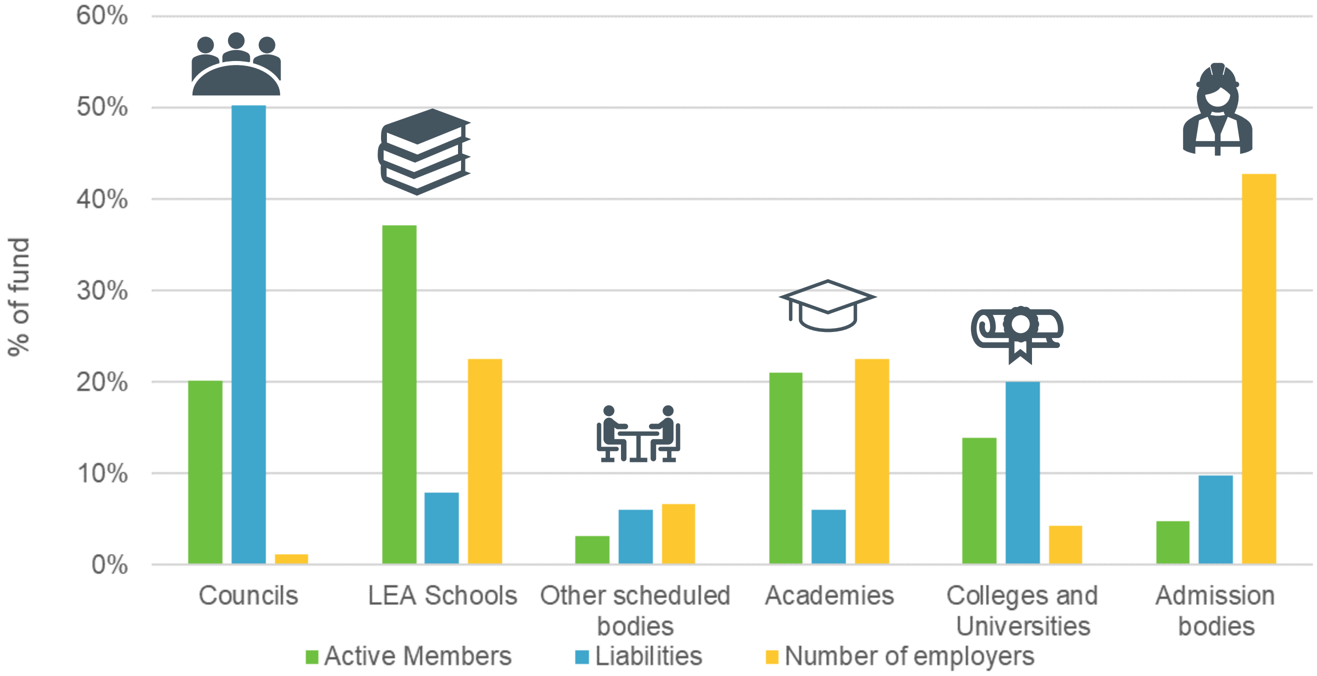
Focusing on employers

Whole-fund level results give a useful overview of the Fund's health but are not the valuation's most important output.

In reality, the Fund is funded at individual employer level. Each employer is responsible for funding the benefits earned by their current and ex-staff. As at 31 March 2022 there are around 164 individual employers in the Fund.

The next stage of the valuation is to prepare funding positions and review contribution rates for each individual employer in the Fund. There is a significant range and diversity of employers, so we will work with the Fund to make sure the funding strategy recognises this diversity and is flexible enough to cater for employers' differences.

Fund employers by type



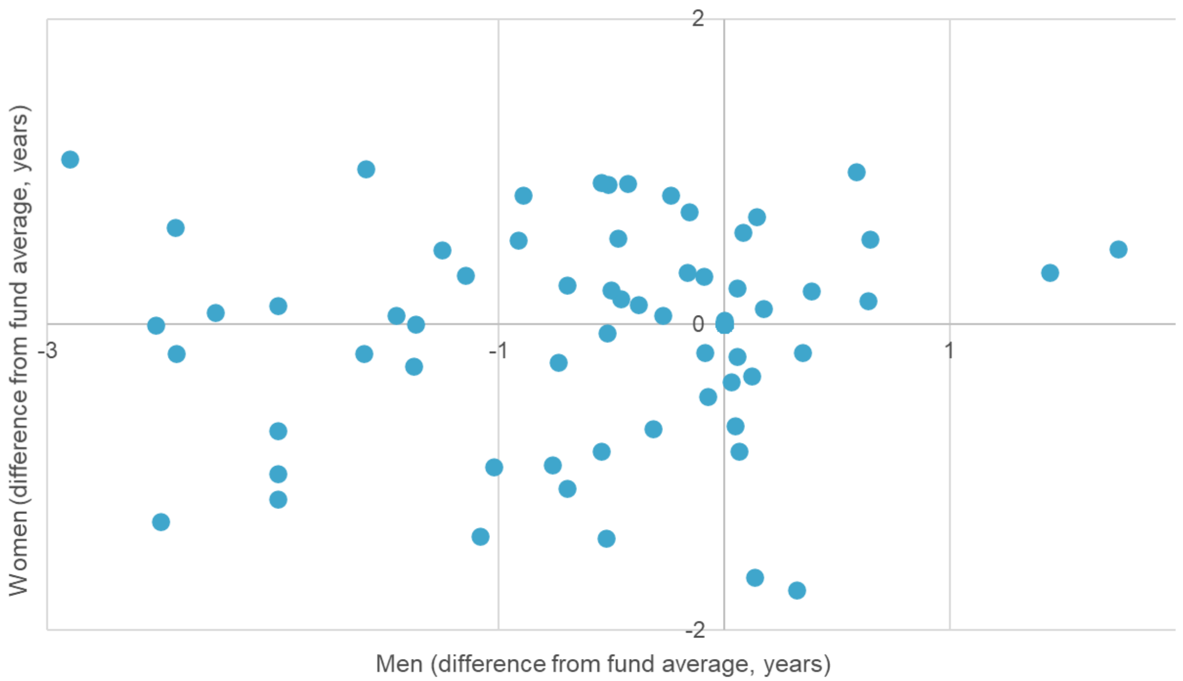
Results are based on initial draft employer results. These may change during the employer results preparation stage of the valuation.

Capturing the diversity in funding calculations

Employer diversity is not restricted to type and size – even for smaller employers, there are significant differences in funding positions and contribution rates. This may be due to previous decisions, for example early retirement experience, pay awards, level of contributions paid, or because the membership varies.

Life expectancy is a good example of the diversity of membership. Studies show it can vary between members due to factors like socio-economic status and retirement health. Using Club Vita to set a baseline life expectancy assumption captures this individual member variation. That means the liabilities and contribution rates better reflect the Fund's, and each employer's, membership.

Difference in average life expectancy (from fund average) at employer level



Most employers are grouped around a central cluster; outliers will have a relatively larger proportion of members in higher/lower socio-economic groups.

Results are based on initial draft employer results. These may change during the employer results preparation stage of the valuation.

Individual employer funding levels

The Fund is composed of around 164 employers, each of which has its own funding position and contribution plan. The Fund's overall funding position is the combination of all these employers' results.

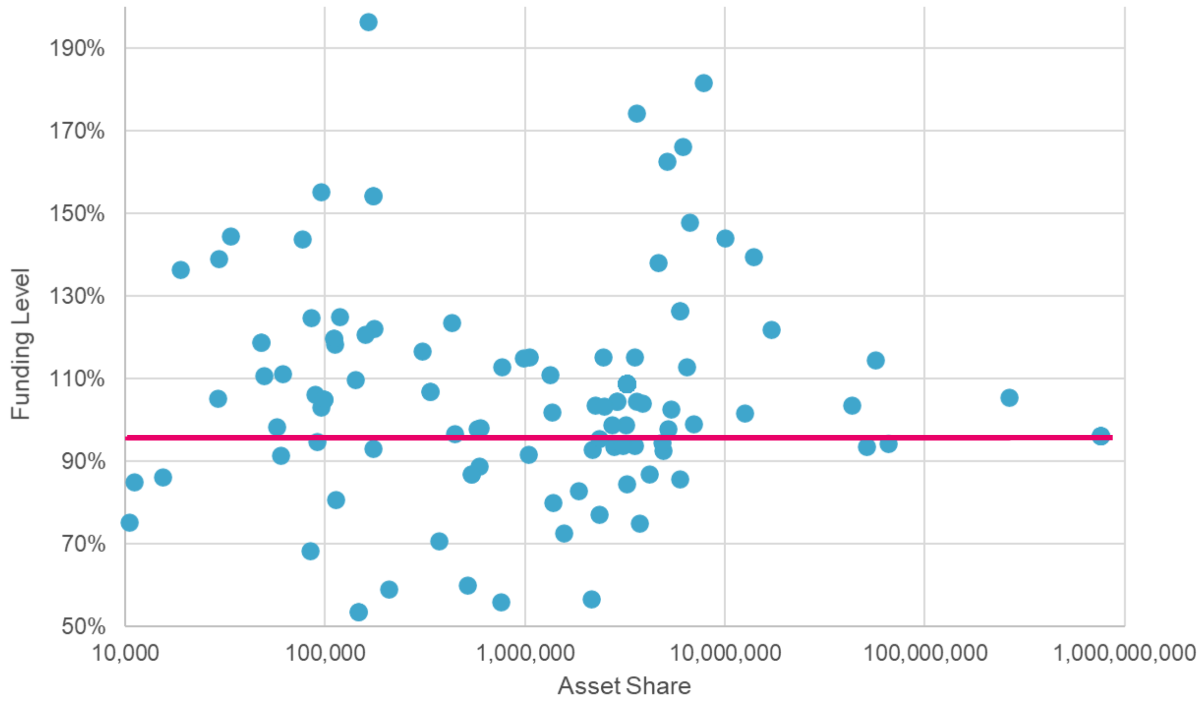
This chart shows the range of employer funding positions. Each dot represents an employer and shows:

- The employer's share of the Fund assets, horizontal scale (NB this is a logarithmic scale, to accommodate the great range in size of employer from smallest to largest).
- The employer's funding level on 31 March 2022, vertical scale.

The red line is the Fund's overall funding level and shows that it does **not** relate to the average of the employer results. Instead, the whole Fund position is driven by the largest employers (right-hand side of the chart).

This shows the importance of considering individual employer results as well as the whole Fund position.

Employer funding level vs asset share



Results are based on initial draft employer results. These may change during the employer results preparation stage of the valuation.

Decisions and next steps

08

Decisions and next steps

1. Discuss funding risks and agree any further exploration or consideration.

2. Confirm that no changes are needed to valuation data or assumptions.

3. Prepare individual employer valuation results for discussion with Officers.

Appendices

APPENDIX 1

Deriving future investment return likelihoods

To derive the distribution of future investment returns and obtain associated likelihoods, we use the Fund's long-term investment strategy and our Economic Scenario Service (ESS) model. The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class, eg UK equities. The ESS reflects correlations between asset classes and wider economic variables (eg inflation). In the short-term (first few years), the models are fitted with current financial market expectations. Over the longer-term, models are built around our views of fundamental economic parameters, for example equity risk premium, credit-spreads and long-term inflation.

Fund's long-term investment strategy

Asset class	Allocation
Global Equities	40.0%
Emerging Market Equities	5.0%
Property	6.0%
Private Equity	5.0%
Infrastructure Equity	8.0%
Corporate bonds	10.0%
Asset backed securities	6.0%
Private lending	13.0%
MAC	7.0%
Total	100.0%

APPENDIX 1

Economic Scenario Service (ESS)

The ESS is calibrated every month with updated current market expectations (a minor calibration). Every so often (annually at most), the ESS is updated to reflect any changes in the fundamental economic parameters as a result of change in macro-level long-term expectations (a major calibration). The following table shows the calibration at 31 March 2022.

		Annualised total returns																			
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	Developed World ex UK Equity	Private Equity	Property	Emerging Markets Equity	Unlisted Infrastructure Equity	Multi Asset Credit (sub inv grade)	Asset Backed Securities (AA rated) GBP	Asset Backed Securities (BBB rated) GBP	Direct Lending (private debt) GBP Hedged	CorpShort A	CorpMedium A	CorpShort BBB	CorpMedium BBB	Inflation (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	0.8%	-1.9%	-0.3%	-0.7%	-1.2%	-0.6%	-2.5%	0.7%	1.7%	1.1%	1.3%	2.7%	1.4%	-0.1%	1.3%	0.0%	2.4%	1.6%	-1.7%	1.1%
	50th %'ile	1.8%	0.2%	1.1%	5.6%	9.4%	4.4%	5.8%	5.9%	3.5%	2.3%	2.9%	6.0%	2.4%	1.6%	2.7%	1.9%	4.1%	3.3%	-0.5%	2.5%
	84th %'ile	2.9%	2.4%	2.4%	11.7%	20.1%	9.5%	14.4%	11.2%	5.2%	3.6%	4.5%	9.2%	3.4%	3.2%	3.9%	3.6%	5.7%	4.9%	0.7%	4.3%
20 years	16th %'ile	1.0%	-1.5%	0.7%	1.5%	2.4%	1.4%	0.1%	2.6%	2.8%	1.5%	1.9%	4.3%	2.0%	1.1%	2.2%	1.3%	1.6%	1.2%	-0.7%	1.3%
	50th %'ile	2.4%	0.1%	1.5%	6.1%	10.0%	5.0%	6.3%	6.5%	4.4%	3.0%	3.5%	6.8%	3.2%	2.1%	3.5%	2.5%	3.1%	2.7%	1.1%	3.2%
	84th %'ile	4.0%	1.9%	2.2%	10.8%	17.6%	8.9%	12.8%	10.6%	6.0%	4.7%	5.4%	9.2%	4.6%	3.2%	5.0%	3.6%	4.7%	4.3%	2.7%	5.7%
40 years	16th %'ile	1.2%	-0.3%	1.5%	3.1%	4.7%	2.6%	2.1%	3.9%	3.6%	1.8%	2.3%	5.5%	2.4%	2.0%	2.6%	2.3%	1.1%	0.9%	-0.6%	1.1%
	50th %'ile	2.9%	1.2%	2.3%	6.5%	10.3%	5.5%	6.8%	7.0%	5.3%	3.5%	4.0%	7.7%	3.9%	3.1%	4.2%	3.4%	2.4%	2.2%	1.3%	3.3%
	84th %'ile	4.9%	3.1%	3.5%	10.2%	16.1%	8.8%	11.7%	10.3%	7.1%	5.6%	6.3%	10.0%	5.8%	4.4%	6.2%	4.9%	3.9%	3.7%	3.2%	6.1%
	Volatility (Disp) (5 yr)	2%	7%	6%	19%	30%	15%	26%	15%	6%	3%	4%	10%	3%	7%	4%	7%	3%	3%		

The current calibration of the model indicates that a period of outward yield movement is expected. For example, over the next 40 years our model expects the 17 year maturity annualised real (nominal) interest rate to rise from -2.2% (1.9%) to 1.3% (3.3%).

APPENDIX 2

Sample rates for demographic assumptions

Males

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0	0	0	0
25	117	0.17	267.06	537.03	0	0	0	0
30	131	0.2	189.49	380.97	0	0	0	0
35	144	0.24	148.05	297.63	0.1	0.07	0.02	0.01
40	150	0.41	119.2	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.9	0.68	0.23	0.17
55	162	1.7	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.1	0	0	11.83	8.87	0	0

Females

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.1	352.42	467.37	0	0	0	0
25	117	0.1	237.14	314.44	0.1	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.1	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.1	0.08
50	162	0.9	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.4
65	162	1.95	0	0	10.26	7.69	0	0

APPENDIX 3

Inflation expectations

Current inflation is significantly above the Bank of England target (2% pa) and recent norms. It is likely this will mean a high 2023 pension increase (based on September 2022 CPI inflation).

Current expectations are that inflation pressures will be short-term and move back to normal in the longer-term. The inflation assumption we have used reflects this pattern and allows for the short-term spike – see the blue line on the chart.

The assumption noted in this report is an average of the blue line over the approximate duration of the Fund's liabilities.

Increased uncertainty and risk

There is a lot of uncertainty around both the level of future short-term inflation and how long the period of higher inflation will last. We will continue to work with the Fund to monitor actual and future expected inflation as more information emerges.

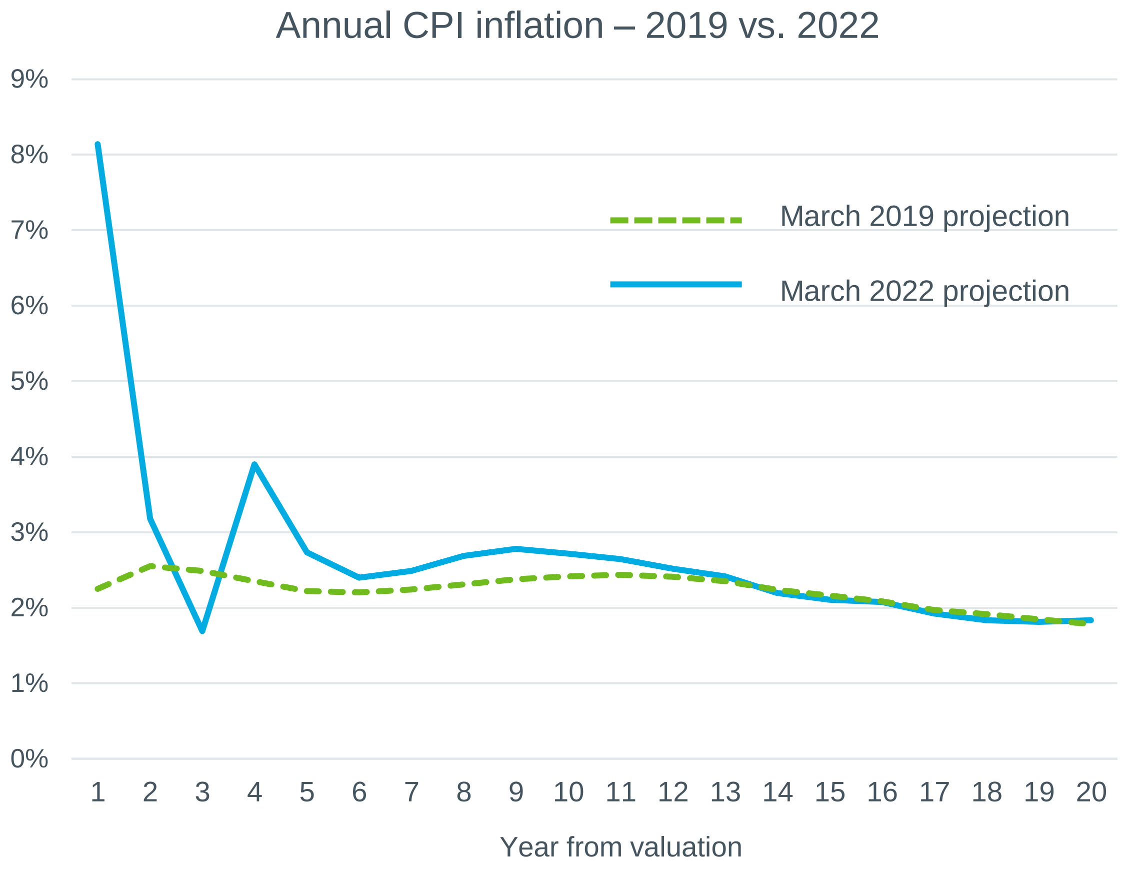


Chart shows median expected annual CPI inflation from ESS model.

APPENDIX 4

Reliances and limitations

We have been commissioned by London Borough of Barnet ("the Administering Authority") to carry out a full actuarial valuation of the London Borough of Barnet Pension Fund ("the Fund") as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

This paper is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of:

- presenting the current funding position using a range of actuarial assumptions
- explaining why the funding position has changed since the previous valuation in 2019
- showing the sensitivity of the funding position.

It has not been prepared for any other purpose and should not be used for any other purpose.

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing. The advice or any part of it must not be disclosed or released in any medium to any other third party without our prior written consent. In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

This information can be used by the Administering Authority to support the development of the funding strategy and to identify and understand areas of potential risk that it may wish to explore or mitigate during the valuation process.

Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100; and
- TAS300.

Note that this report does not comply with paragraphs 12 (b) or (c) of TAS 300, regarding future projections of funding level and its volatility. The figures in this report provide a notification of the whole Fund funding position, rather than individual employer positions. Therefore, we do not believe the exclusion of the information under these paragraphs is material.

APPENDIX 5

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.

APPENDIX 5

Glossary

Term	Explanation
Funding position	The extent to which the assets held by the fund at 31 March 2022 cover the accrued benefits ie the liabilities. The two measures of the funding position are: • the funding level - the ratio of assets to liabilities; and • the funding surplus/deficit - the difference between the asset and liabilities values.
Inflation	Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.
Liabilities	An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a discount rate assumption will be achieved in practice, based on the ESS model. The higher the prudence level, the more prudent the discount rate is.
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

	Pension Fund Committee **10 November 2022**
Title	**Barnet Council Pension Fund – Valuation, Transactions and Performance**
Report of	Executive Director of Strategy and Resources
Wards	N/A
Status	Public, with exempt appendix D
Urgent	No
Key	No
Enclosures	Appendix A - Asset Allocation as of 30 September 2022 Appendix B – Investment Strategy overview Appendix C – Review of Investment Managers Performance for 2nd quarter, 2022 (Hymans Robertson) (to follow) Appendix D – Review of Fund Managers (Hymans Robertson) (exempt) (to Follow) Exempt enclosures - Not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information).
Officer Contact Details	David Spreckley, Head of Pensions and Treasury (david.spreckley@barnet.gov.uk)

Summary

This report provides an update on investment valuations, transactions and performance in the 6 months to 30 September 2022 with an updated estimated valuation to 30 September 2022.

Officers Recommendations

That the Pension Fund Committee note the investment activities and performance of the Pension Fund for the quarter to 30 September 2022.

1. WHY THIS REPORT IS NEEDED

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

Market Overview and Fund Performance

1.2 Markets have been very volatile over the third quarter reflecting both the international and national environment. For example, over September alone, long-term interest rates fluctuated between around 2.9% and 4.6%. This represents levels of volatility that are unprecedented.

1.3 Of note, and due to a spike in interest rates, some Pension Funds needed to sell assets (primarily gilts) to meet margin calls on their hedging instruments. This process in itself caused interest rates to spike further and, ultimately, Bank of England intervention. The Barnet Pension Fund does not invest in the type of instruments that have been impacted and so is not directly impacted by this.

1.4 However, our Fund is not immune to the broader economic situation and this has been reflected in the value of our assets, which have declined by £35.492 million in the quarter to 30 September 2022 to £1,385.1 million (30 June 2022 1,420.6 million) (appendix A).

1.5 That said, increases in long-term interest rates are generally good for pension schemes, particularly where interest rate exposure remains unhedged, which is the position for the majority of LGPSs, including Barnet. This means that, whilst our assets have decreased in value, the amount of money we need to hold to meet the obligations promised (i.e. our liabilities) has also likely to have decreased.

1.6 Hymans' analysis of investment performance to 30 September 2022 was not available at the date of preparing this paper and so we summarise below statistics to 30 June 2022. Hymans will provide a verbal update of performance to 30 September 2022 at the meeting.

1.7 Performance over the quarter to 30 June 2022 of -5.9% was 0.8% below benchmark (appendix C), with the annual return of -3.2% 0.9% below benchmark. The annualised 3 year return was 5.7%, which is 0.2% below benchmark.

The main drivers of absolute returns continues to be private equities, infrastructure and property. Listed equities have produced negative returns in the quarter, as have the majority of credit funds.

The annual underperformance against benchmark is mainly due to the Schroders Diversified Growth Fund (-15.8%) and the Barings Multi-Credit fund (-14.5%). The relatively new LCIV Emerging Markets Equity fund and the maturing Partners 2015 Multi-Asset Credit funds have also struggled in the year (-5.0% and -5.7% respectively)

Investment Manager Ratings

1.8 Hymans' manager ratings are included within their quarterly report (appendix D, page 5). All the managers are rated either preferred or positive (the top two ranking) other than three mandates ranked as suitable as highlighted in the report. The LCIV mandates are not rated by Hymans.

1.9 Hymans also award Responsible Investment ratings and all bar one is rated strong or good. The four London CIV mandates not rated.

Notable comments in the Hymans quarterly report (appendix D) include:

A change of benchmark (not expected to impact on performance) for Schroders DGF from CPI +5% to ICE BofA Sterling 3- month Gov't Bill Index +4.5% (appendix D, page 5),

Extension of the Partners 2015 MAC fund by 3 years

Barings Global High Yield becoming Article 8 compliant under the Sustainable Finance Disclosure Regulations.

TCFD Consultation

1.10 On 1 September UK Government launched their consultation on Governance and Reporting of climate risks. The regulations are expected to come into play by April 2023. The consultation can be viewed here. The key points from the consultation are summarised below:

- The consultation will require Administering Authorities to consider and report against the four key areas of governance, strategy, risk management, and metrics and targets
- Whilst the proposals are similar to the new requirements that came into force for the private sector pension funds, there are some notable differences, namely there is no minimum size requirement with the proposals applying to all LGPS funds in England and Wales
- Authorities will need to publish an annual climate risk report with the Scheme Advisory Board along with annual reporting
- The consultation proposes that Authorities and pool strategies may benefit from alignment, either for consistency of analysis or bringing further benefits of scale.

1.11 The consultation closes on 24 November 2022. Hymans, London CIV and other key stakeholders will be preparing a response to the consultation. Officers will report back at the meeting whether they feel it would be appropriate for the Council to respond.

Responsible Investment Day update

1.12 It was discussed at the July Committee meeting whether holding a day's worth of training to consider and develop the Fund's Responsible Investment strategy was justified. After consulting Hymans and LCIV we can confirm that the breadth and depth of the topic justifies a full day of content – an agenda for the day has previously been circulated.

1.13 Our preference is for a focused day rather than a series of sessions as, with focus, our output will be richer and we can move things forward at a greater pace.

1.14 We will consider Stewardship, but our focus will be on Net Zero and Carbon Emissions and setting targets around these.

1.15 Invites have been sent for the event, which will be held on 1December at Middlesex University

1.16 Through the day we will consider:

- Our underlying Fiduciary Responsibility around investment and risk management
- Our current Carbon Baseline, work done to date around RI and the levers the Barnet Pension Fund can realistically pull to make a meaningful impact on reducing Carbon Emissions
- What our key stakeholders (LCIV and LBB) are doing around Net Zero, together with insight from one other London Borough on their approach
- How Stewardship can make an impact and how BPF can influence this via LCIV and other means
- The case for divestment and also the case for impact investment (e.g. in Green Technologies) as a counterpoint
- Considering Climate Risk as a further vector within our overall risk management process
- We will then finish the day considering appropriate targets and milestones for BPF around emissions and the areas of our Responsible Investment and risk management policy that we may want to update

Investment Strategy overview

1.17 Appendix B summarises the key strategic considerations for the Fund since the last Pension Fund Committee meeting held on 11 July 2022.

1.18 In summary, the key considerations have been:

- Accelerate the disinvestment of the Schroders' Diversified Growth Fund. The reasons for this were to reduce risk and bring the overall asset allocation more in line with the 50% Income / 50% growth target, which is set out in the Investment Strategy Statement

- Due to the disinvestment of the Schroders' Diversified Growth Fund the Fund has significant levels of cash balances which is likely to continue until the undrawn commitments have been made. Officers are working with LGIM and Hymans to optimise the return on these cash balances subject to our liquidity requirements.

- Whether an alternative can be found for the RAFI fund, which whilst providing important diversification benefits, is heavily contributing towards our overall level of tCO2e emissions – Hymans have analysed this and recommend that we switch to a variant of the RAFI fund that has been modified to address some of the concerns around emissions. Officers have deferred detailed consideration of whether to switch to after the Responsible Investment Day.

- The possibility of switching a portion of the assets into Index Linked gilts given the substantial rise in Index Link gilt yields witnessed over the last 6-months (and specifically since mid-September). Switching to Index Link gilts at the current level of relatively high yield could allow the fund to reduce risk without compromising our expected return. Hymans are preparing analysis that will consider what proportion of assets could be switched to Index Linked gilts and will report on this at the meeting.

1.19 Further details of each of these points, together with a summary of proposed future transactions, which are detailed are also provided in Appendix B.

Movements in funds since the last Pension Fund Committee meeting.

1.20 Cash movements into and out of funds are highlighted in Appendix A.

1.21 Specifc transaction of note since the last Pension Fund Committee meeting are:

- The fourth phase of the equity reorganisation involved £56 million invested into LGIM Future Worlds was completed in May.

- Sales were from RAFI (£20 million) and Market Cap equities (£36 million) at LGIM. There are two remaining phases (October 2022 and March 2023) with £112 million due to be invested in Future Worlds and £22 million into LCIV Sustainable Equities. These amounts will require updating to achieve the target weightings of 25% Future Worlds, 10% RAFI and 5% LCIV Sustainable Equities.

- In the Quarter to September 2022 there were sales in Schroders DGF (£60 million), as well as capital distributions from Partners Group totalling £0.480 million. The sale of all Schroders DGF holdings will continue into Q3, with a further £75 million due to be withdrawn in October and November 2022. This will reduce holdings in the Schroders DGF down to the target allocation of 0%.

- There were drawdowns from LCIV Private Debt (£6.737 million), LCIV Renewables Infrastructure (£4.880 million) and Adams Street (£6.932

million).

2. REASONS FOR RECOMMENDATIONS

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

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None.

4. POST DECISION IMPLEMENTATION

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

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly.

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

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

5.3 Social Value

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

5.4 Legal and Constitutional References

5.4.1 Constitution – Under article 7 one of the responsibilities of the Pension Fund Committee is 'To review and challenge at least quarterly the performance of the Pension Fund's investments taking into consideration the benchmarks and targets set out in the Investment Strategy Statement and investment management contracts and to consider advice from the investment advisor(s)."

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). Only through periodic monitoring can the Committee achieve this requirement.

5.5 **Risk Management**

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

5.6 **Equalities and Diversity**

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

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

5.7 **Corporate Parenting**

5.7.1 Not applicable in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 Not applicable

5.9 **Insight**

5.8.1 Not applicable

6. ENVIRONMENTAL IMPACT

6.1 Not relevant to this report.

7. BACKGROUND PAPERS

7.1 None

Appendix B - Asset Allocation as of 30 September 2022

	Latest valuation date	31-Mar-22	Transactions	30-Jun-22	Transactions	30-Sep-22	30-Sep-22		Target Allocation	
		£'000	£'000	£'000	£'000	£'000	%	%	%	%
Equities								**49.76%**		**50.00**
LGIM Global		192,352	-36,000	136,555		134,910	9.74%		0.00	
LGIM RAFI		239,054	-20,000	196,476		186,785	13.49%		10.00	
LGIM Future Worlds		171,948	56,000	206,619		201,667	14.56%		25.00	
LCIV Emerging Markets		68,142		65,248		64,007	4.62%		5.00	
LCIV Sustainable Exclusion Equity		42,946		40,338		40,115	2.90%		5.00	
Adams Street Private Equity	Jun-21	41,604	8,355	44,593	6,932	61,721	4.46%		5.00	
Property								**6.83%**		**6.00**
Aberdeen Standard Long Lease	Aug-22	34,234		34,234		35,159	2.54%		2.00	
CBRE Global	Mar-22	30,730		33,205		31,190	2.25%		2.00	
Fiera Real Estate Opportunities	Mar-22	0	28,249	28,249		28,249	2.04%		2.00	
Diversified Growth								**5.47%**		**0.00**
Schroder	May-22	148,264		145,829	-60,000	75,829	5.47%		0.00	
Multi Credit Liquid								**9.14%**		**13.00**
Baring Global High Yield		40,922		37,386		37,112	2.68%		3.50	
Alcentra Multi Credit		19,310	-20,000	0		0	0.00%		3.50	
Insight Secured Finance	May-22	90,057		89,530		89,530	6.46%		6.00	
Corporate Bonds								**9.15%**		**10.00**
Schroder	May-22	132,630		126,710		126,710	9.15%		10.00	
Illiquid Alternatives								**15.68%**		**21.00**
Alcentra European Direct Lending	Mar-22	16,237		16,237		14,375	1.04%		1.50	
Partners Group	Apr-22	49,506	-1,680	50,021	-480	44,913	3.24%		5.50	
LCIV Private Debt		24,414	4,436	27,919	6,737	34,368	2.48%		4.00	
Barings Special Situations Debt	Mar-22	19,780	7,395	24,811		23,915	1.73%		2.00	
LCIV Renewables Infrastructure		11,066	-537	9,689	4,880	14,386	1.04%		3.00	
IFM Global Infrastructure		84,949		90,670		85,168	6.15%		5.00	
Cash		44,093	-27,849	16,244	38,717	54,961	3.97%	**3.97%**	0.00	**0.00**
Total		**1,502,238**	**(1,631)**	**1,420,562**	**(3,214)**	**1,385,070**	**100%**	**100.00%**	**100.00**	**100.00**

Due to report timings, there will be small valuation differences with Hymans reports
Prior month valuations are adjusted for cash and foreign exchange rate movements
The net cash invested represents the balance of contributions, benefits and income

This page is intentionally left blank

Investment Strategy Summary

Key strategic activity since 11 July PFC meeting

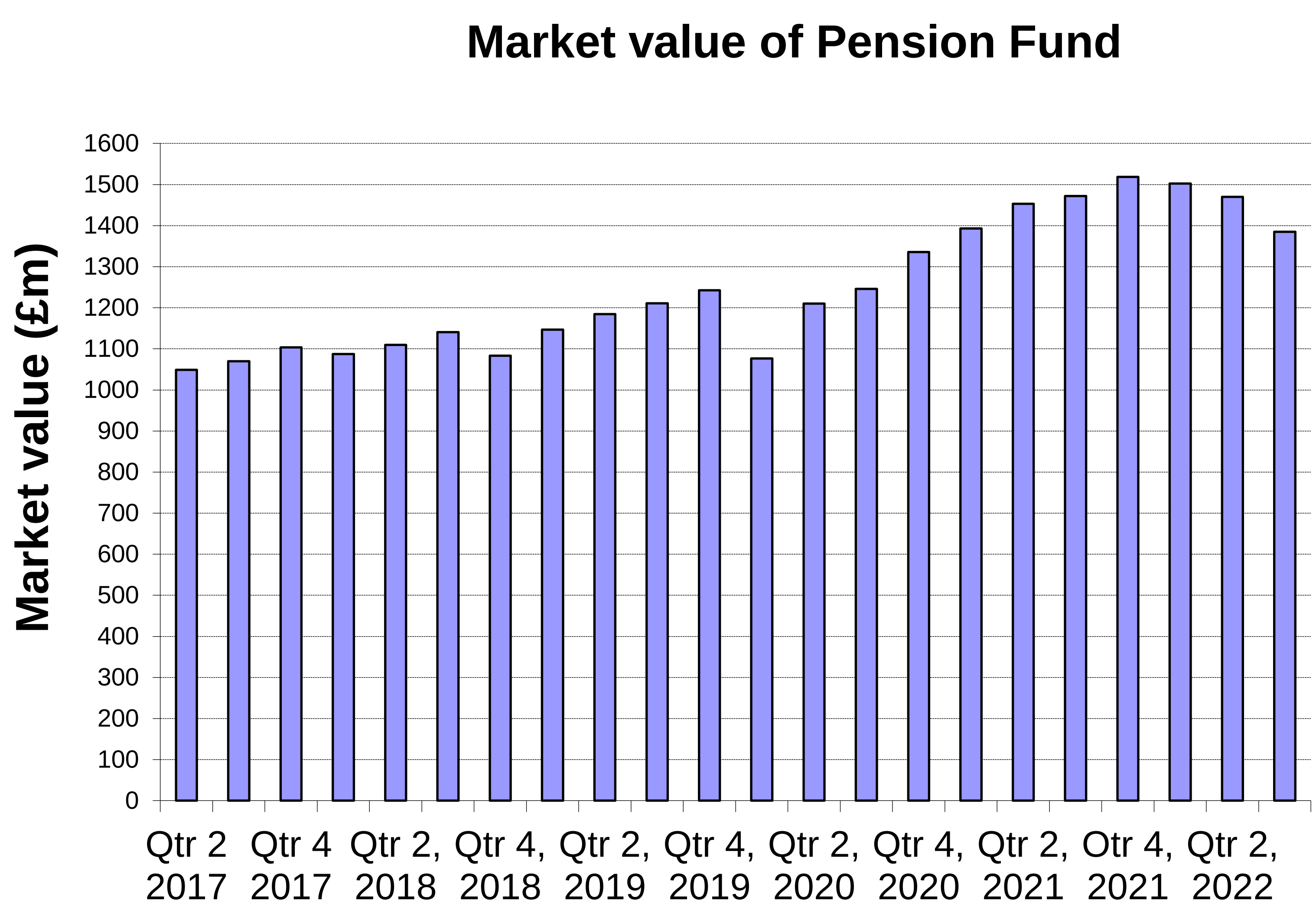
- Asset values have fallen over the period 1 July 2022 to 30 September 2022 (from £1.421bn to £1.385bn. Whilst asset values have fallen, our liabilities are also likely to have reduced
- Substantial risk, both internationally and nationally. Officers took steps to accelerate Schroders DGF disinvestment to bring growth allocation in line with long-term strategic benchmark and reduce risk
- Reviewed RAFI against alternative with recommendation to switch to alternative RAFI fund – suggest consideration and decision deferred to after RI day
- Reviewing whether we should make a strategic shift towards Index-Linked gilts given significant increase in yields of these assets

Transition

- Substantial capital still to be called on Private Assets
- Significant capital to be transitioned from LGIM world / RAFI to LGIM Future World – timings to be clarified
- Substantial cash balances will be held over next 6-months or so – working with LGIM / Hymans to manage this

BARNET
LONDON BOROUGH

Asset Valuation



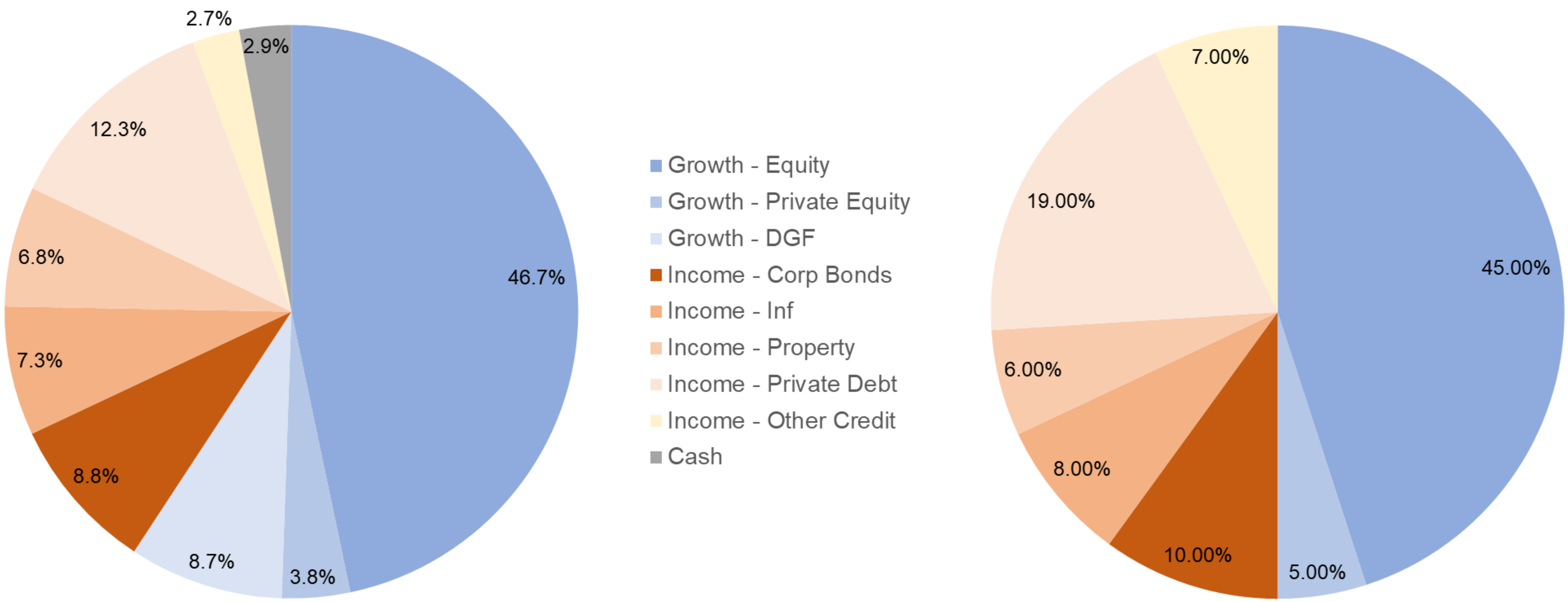
- Markets volatile over the period 1 July 2022 to 30 September 2022 (reflecting international and national environment)
- Our Fund not immune - assets declined by £35.492 million in the quarter to 30 September 2022 to £1,385.1 million (30 June 2022 1,420.6 million)
- Increases in long-term interest rates are good for pension scheme – whilst assets have decreased in value our liabilities have also likely to have decreased.

BARNET LONDON BOROUGH

Allocation at 31 August vs. Strategic Allocation

31 August 2022
(59% growth, 38% income, 3% cash)

Target Allocation
(50% growth, 50% income



Growth allocation (Blue 'pies') overweight relative to long-term strategic target (59% vs. 50%) **– interim step taken to accelerate DGF (8.7%) – being held as cash temporarily**

RAFI Fund review

- At the July PFC meeting it was agreed to review the RAFI fund in light of its contribution towards tCO_2e (estimated that RAFI contributes 70% of the Fund's listed equity emissions despite being 15% of fund
- Hymans considered two alternative funds. The impact on key investment metrics, transition costs and emission information is summarised in the table below:

	Change Geographic Spread	Sector Spread	Style	Transition Costs / additional fees	Reduced eCO_2t pa (approx)	% of Fund's listed equity emissions (30 Aug 22)	eCO_2t that could be offset with transition costs*
RAFI	n/a	n/a	n/a	n/a	57k	70%	n/a
RAFI CTI	No material impact	No material impact	No material impact	£80k plus £14k p.a.	25k	50%	20k
LCIV PEPPA	No material impact	No material impact	Material – increases volatility	£190k plus £10k p.a.	20k	40%	47.5k

*assume £4 cost for offsetting 1 metric tonne source

- Hymans recommend that due to the limited impact overall profile of the equity portfolio and relatively low transition costs, but material reduction in tCO_2e that assets are switched to RAFI CTI fund
- Suggest considerations of this move are deferred until after the Responsible Investment day

BARNET LONDON BOROUGH

Index Linked Gilts – an opportunity

Pension
Scheme
Members

Future
Pensioners

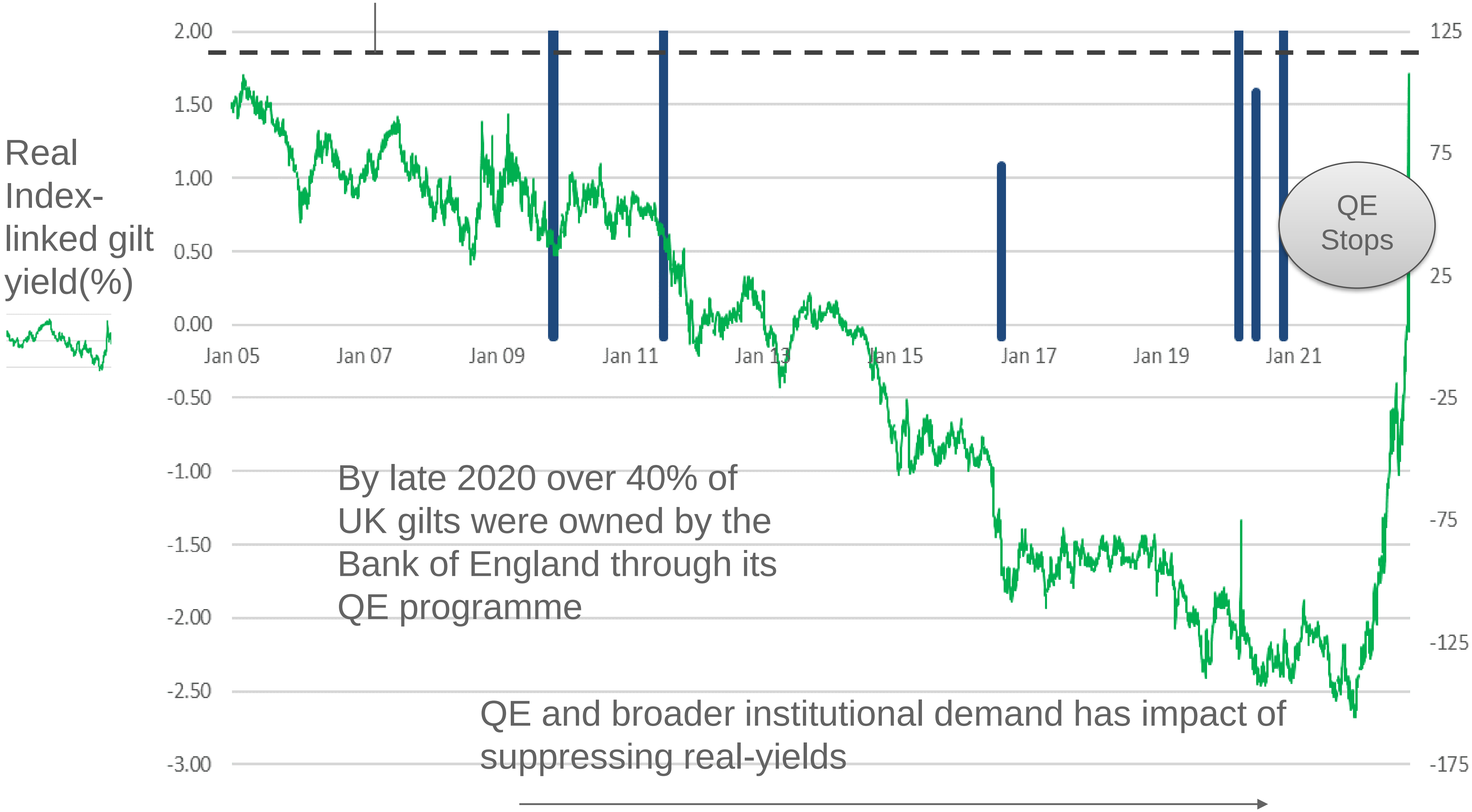
Council and members pay us money, we invest this over a period of time and pay back an inflation linked pension

We need a c2% real return otherwise we would need to put in more money to ‘balance the books’

Index-linked gilts provide a risk free inflation linked return over a very long period and so are a perfect asset for an LGPS – the problem is that over the last 15-years they have been too expensive.. Until recently (see next page) – there may be short window of opportunity to purchase gilts at a real yield that is consistent with our discount rate (i.e. real yields around 2%)

Real yield on index-linked gilts

LBB Required Real Yield (c1.9%)– i.e. Index Linked gilts have reverted to a level consistent with our valuation discount rate



(Private Sector) LDI - "structural issue" causing negative feedback loop on gilts prices (increasing yields)

Inflationary pressures mean markets now anticipate QT? i.e. a reversal of QE.

Wider concerns over Fiscal position of UK.

BoE explanation of Quantitative Easing (QE)

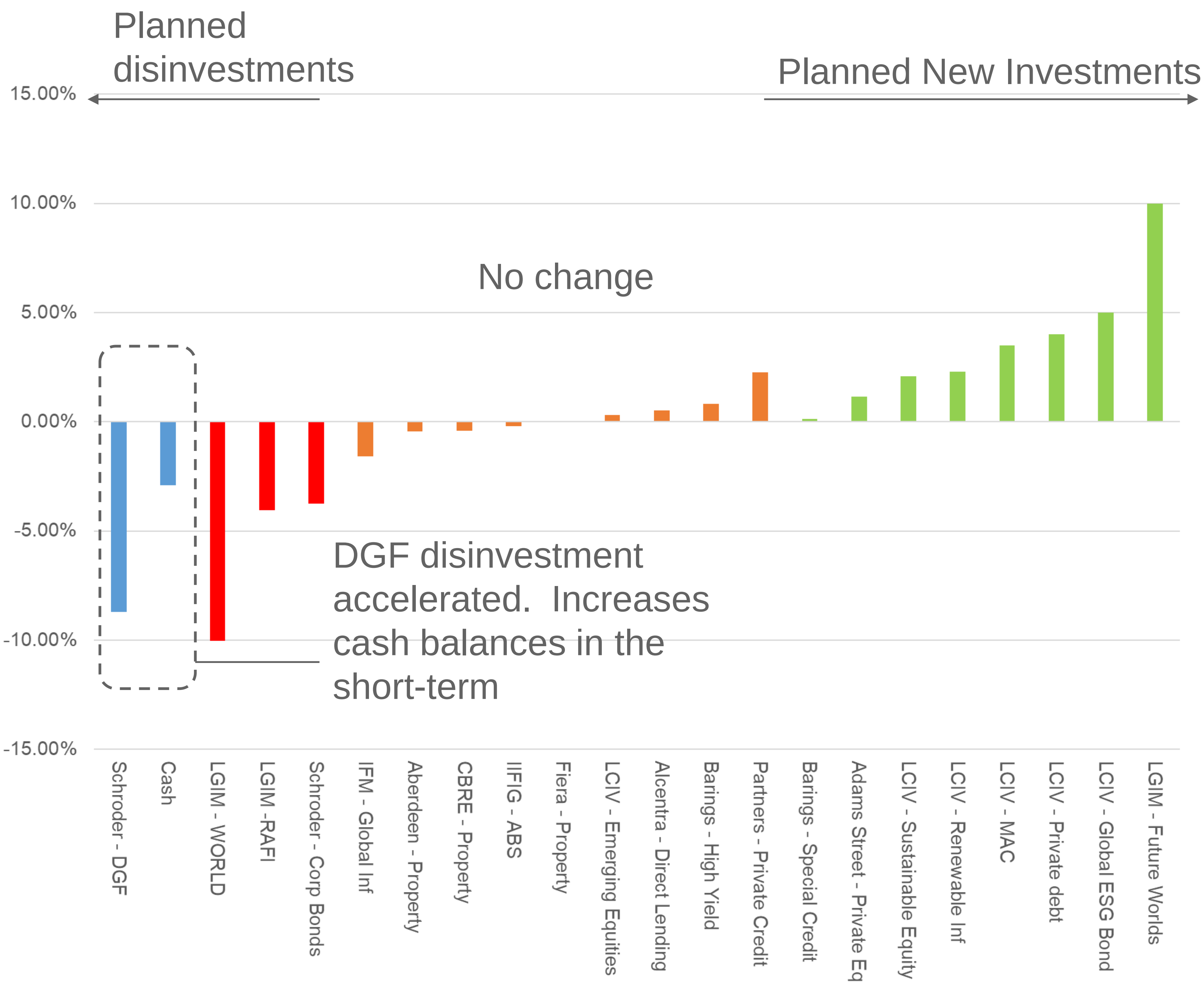
BoE "When we do this (QE), the price of these bonds tend to increase which means that the bond yield, or 'interest rate' that holders of these bonds get, goes down."

BARNET LONDON BOROUGH

Gilt review

Report pending: Hymans to update at meeting

Progress towards long-term strategy (31 August)



The chart to the left summarises the agreed strategy shifts.

As noted, Officers decided to accelerate the DGF disinvestment with proceeds held in cash. The cash will be used to fund capital calls from Private investments.

This means that the Fund will hold a significant level of cash over the next 6-months or so – we are taking advice on how best to maximise the return on this for a suitable level of risk.

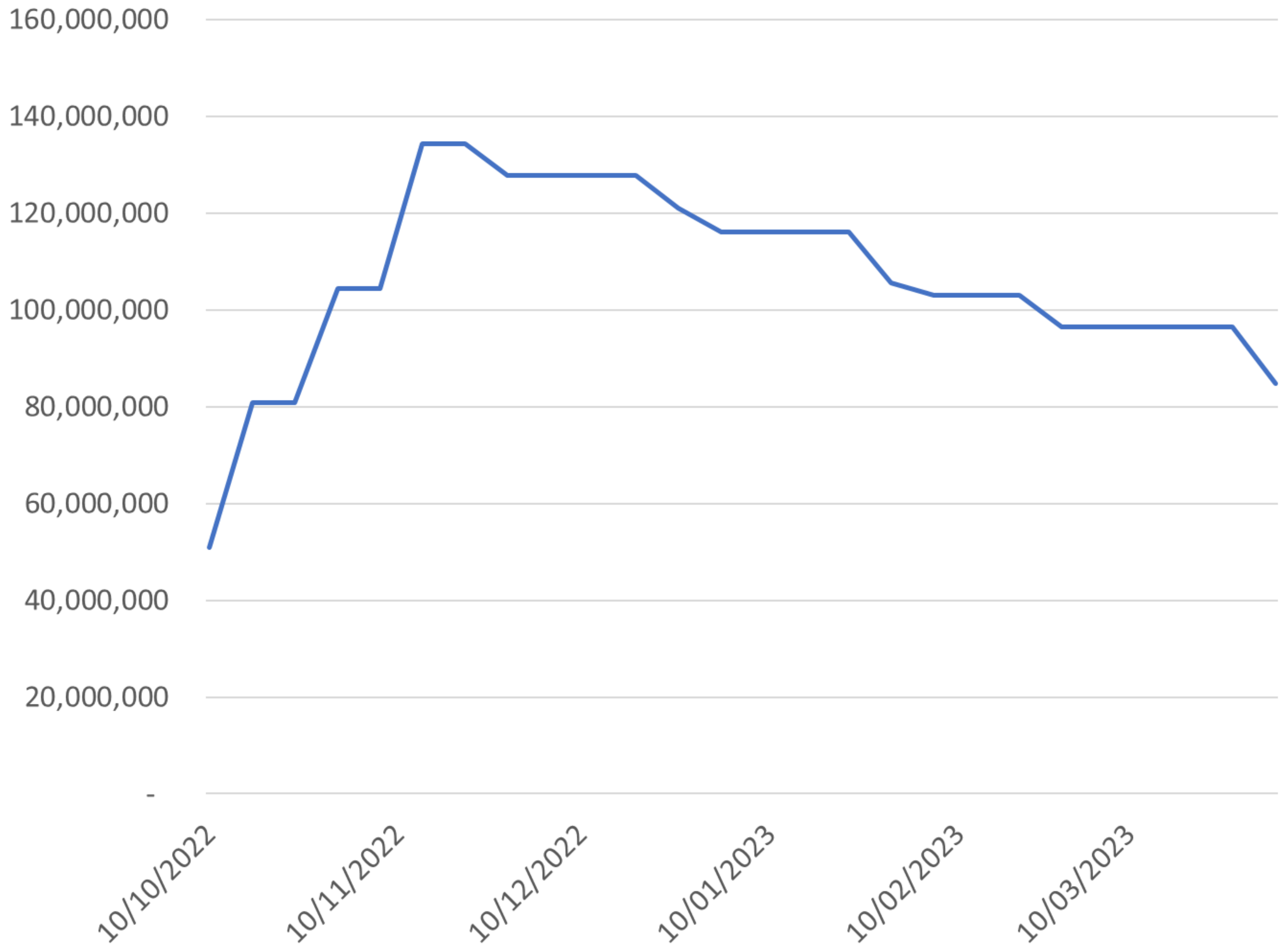
This was to move the overall strategy towards the 50% growth / 50% income balance long-term strategic asset allocation.

Summary of PFC agree transactions (October 2022)

- A detailed summary of planned transactions is provided in the table below
- The LCIV MAC transaction is on hold pending potential allocation to Index Linked gilts

Strategy Changes summary								
Date:	18 October 2022 (based on 31 August allocation)							
	Fund	**Dis-investment***	**Investment***		**Timing**	**Method**	**Primary Driver**	**Source of Funding**
	LGIM - WORLD	150			Over a two year period to March 2023	Automatic	ESG	
	LGIM -RAFI	55			Over a two year period from Summer 202	Automatic	ESG	
	LGIM - Future Worlds		175		Over a two year period to March 2023	Automatic	ESG	LGIM World & RAFI
	LCIV - Sustainable Equity		30		Pending	Manual	ESG	LGIM World & RAFI (?)
	Schroder - DGF	125			Over period to end of October 2022	Automatic	Risk	
	Barings - Special Credit		5		Expect by end of January 2023	Manual - when called	Strategy	Cash
	Adams Street - Private Eq		70		Expect by end of January 2024	Over next 18-months	Strategy	Cash
	LCIV - Renewable Inf		30		Expect by end of January 2024	Manual - when called	Strategy	Cash
	LCIV - MAC		50		Pending	Manual	Strategy	Cash
	LCIV - Private debt		25		Expect by end of January 2024	Manual	Strategy	Cash
	LCIV - Global ESG Bond		60		Pending	Manual	ESG	Schroders Corp Bonds
	Schroder - Corp Bonds	60			Pending	Manual	ESG	
	Total	390	445					
	Shortfall (disinvestments less investments)			- 55				
	Cash at bank			40				
	Balance (i.e. unfunded transitions)			- 15	OK - balance manageable through general rebalancing relative to benchmark			
	*Figures approximate based on 31 August whole of fund asset values							

Cash forecast to 31 March 2023



Due to the disinvestment of the Schroders' Diversified Growth Fund the Fund has significant levels of cash balances which is likely to continue until the undrawn commitments have been made.

Officers are working with LGIM and Hymans to optimise the return on these cash balances subject to our liquidity requirements.

This page is intentionally left blank

London Borough of Barnet Pension Fund

Q2 2022 Investment Monitoring Report

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

HYMANS ROBERTSON

Executive Summary

Fund assets totalled c.£1,408.6m at the end of Q2 2022, a decrease of c.£92m from the end of the previous quarter.

The Fund's assets returned -5.9% (net of fees) over the quarter, underperforming the benchmark by c.1.0%.

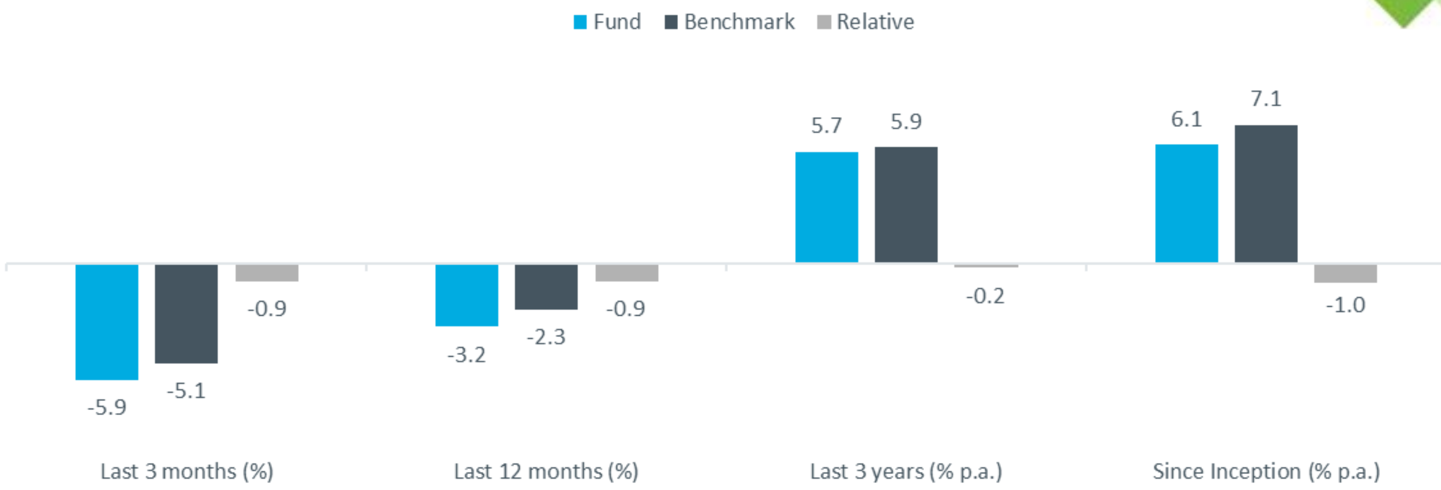
Key Actions

The following transitions took place over the quarter:

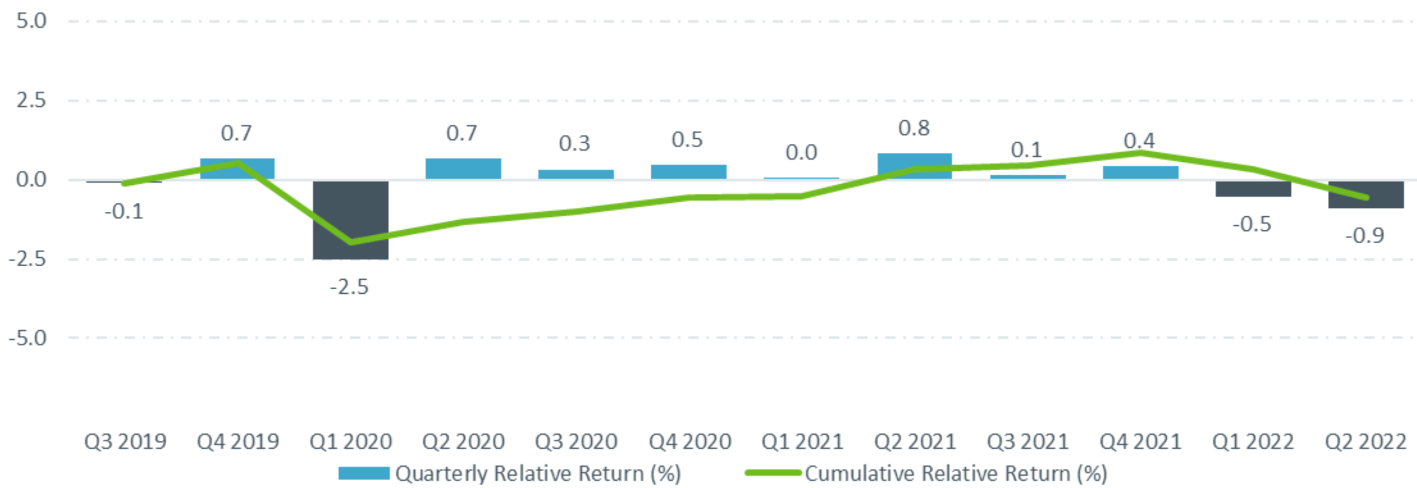
- Investment of c.£20m into the LGIM Future World Global Equity Index Fund – funded by an equal disinvestment from the LGIM RAFI Carbon Pathway Index Fund.

Over the quarter the following funds continued to call capital from the Fund's commitments: Adams Street Global 2019 Fund, Adams Street Global Secondaries Fund, LCIV Private Debt, LCIV Renewable Infrastructure, Barings Global Special Situations. The Fiera Real Estate Opportunity Fund V (FREOF) had its first capital call.

Historic quarterly performance (net of fees)



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



The Q2 22 valuation for Alcentra Direct Lending, Adams Street Partners, Barings Global Special Situations and CBRE Global Alpha are as at Q1 22, due to a lag applied by the manager. Where applicable the valuations are adjusted for cash movements post quarter end.

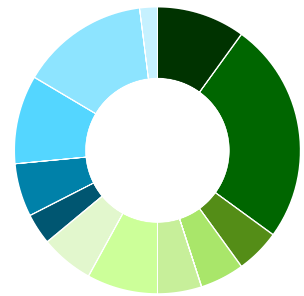
The assets are being transitioned to the new funds, LGIM Future World and LCIV Sustainable Exclusion, and LCIV Renewable Infrastructure, in a phased manner. The allocations to those funds will therefore be underweight until the transition is complete in 2022 (and overweight to the LGIM passive market-cap funds). The Committee has also agreed to an investment in the LCIV MAC fund of 3.5% of Fund assets.

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

Asset allocation

Manager	Valuation (£m) Q1 2022	Valuation (£m) Q2 2022	Actual Proportion	Benchmark	Relative
LGIM RAFI Carbon Pathway Index GBP Hdgd	239.2	196.6	14.0%	10.0%	4.0%
LGIM Future World Global Equity Index	68.4	84.1	6.0%	10.0%	-4.0%
LGIM Future World Global Equity Index GBP Hdgd	103.7	122.7	8.7%	15.0%	-6.3%
LCIV Sustainable Exclusion Global Equity	42.9	39.3	2.8%	5.0%	-2.2%
LGIM UK Equity Index	8.6	6.6	0.5%	0.0%	9.7%
LGIM World ex UK Dev Equity Index	92.4	68.0	4.8%		
LGIM World ex UK Dev Equity Index GBP Hdgd	79.4	53.4	3.8%		
LGIM Emerging Markets Equity Index	12.1	8.7	0.6%		
LCIV Emerging Markets Equity	68.1	63.2	4.5%	5.0%	-0.5%
Schroder Life Diversified Growth	148.3	140.3	10.0%	0.0%	10.0%
Adams Street 2019 Global	36.9	41.2	2.9%	5.0%	-1.5%
Adams Street Global Secondaries	3.4	7.7	0.5%		
Total Growth	**903.5**	**831.8**	**59.0%**	**50.0%**	**9.0%**
IFM Global Infrastructure	84.8	91.8	6.5%	5.0%	1.5%
LCIV Renewable Infrastructure	11.1	9.7	0.7%	3.0%	-2.3%
Standard Life Long Lease Property	34.2	35.0	2.5%	2.0%	0.5%
CBRE Global Alpha	30.7	30.7	2.2%	2.0%	0.2%
FREOF V	0.0	28.2	2.0%	2.0%	0.0%
Barings Multi-Credit	40.9	37.4	2.7%	3.5%	-0.8%
LCIV MAC	0.0	0.0	0.0%	3.5%	-3.5%
Insight Secured Finance	90.1	89.0	6.3%	6.0%	0.3%
Schroder All Maturities Corporate Bond	132.6	122.2	8.7%	10.0%	-1.3%
Alcentra Direct Lending	16.1	14.4	1.0%	1.5%	-0.5%
Partners Group MAC 2015	4.5	4.2	0.3%	0.0%	0.3%
Partners Group MAC 2017	15.6	13.9	1.0%	3.0%	-2.0%
Partners Group MAC V	29.4	29.1	2.1%	2.5%	-0.4%
LCIV Private Debt	24.4	27.9	2.0%	4.0%	-2.0%
Barings Global Special Situations Credit	19.8	27.1	1.9%	2.0%	-0.1%
Total Income	**534.2**	**560.8**	**39.8%**	**50.0%**	**-10.2%**
Cash	63.3	16.1	1.1%	0.0%	1.1%
Total Fund	**1,500.9**	**1,408.6**	**100.0%**	**100.0%**	**-**

Strategic allocation



Source: Investment Managers.

HYMANS ROBERTSON

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

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 RAFI Carbon Pathway Index GBP Hdgd	-9.8	-9.9	**0.1**	-4.5	-4.9	**0.4**	6.7	6.6	**0.1**	7.5	7.5	**0.0**
LGIM Future World Global Equity Index	-8.4	-8.4	**0.0**	-4.5	-4.6	**0.1**	n/a	n/a	**n/a**	2.2	2.1	**0.2**
LGIM Future World Global Equity Index GBP Hdgd	-13.4	-13.4	**0.0**	-12.3	-12.3	**0.1**	n/a	n/a	**n/a**	-4.4	-4.5	**0.1**
LGIM World ex UK Dev Equity Index	-9.2	-9.2	**0.0**	-3.2	-3.2	**0.0**	9.3	9.3	**0.0**	11.2	11.2	**0.0**
LGIM World ex UK Dev Equity Index GBP Hdgd	-14.8	-14.8	**0.0**	-12.2	-12.2	**0.0**	7.0	7.1	**-0.1**	7.0	7.1	**-0.1**
LCIV Sustainable Exclusion Global Equity	-8.6	-9.1	**0.6**	-7.9	-2.6	**-5.5**	n/a	n/a	**n/a**	-3.8	0.0	**-3.7**
LGIM UK Equity Index	-5.0	-5.0	**0.0**	1.8	1.7	**0.1**	2.5	2.4	**0.1**	5.3	5.1	**0.1**
LGIM Emerging Markets Equity Index	-2.8	-2.7	**-0.1**	-10.8	-10.6	**-0.2**	3.3	3.4	**-0.1**	7.1	7.1	**0.0**
LCIV Emerging Markets Equity	-7.0	-4.0	**-3.1**	-19.3	-15.0	**-5.0**	n/a	n/a	**n/a**	3.9	3.3	**0.5**
Schroder Life Diversified Growth	-5.4	1.3	**-6.6**	-6.9	10.5	**-15.8**	3.4	8.0	**-4.2**	3.8	7.6	**-3.5**
Adams Street 2019 Global	1.9	-1.6	**3.5**	71.2	17.3	**46.0**	n/a	n/a	**n/a**	104.9	17.0	**75.2**
Adams Street Global Secondaries	3.1	3.6	**-0.5**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	22.0	11.1	**9.9**
Income												
IFM Global Infrastructure	8.3	2.4	**5.8**	23.8	10.0	**12.5**	14.3	10.0	**3.9**	14.2	10.0	**3.8**
LCIV Renewable Infrastructure	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Standard Life Long Lease Property	2.2	-6.9	**9.7**	13.8	-11.7	**28.8**	n/a	n/a	**n/a**	7.6	-1.3	**8.9**
CBRE Global Alpha	5.8	2.2	**3.5**	19.2	9.0	**9.4**	n/a	n/a	**n/a**	7.4	9.0	**-1.5**
FREOF V	2.3	3.2	**-0.9**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Barings Multi-Credit	-8.6	1.3	**-9.9**	-10.0	5.2	**-14.5**	-0.5	5.4	**-5.6**	2.6	5.5	**-2.7**
Insight Secured Finance	-1.2	1.2	**-2.4**	0.3	4.4	**-3.9**	2.1	4.4	**-2.2**	2.8	4.5	**-1.7**
Schroder All Maturities Corporate Bond	-7.9	-6.7	**-1.3**	-14.0	-12.9	**-1.3**	-1.0	-1.9	**0.9**	4.5	4.0	**0.4**
Alcentra Direct Lending	0.9	2.3	**-1.3**	9.3	9.5	**-0.2**	5.2	9.5	**-4.0**	6.2	9.5	**-3.1**
Partners Group MAC 2015	-4.5	0.9	**-5.4**	-1.0	4.9	**-5.7**	2.7	5.3	**-2.5**	6.6	5.1	**1.5**
Partners Group MAC 2017	0.9	0.9	**-0.1**	4.5	4.9	**-0.4**	4.1	5.3	**-1.2**	4.6	5.1	**-0.5**
Partners Group MAC V	-1.1	0.9	**-2.0**	1.8	4.9	**-2.9**	2.9	5.0	**-2.1**	5.1	5.0	**0.1**
LCIV Private Debt	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Barings Global Special Situations Credit	1.2	4.1	**-2.8**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	17.2	12.9	**3.8**
Total	**-5.9**	**-5.1**	**-0.9**	**-3.2**	**-2.3**	**-0.9**	**5.7**	**5.9**	**-0.2**	**6.1**	**7.1**	**-1.0**

The Q2 22 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q1 22, due to a lag applied by the manager. Hymans Robertson estimate the performance numbers for the Partners Group, Alcentra Direct Lending, Adams Street Partners 2019 Global, Adams Street Partners Global Secondaries, LCIV Renewable Infrastructure, LCIV Private Debt, IFM Global Infrastructure and Barings Global Special Situations Credit mandates. As such these may differ to the managers' net IRR.

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

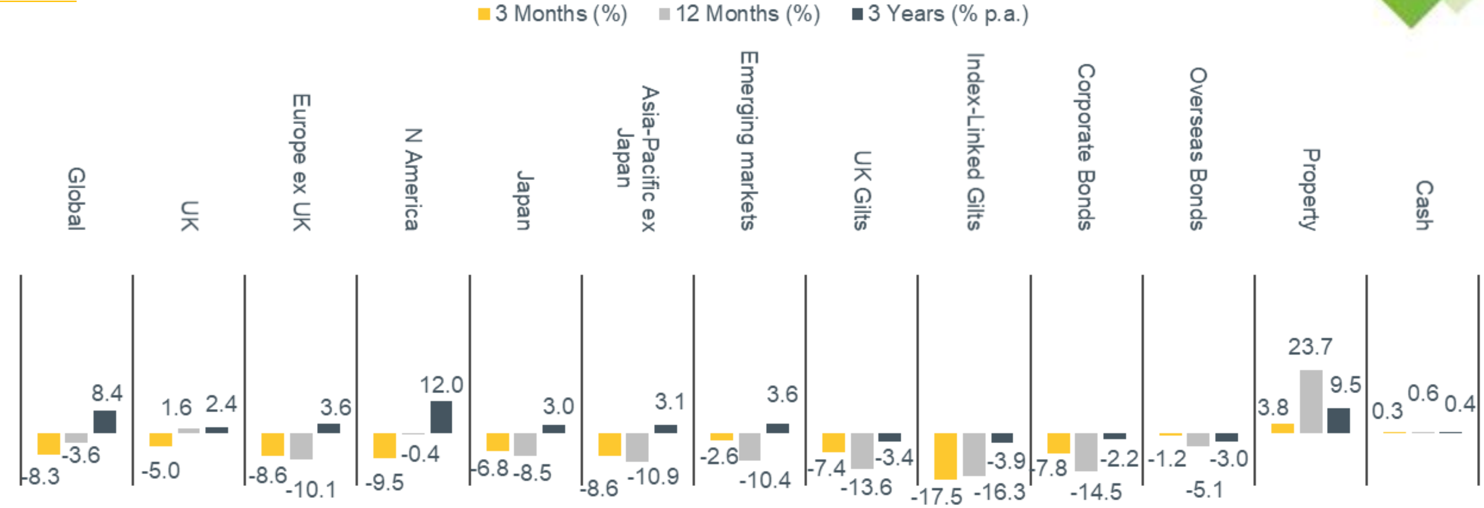
Soaring inflation and higher borrowing costs have continued to squeeze consumer's real incomes, with consumer confidence surveys plunging as a result. The persistence of these inflationary pressures, coupled with the prospect of tighter financial conditions, has given rise to fears of recession, and has resulted in revised consensus forecasts for global growth of 2.9% in 2022 and 2.8% in 2023 (down from 4.1% and 3.2%, respectively, at the start of the year.)

While headline inflation continues to rise across developed markets, year-on-year US and UK core inflation, which excludes volatile energy and food prices, eased slightly, but remained elevated, at 6.0% and 5.9%, respectively. While US and UK inflation pressures look more broad-based, a large proportion of eurozone inflation still owes to volatile energy and food prices, with Eurozone core CPI increasing to 3.8% year-on-year.

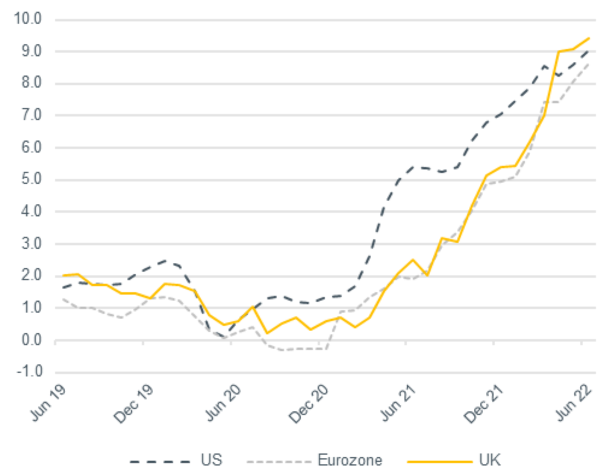
Despite severe supply side issues and risks to growth, central banks appear determined to bring down inflation. The Bank of England rose rates for the fifth consecutive time and the Fed delivered a bumper 0.75% p.a. increase, taking their base rates to 1.25% p.a. and 1.75% p.a., respectively. The European Central Bank have indicated a first rate hike is likely in July, and the end to negative rates by the end of Q3 2022.

Government bond yields rose as markets moved to price in significant further increases in interest rates, with UK 10-year gilt yields increasing 0.6% p.a. to 2.2% p.a. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.8% p.a., from 4.4% p.a. to 3.6% p.a. as real yields rose more than their nominal counterparts.

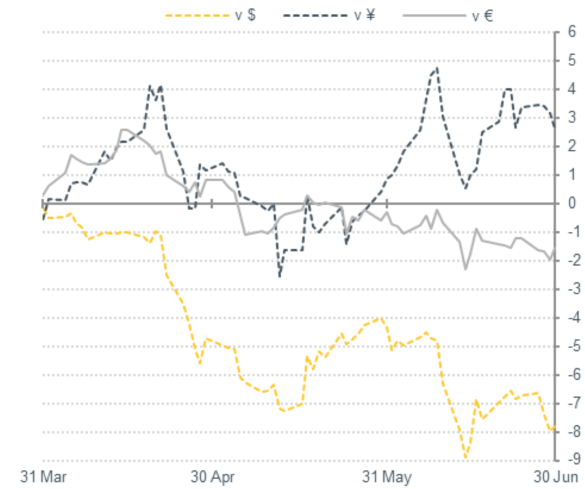
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



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, ICE BofA Global Government Index, MSCI UK Monthly Property; UK Interbank 7 Day

Market Background

With both inflation and growth concerns weighing on credit markets, global investment-grade credit spreads rose 0.5% p.a., to 1.8% p.a.; while US and European speculative-grade spreads both rose 2.4% p.a., to 5.9% p.a. and 6.4% p.a., respectively.

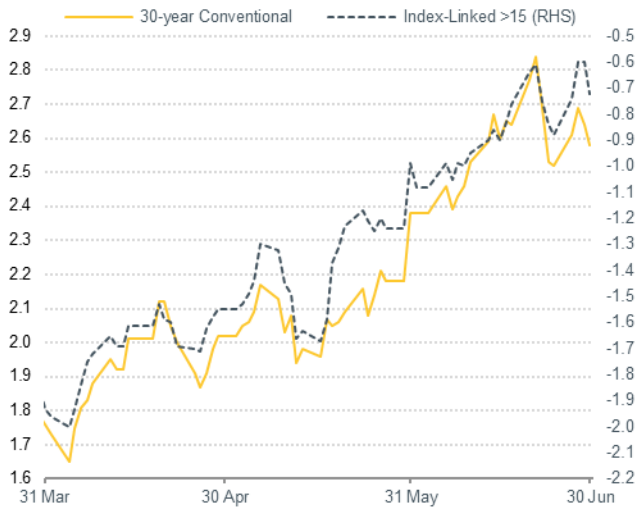
Commodity prices fell over the quarter, with expectations of lower demand leading to a fall in industrial metals prices as rising real yields weighed on precious metal prices.

Despite ongoing upwards revisions to consensus analyst earnings forecasts, global equities fell 8.3% over the quarter, as increases in expectations for the path of interest rates extended the recent decline in equity market valuations. The technology sector notably underperformed on the back of rising rates while returns within the consumer discretionary sector were impacted by a weakening consumer outlook. In contrast, consumer staples outperformed, as investors perhaps placed a premium on the sector's inherent pricing power.

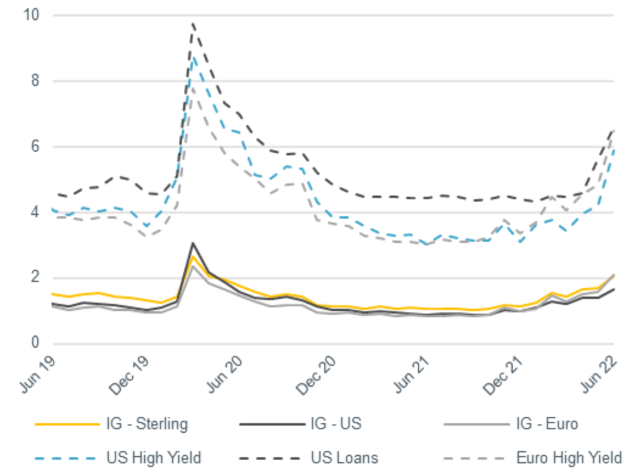
North America underperformed, owing to its large exposure to the technology sector. Meanwhile, above-average exposure to energy, metals, and miners, saw the UK continue its recent outperformance. The easing of lockdown restrictions in China provided some relative support to Emerging and Asian markets equities.

Property remained a relative bright spot, with the MSCI UK IPD total return index rising 9.6% year-to-date; largely owing to a 11.9% rise in industrial capital values. Return on the all-property index, including income, was 23.7% in the 12 months to end-June.

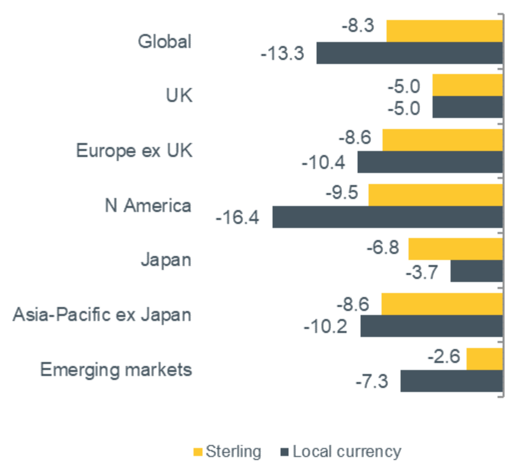
Gilt yields chart (% p.a.)



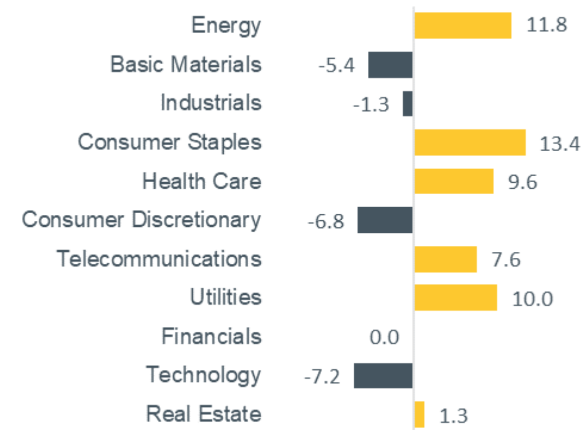
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency. [2] Returns shown in Sterling terms and relative to FTSE All World.

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.

This page is intentionally left blank

Pension Fund Committee
10 November 2022

Title	**Administration and Data Update Report**
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	None
Officer Contact Details	Mark Fox, Pensions Manager – 0208 359 3341

Summary

This report provides the Pension Fund Committee with an update on the current administration performance of the Barnet Pension Fund by West Yorkshire Pension Fund (WYPF), along with other issues affecting the administration and an update on the data improvement plan and historical leaver exercise.

Officers Recommendations

The Pension Fund Committee are requested to note the current performance levels and updates on the data improvement plan and historical leaver exercise.

1. WHY THIS REPORT IS NEEDED

1.1 The efficient delivery of benefits is reliant upon effective administrative procedures being in place.

WYPF Performance

1.2 In September, WYPF processed **c1,200** cases, with **90.5%** of cases being completed within the agreed Key Performance Indicators (KPIs) targets. The number of processed cases is slightly lower than in previous months The cases completed within their KPI is above the 90% threshold that the LBB Pensions Team regard as good practice.

1.3 The reason for the lower of number of cases completed is primarily due to WYPF recruiting staff to their administration teams, who require training from their colleagues which has caused the reduction in cases processed.

1.4 The LBB Pensions Team monitor WYPF performance closely and would expect that as the new staff are adequately trained, the performance should return to normal levels. However, this may take a few months as WYPF still have six vacancies in their administration team.

1.5 Detailed reports on performance are provided to the Local Pension Board

1.6 WYPF work in progress levels remain high. As of the end of September, there were over **2,750** outstanding items of work. This figure is due to annual benefit statements being issued over the summer, which raises a large number of-statement queries or estimate requests from members. In addition, as the school year ends at the end of July, members employed by schools tend to leave or retire, which also increases the amount of work.

1.7 The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received by WYPF remains low. Currently, there is one stage 1 IDRP appeals and one stage 2 IDRP appeal ongoing. Stage 1 appeals are adjudicated by the Assistant Director (Finance, Administration and Governance) at WYPF, and stage 2 appeals are adjudicated by the Pensions Manager at LBB.

Annual Benefit Statements (ABS's)

1.8 The 2022 Annual Benefit Statements (ABS) statutory deadline for issue was 31 August. At this date, **97.3%** of active members had received their ABS – this means that 181 members were not issued with an ABS. For deferred members, all statements were issued.

1.9 For those members who did not receive their statement by the deadline, this was due to either outstanding queries with employers or where WYPF are updating the member records. As of 18 October, there are still 141 statements to be issued. The Pensions Team are working with both WYPF and employers to ensure that these members receive a statement as soon as possible.

1.10 As not all statements were issued by the deadline, the Pensions Team are considering reporting this to The Pensions Regulator (TPR).If it is decided to make a report, this will highlight the large improvements made over the last 2-3 years in issuing ABS's. The other LGPS funds administered by WYPF (including their own fund) also did not attain 100% by the end of August.

Data Improvement Plan

1.11 WYPF provide monthly data quality update reports to the LBB Pensions Team which gives the number of data items within the data improvement plan that still require updating. The Pensions Team meet with WYPF regularly to discuss areas in the data improvement plan

1.12 Initially, there were **c28,500** data items that needed to be reviewed and updated.

1.13 WYPF have been tasked to look at ten areas of data where there is the largest number of issues that need correcting. This includes updating records manually, making system corrections to ensure that the data can be updated in bulk and reviewing whether the risk of the data missing or being incorrect can be mitigated.

1.14 WYPF have assured the LBB Pensions Team that whilst they continue to correct the data issues, there will be no impact on the calculation on members' benefits, as their processes will determine whether the missing/incorrect data is required for a calculation, and if it is, the administration team will not issue benefit details until the records have been corrected.

1.15 WYPF also provide update on both the common and conditional data scores These data scores are a method for measuring quantity of data and are reported to TPR in the Scheme Return.

1.16 A summary of progress in terms of the TPR data scores is shown below (starting point with WYPF as February 2021):

Month	TPR score - common	TPR score - conditional
February 2021	95.79%	41.27%
April 2022	96.69%	79.66%
May 2022	96.63%	79.31%
June 2022	96.66%	79.31%
July 2022	96.60%	78.77%
September 2022	96.60%	78.88%
October 2022	96.57%	78.93%

1.17 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.

1.18 As WYPF process the outstanding historical leavers and find missing data, this can cause these numbers to fluctuate slightly.

Historical Leavers

1.19 WYPF inherited **c1,500** "historic leavers" which increased to **c1,950**, following the work undertaken by WYPF in the 2021 Annual Benefit Statement (ABS) process. As of 18 October, the total number of leavers outstanding had reduced to **c850** with **c560** "historic leavers" still outstanding.

1.20 The Pensions Team continue to work with employers and their payroll providers to get the leaver notifications submitted. This includes the Council, who initially had c750 historical leavers. This has now reduced to **c460**.

1.21 The Pensions Team will shortly contact all employer with historic leavers still outstanding requesting that they submit leaver forms to WYPF by a specific deadline date. If this deadline is not adhered to, the Pensions Team will

- issue a fine to the employer for each leaver that has not been submitted – this is currently **£96** per member.
- Report employers to The Pensions Regulator for a breach of relevant Code of Practice.
- Write to all members where a leaver form has not been submitted to WYPF advising them that WYPF are unable to calculate their benefits due to the employer not providing the required information.

Data for the 2022 triennial valuation

1.22 WYPF submitted the 'final cut' of data to Hymans Robertson in early July and following a review during July and a small number of updates, Hymans confirmed that there were satisfied that the data was in a good enough state for them to use in their valuation calculations.

1.23 However, as noted in the valuation update there is a large data experience item of c£50m, which the Pensions Team are investigating.

Pensions Dashboard

1.24 The Pensions Dashboard will enable individuals to access their pensions information online, securely and all in one place, thereby supporting better planning for retirement and growing financial wellbeing.

1.25 The staging deadline for the LGPS has been deferred from 30 April 2024 to 30 September 2024.

1.26 WYPF have gone out tender to find which platform provider they will use for Pensions Dashboard.

1.27 WYPF meet regularly with a number of stakeholders, including software providers to ensure we are on course to be compliant with the legislation before ‘go live’ day. They also meet with the TPR quarterly to ensure that they are planning, resourcing and implementing the pensions dashboard project correctly.

“McCloud” ruling

1.27 The “McCloud” judgement relates to two employment tribunal cases that were brought against the Government. In December 2018, the Court of Appeal ruled that the protection introduced following changes to public sector pension schemes, such as the LGPS, in 2014/2015 amounted to unlawful discrimination as the protections only applied to certain older members.

1.28 The protections were introduced for older members so the LGPS changes would not negatively impact their pension.

1.29 The result is that (with the final regulations likely to be published soon) is that LGPS schemes will, for members in the Scheme between 1 April 2012 and 31 March 2022, need to do process two pension calculations on the old and new basis, with the higher amount paid.

1.30 This applies to current members, as well as members who have left, retired, died or transferred their benefits out of the Fund.

1.31 WYPF are currently updating their systems and checking data with employers to ensure that when the regulations do come into force, the correct benefits are calculated for all affected members.

2. REASONS FOR RECOMMENDATIONS

2.1 Not applicable

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not applicable

4. POST DECISION IMPLEMENTATION

4.1 Not applicable

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 By monitoring the performance of the pension fund administrators, good management of the Pension Fund is maintained. This is because the cost of providing benefits will be equitably split between all employers, thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2020-2024.

The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly.

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

5.2.1 There are no immediate financial implications from the report. However, it is important that performance is monitored to ensure that the Pension Fund is not liable to additional costs resulting from maladministration or poor service.

5.3 Social Value

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

5.4 Legal and Constitutional References

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

5.5 Risk Management

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

5.6 Equalities and Diversity

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

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

Good governance arrangements will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not required.

5.9 Insight

5.9.1 Not applicable

6. ENVIRONMENTAL IMPACT

6.1 None

7. BACKGROUND PAPERS

7.1 None

This page is intentionally left blank

Pension Fund Committee

10 November 2022

Title	**Admitted Body and Bond Status Update**
Report of	Executive Director of Strategy & Resources (S151 officer)
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Update on Admission Agreements Appendix B – Update on Cessations Appendix C – Update on Bond renewals
Officer Contact Details	Mark Fox, Pensions Manager 0208 359 3341

Summary

This report provides the Pension Fund Committee with a status update on the outstanding admitted body and bond agreements, as well as bond renewals and cessation calculations, that need arranging.

The Council has been working with employers, West Yorkshire Pension Fund (WYPF), Hymans Robertson and HB Public Law to ensure outstanding admission and bond agreements are put in place.

Officer Recommendations

That the Pension Fund Committee note the progress on outstanding admitted body and bond agreements, including bond renewals and cessation valuations.

That the Pension Fund Committee approve the admission into the Fund Enigma CCTV Limited and Nourish Contract Catering Ltd (at Osidge School) as listed in 1.8.

WHY THIS REPORT IS NEEDED

1.1 The Report is to update the Pensions Fund Committee on the current position in relation to outstanding admissions, cessations and bond renewals.

1.2 Where Admission Agreements, Cessation Valuations or the provision of Bonds are delayed by employers, the LBB Pensions Team will consider using the appropriate action considering the actions permitted in the Pensions Administration Strategy document for the Barnet Fund.

1.3 There is one new admitted body to the Fund.

Admission Agreements

1.4 An update on the progress on the completion of Admission Agreements is attached in Appendix A.

1.5 Three Admission Agreements have recently been signed and sealed since the last Committee meeting. These are:

Atlas Cleaning (Claremont School)
Olive Dining (Archer Academy)
City and County Healthcare Group

1.6 The LBB Pensions Team set target dates for the outstanding work to complete Admission Agreements. An update will be provided at the meeting where the deadlines have passed between the date that this report was written and the meeting.

1.7 Signature Education have eight contracts with schools to provide catering services. The Pensions Team were in the final stages of getting the admission agreements signed, when Signature Education advised that they are terminating their contracts with the schools, and as such, will not be entering their employees into the LGPS. The Pensions Team took legal advice, which stated that under the LGPS regulations, their employees should have been in the LGPS until the contracts were terminated. We are trying to arrange a call with Signature Education to discuss further.

1.8 The Committee are asked to approve the admission of the Enigma CCTV Limited and Nourish Contract Catering Ltd (at Osidge School) into the Fund.

Enigma CCTV Limited have one member and the contract is with the Council having taken over from OCS Limited, who will now cease to be an Admitted Body within the Fund.

Nourish Contract Catering Ltd have taken over the catering contract at Osidge school from Alliance in Partnership, who will also cease to be an Admitted Body within the Fund.

Cessations

1.9 When the last active member leaves the LGPS or if the contract of an admitted body ends, is terminated or the admitted body ceases trading, a cessation valuation is calculated. The Actuary calculates both assets and liabilities in relation to the Employer to understand if there is a surplus or deficit at the end of the contract.

1.10 An update on progress is on cessation valuations is included in Appendix B.

1.11 The LBB Pensions Team have contacted both Fremantle and Hartwig following the Committees decision at the last meeting. An update will be provided to the Committee at the meeting.

1.12 For Absolute Catering (St James' Catholic School), this employer has since been taken over by another employer and the Pensions Team are working with new employer and the school to arrange payment of the deficit.

1.13 Since the last Committee meeting, there have been two new cessations:

City and County Healthcare Group on 8 June 2022
Alliance in Partnership (Osidge School) on 31 July 2022
OCS Group on 31 August 2022

1.14 The LBB Pensions Team have again set target dates for employers to provide outstanding information so cessation valuations can be completed. An update will be provided at the meeting on those employers where the deadline will have passed between the date that this report was written and the meeting.

Bonds and Bond Renewals

1.15 An update on Bonds and Bond renewals is provided in Appendix C.

1.16 The LBB Pensions Team continue to work with employers for the outstanding bonds and chasing WYPF for the data required by the Actuary to calculate the bond values.

1.17 Where employers do not provide a Bond within the timeframe requested, Officers will request that Hymans recalculate the employer’s contribution rate, to cover the non-provision of the indemnity. This policy is detailed in the Contribution Review Policy approved by the Committee at the meeting on 28 October 2021.

1.18 Sancroft Community Care are a wholly owned subsidiary of Harrow Council. The Pensions Team are still waiting for a guarantee letter to be sent by Harrow Council

1.19 For both Capita Re and Capita CSG, Hymans Robertson are calculating the revised bonds required as the current bonds expire.

2. REASONS FOR RECOMMENDATIONS

2.1 The Committee should be notified and approve the admittance of new employers who require Admitted Body status in the Fund.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not applicable.

4. POST DECISION IMPLEMENTATION

4.1 Not applicable

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 By monitoring admitted body organisations and ensuring all third parties comply fully with admission agreements and bond requirements, good management of the Pension Fund is maintained. This is because the cost of providing benefits will be equitably split between all employers, thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2020-2025.

The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly.

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

5.2.1 There are no immediate financial implications from the report. However, it is important that admitted bodies have their contribution set by the Actuary to ensure that employers can commence membership in the Scheme with an equitable contributions rate and that cessation values are calculated to ensure that any deficits from ceasing employers are paid for.

5.3 Social Value

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

5.4 **Legal and Constitutional References**

5.4.1 Regulation 3 and Schedule 2 of the Local Government Pension Scheme Regulations 2013 provide that a Local Authority, as an 'Administering Authority' for the Fund, may admit an organisation into the Local Government Pension Scheme, subject to that organisation, or the contractual arrangement between that organisation and the Council, meeting the criteria set out in the Regulations.

5.4.2. With respect to an admission agreement, the Regulations further provide for an assessment of the level of risk arising on premature termination of the provision of the service or assets because of insolvency, winding up or liquidation of the admission body. The assessment must be with the benefit of actuarial advice and, where the level of risk is such as to require it, the transferee admission body shall obtain an indemnity or bond to meet the level of risk identified.

The Council's Constitution – Article 7 – sets out the responsibilities of the Pension Fund Committee which are to have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund including to approve admissions agreements with any admission body. It is therefore considered appropriate for the Pension Fund Committee to receive this report.

5.5 **Risk Management**

5.5.1 The ongoing viability of the Pension Fund is dependent on acquiring assets that match the pension liabilities. All admitted bodies are subject to actuarial assessments and are reviewed to ensure compliance with admissions agreements and maintenance of appropriate employer contribution levels to mitigate against any risk to the financial viability of the pension fund.

5.5.2 There is a possibility of financial losses to the Pension Fund where arrangements around admitted bodies, bond agreements and contributions are not sufficiently robust. The Council is improving internal controls to ensure the Fund is protected.

5.6 Equalities and Diversity

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

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

Good governance arrangements will benefit everyone who contributes to the fund.

5.7 **Corporate Parenting**

5.7.1 Not applicable in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 Not required.

5.9 **Insight**

5.9.1 Not applicable

6. ENVIRONMENTAL IMPACT

6.1 None

7. BACKGROUND PAPERS

7.1 None

Update on Admission Agreements – November 2022

	Employer	Contract Start Date	Update	Action Required by?
1	**Atlas Cleaning (Claremont School)**	**19/01/2015**	**Admission Agreement signed and sealed**	**n/a**
2	**Olive Dining (Archer Academy)**	**01/09/2018**	**Admission Agreement signed and sealed**	**n/a**
3	Innovate (St James Catholic School)	01/08/2019	Admission Agreement has been signed by employer. Waiting for school to sign and return. Deadline is **31 October 2022**.	St James' Catholic School
4	**City & County Healthcare Group**	**31/07/2019**	**Admission Agreement signed and sealed**	**n/a**
5	Olive Dining (St Joseph's School)	01/08/2019	Admission Agreement has been signed by employer. Waiting for school to sign and return. Deadline is **31 October 2022**. Contributions have been paid up to date.	St Joseph's School
6	Sancroft Community Care Ltd	01/06/2019	Admission Agreement sent to employer for signing. Employer has refused to sign. Requested a call before **1 November 2022.** Contributions have been paid up to date.	Sancroft Community Care Ltd
7	Innovate (Blessed Dominic)	01/09/2019	Admission Agreement with HB Law to be signed and sealed.	HB Law
8	Signature Dining (Pardes House Primary)	01/04/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
9	Signature Dining (Sacks Morasha)	01/04/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
10	Signature Dining (Hasmonean Primary)	01/04/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
11	Tenon (St Michaels School)	01/04/2021	Admission Agreement sent to employer for signing. Deadline is **24 July 2022.**	Tenon

12	**Hire-a-Pitch Events (Whitefield Trust School)**	**01/10/2021**	**Employer has confirmed that this is not an admission as only members opted not join.**	**n/a**
13	Alliance in Partnership (Osidge School)	01/08/2018	Admission Agreement signed by employer. Now with school for signing. Deadline is **31 October 2022.**	Osidge School
14	Signature Dining (Beit Shvidler)	01/09/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
15	Signature Dining (Hasmonean MAT)	01/09/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
16	Signature Dining (Etz Chaim)	01/09/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
17	Signature Dining (Menorah Foundation)	01/09/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
18	Signature Dining (Queens Road Kosher CPU)	01/09/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
19	Nourish Contract Catering Ltd (Osidge School)	01/08/2022	WYPF to provide Hymans with data to enable contribution rate to be calculated.	WYPF
20	Enigma CCTV Limited	01/09/2022	WYPF to provide Hymans with data to enable contribution rate to be calculated.	WYPF

Update on Cessation Valuations - November 2022

	Employer	Cessation Date	Surplus/deficit	Update	Action Required by?
1	**Absolute Catering (St James' Catholic School)**	**31/07/2019**	**-£47,000**	**Requested a call with employer and school regarding payment. Requested a call before 1 November 2022.**	**Absolute Catering/St James' School**
2	**Fremantle Trust**	**31/05/2019**	**£1,453,000**	**Committee decision sent to employer, who have requested a call to discuss.**	**Fremantle/LBB**
3	Caterlink (Totteridge Academy)	23/02/2020	n/k	WYPF to provide data to Hymans to calculate cessation valuation. Contributions have been paid up to date.	WYPF
4	Ashlyn's (St Andrew's C of E School)	31/07/2020	n/k	Data has been sent to Hymans to calculate cessation valuation.	Hymans
5	Atlas Cleaning (St Michaels)	31/03/2021	n/k	WYPF to provide data to Hymans to calculate cessation valuation.	WYPF
6	**Caterlink (QE Girls School)**	**31/08/2021**	**£32,000**	**Cessation valuation calculated and Officers have provided a recommendation of the exit credit to be paid to the employer. Awaiting a response and possible representation to the Committee**	**Caterlink**
7	**Hartwig**	**09/07/2021**	**£71,000**	**Committee decision sent to employer. Awaiting a response.**	**Hartwig**
8	**Churchill Catering (Queenswell School)**	**30/11/2021**	**-£1,000**	**Payment of deficit has been requested**	**Churchill Catering**
9	Atlas Cleaning (Claremont)	31/03/2022	n/k	WYPF to submit cessation data to Hymans.	WYPF

10	City and County Healthcare Group	08/06/2022	n/k	WYPF to submit cessation data to Hymans.	WYPF
11	Alliance in Partnership (Osidge School)	31/07/2022	n/k	WYPF to submit cessation data to Hymans.	WYPF

Update on Bond Renewals
– November 2022

	Employer	Current Bond value	Current Bond Expiry date	New Bond required	Update	Action Required by?
1	Innovate (St James' School)	n/a	n/a	£81,000	Waiting for a letter of guarantee from the school	n/a
2	Olive Dining (Archer Academy)	n/a	n/a	£25,000	Bond Agreement with HB Law to be signed and sealed.	HB Law
3	Caterlink (Compton School)	n/a	n/a	£85,000	Bond Agreement with HB Law to be signed and sealed.	HB Law
4	Olive Dining (St Joseph's Primary)	n/a	n/a	£50,000	Waiting for employer to provide a bond/guarantee. Deadline set for **1 November 2022**.	Olive Dining
5	Signature Dining (Pardes House Primary)	n/a	n/a	£31,000	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
6	Signature Dining (Sacks Morasha)	n/a	n/a	£43,000	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
7	Signature Dining (Hasmonean Primary)	n/a	n/a	£9,000	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team

8	Sancroft Community Care Ltd	n/a	n/a	£101,000	Employer is a wholly owned subsidiary of Harrow Council. Pending Harrow to provide a letter of guarantee. Deadline is **1 November 2022**.	Harrow Council
9	Tenon (St Michaels School)	n/a	n/a	£8,000	Pending employer to provide a Bond or letter of guarantee. Deadline is **1 November 2022.**	Tenon
10	Signature Dining (Beit Shvidler)	n/a	n/a	£4,000	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
11	Signature Dining (Hasmonean MAT)	n/a	n/a	£52,000	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
12	Signature Dining (Etz Chaim)	n/a	n/a	£5,000	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
13	Signature Dining (Menorah Foundation)	n/a	n/a	£11,000	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
14	Signature Dining (Queens Road Kosher CPU)	n/a	n/a	£207,000	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice.	LBB Pensions Team
15	Enigma CCTV Limited	n/a	n/a	n/k	WYPF to provide data to Hymans to calculate Bond value	WYPF

16	Nourish Contract Catering Ltd (Osidge School)	n/a	n/a	n/k	WYPF to provide data to Hymans to calculate Bond value	WYPF
17	Capita Re	£2,759,000	24/11/2022	n/k	Hymans to calculate the revised	Hymans
18	Capita CSG	£3,162,000	24/11/2021	n/k	Hymans to calculate the revised	Hymans

This page is intentionally left blank

	Pension Fund Committee **10 November 2022**
Title	**Risk Management Review**
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Pensions Administration Risk Register: November 2022 Appendix B – Non-Administration Risk Register: November 2022
Officer Contact Details	Mark Fox, Pensions Manager – 0208 359 3341 David Spreckley – Head of Pensions & Treasury – 0208 359 6264

Summary

The Pensions Fund risk register details the risks associated with the management of the scheme, including current assessment and planned actions and targets.

Recommendations

The Pension Fund Committee is invited to review the completeness of the risks identified and whether additional mitigating actions should be considered. The Committee is also invited to agree to the recommendation of a more fundamental review of the non-administration risk register following the 31 March 2022 valuation (as set out in paragraph 1.5.9).

1. WHY THIS REPORT IS NEEDED

1.1 It is important that the Council maintain the Pension Fund Risk Register to help protect employers and scheme members of the LGPS.

1.2 The most recent Pensions Administration Risk Register can be found in Appendix A, with non-Administration risks at Appendix B. An update on several risks where there have been recent updates are discussed below.

1.3 Administration risks are measured against impact on scheme members, breaches of regulations and reputational risk. Although an administration failure may have minimal financial impact on the fund if it leads to a breach of regulations, incorrect payments to members or poor data that will impact on future service levels it can be rated as high.

1.4 Investment and funding risks are looked at in monetary terms e.g. changes in fund value or increases in required contribution from employers.

Administration Risks

1.5.1 **PB002** – West Yorkshire Pension Fund (WYPF) provided Hymans Robertson with data to complete the 2022 triennial valuation in July 2022. Following a review of the data, and subsequently a small number of corrections, Hymans confirmed that the data was of sufficient quality for them to start work on the valuation.

However, work continues by WYPF to correct an update other missing data, and as such, the risk score remains at 10 (as in the previous update to the Committee).

1.5.2 **PB005** – New Admitted Bodies are now asked to commence paying contributions (at a notional rate) before the Admission Agreement has been signed.

This ensures that the Fund receives money from the employer whilst the Admission Agreement is finalised. Any adjustments to the amount paid are made when the contribution rate is known.

The risk score remains at 4 (which is the same as the score when the register was previously reviewed by the Committee).

1.5.3 **PB010** – The LBB Pensions Team now have access to a Hymans modeller, which allows the Team to calculate the employer's contribution rate, thus speeding up the admission process.

The risk score remains at 10 (which is the same as the score when the register was previously reviewed by the Committee).

.

1.5.4 **PB011** – The risk score has reduced from 10 (from the last review by the Committee) to 4, as WYPF being part of a local authority, will not go out of business.

If they decide to cease providing third party admin services, this will likely be over a reasonable period. This will enable the LBB Pensions Team enough time to find an alternative provider. This can be done by using the National LGPS Framework.

1.5.5 **PB013** – The risk score has reduced from 8 (at the last review by the Committee) to 4, as Officers feel the likelihood of "negative media exposure and member experience" has reduced following the appointment of WYPF and the experiences with them over the last two years.

1.5.6 **PB015** - WYPF have provided to the LBB Pensions Team with a copy of their recent Cyber Security review which shows that WYPF have sufficient controls in place to minimise the risk of a cyber-incident occurring.

As a result, the risk score has reduced to 5 (from 10 on the last report to the Committee).

1.5.7 **PB017** – This is a new risk identified since the last Committee review of the administration risk register. This risk details how the changes in pensions legislation will have an effect on the Barnet Fund and members' benefits.

The LBB Pensions Team, along with WYPF and Hymans Robertson monitor and review updates to pensions legislation to determine the impact on members benefits.

This ensures that proactive steps are taken when legislation changes, and appropriate communications are provided to members.

The risk score is set as 8.

Non-Administration Risks

1.5.8 Risks have been updated to reflect the forthcoming investment review in 2023 and LOLA training programme.

1.5.9 Officers recommend a more fundamental review of the non-administration risk register following the 31 March 2022 valuation to reflect:

- Outcome of 31 March 2022 actuarial valuation
- Fundamental shift in economic environment (e.g. inflation / interest rates
- Outcome of RI day
- Considerations around covenant visibility and maturation of obligations for some employers

1.5.10 The review will also be an opportunity to consider how the document can be more useful to Officers and Pension Fund Committee members from an operational perspective.

2. REASONS FOR RECOMMENDATIONS

2.1.1 Management of risk is critical to avoiding unfavourable outcomes.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 The methods in which the risks are to be managed and mitigated are set out above and in the attached appendices. If the risks were not managed, this could lead to major implications to the Fund in terms of financial and reputational loss.

4. POST DECISION IMPLEMENTATION

4.1 It is intended that the Committee are satisfied that Officers are satisfactorily identifying and managing the risk associated with the Fund.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Good risk management of the Pension Fund will ensure that risk and issues affecting the Fund are controlled and mitigated will have minimal reputational and financial damage to the Council. This means that the Council can be focused on its priorities as set out in the Council's Corporate Plan for 2019-2024.

The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly

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 Fund.

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 Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee to consider approval and act in accordance with statutory Pension Fund documents.

5.4.2 Risk Management is a tool that can assist the Committee in fulfilling these responsibilities.

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. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to the public sector equality duty.

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

5.7 **Corporate Parenting**

5.7.1 Not applicable in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 Not applicable.

5.9 **Insight**

5.9.1 Not applicable

6 ENVIRONMENTAL IMPACT

6.1 None

7. BACKGROUND PAPERS

7.1 None

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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. The LBB Pensions Team 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	5	1	**5**	5	1	Tolerate	The LBB Pensions Team waiting for the last audit report on the WYPF BCP and date of next review. This is now due in the autumn of 2022.	Q3, 2022	Aug-17

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
				District Council or external auditors appointed by the Bradford Council.									

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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 monthly by WYPF monthly and is showing improvements in data presence. The LBB Pensions Team have received assurance from	5	2	10	3	2	Treat	WYPF to advise. the LBB Pensions Team when employers are not providing the relevant information, appropriate action can be taken. The LBB Pensions Team have contacted all relevant employers with unprocessed leavers, so member benefits can be calculated, and records be updated.	Ongoing Ongoing	Aug-17

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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.		Bradford City Council's Internal Audit team on controls in place on UPM for automated calculations and how WYPF processes for non-automated calculations are reviewed. Training sessions on providing leaver data took place in February 2022, with employers being reminded of their responsibilities and the option for the Administering									

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
				Authority to issue fines and report to TPR. Final cut of valuation data has been submitted by WYPF to Hymans. Work has been completed to correct most of the critical data errors identified.									

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
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 weekly and monthly 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	5	2	10	2	1	Treat	The LBB Pensions Team have reviewed the latest WYPF ISO9001 and ISO27001 reports on Quality Management and Information Security Management respectively, which details the controls in place at WYPF. This determines who can authorise and sanction large payments. Scheme Event Calendar in place and reviewed annually.	Annual Annual	Aug-17

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
				place to ensure 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.							Any errors or issues identified by WYPF are advised to Officers on the monthly report or earlier, if deemed appropriate.	Ongoing	

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
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	The LBB Pensions Team check monthly that employers pay the correct contributions rates. New Admitted Bodies are asked to commence paying contributions as soon as possible (prior to the Admission Agreement has not been signed).	Monthly	Aug-17

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
				The LBB Pensions Team will enforce the collection of contributions and other costs from employers by threatening the use of fines and reporting to TPR, if applicable. Revised procedures have been implemented to improve the collection of strain cost invoices.									

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
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. The backlog of admission agreements and bonds that increase the risk of an unrecovered shortfall are reducing. The LBB Pensions Team now have access to a Hymans modeller, enabling calculation of the employer's	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. The LBB Pensions Team work with both WYPF and Hymans Robertson to ensure that new Agreements are completed and signed in good time.	Ongoing Ongoing	Aug-17

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
				contribution rate, thus speeding up the admission process.									
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. Board Training to be a standing item at each meeting with appropriate training to be arranged over the course of 2022 and beyond.	N/A Ongoing	Aug-17

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
PB008	**Appropriate personnel in place to perform in designated roles**	WYPF 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 always executed effectively.	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

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
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

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
				interest register Any changes to be included with minutes at each meeting.									

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
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 LBB Pensions Team 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. LB Barnet Pension Team monitoring of employer covenant and business strength. The backlog of admission	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. The LBB Pensions Team are working with both WYPF and Hymans Robertson to ensure new Agreements are completed and signed promptly.	Ongoing Ongoing Ongoing	Jan-19

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
				agreements and bonds are reducing. The LBB Pensions Team now have access to a Hymans modeller, enabling calculation of the employer's contribution rate, thus speeding up the admission process.									
PB011	**Commercial viability of strategic suppliers**	If the commercial viability of a strategic supplier declines this could lead to operational	Business Continuity	Administration has few suppliers - WYPF, Civica (indirect),	4	1	4	4	1	Treat	As WYPF are part of a local authority, they will not go out of business. If they cease providing	Ongoing	Mar-19

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
		failings resulting in service disruption/reduction, failure to complete statutory duties and financial costs.		Hymans (actuarial). Contract management framework, with policy and procedures for commercial activity. Contract monitoring takes place monthly with quarterly reporting to Financial Performance and Contracts Committee. Contract register kept under review with checks on financial status of strategic							third party admin services, this will likely be over a reasonable period. This will enable The LBB Pensions Team enough time to find an alternative provider. This can be done by using the National LGPS Framework.		

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
				suppliers. Contract management arrangements in place, including indicators to identify financial stress. Business continuity plans in place.									

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
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	The LBB Pensions Team 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. The LBB Pensions Team who are responsible for sensitive personal data also receive training appropriate to their roles. The LBB Pensions Team will report any potential data breaches to the Council's Data Protection Team for review and advice.	Ongoing Ongoing Ongoing	Mar-19

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
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. Member perception of the Fund may be negatively impacted due to both member experience and negative reporting of the fund in the media.	Staffing and Culture	Staffing and Culture Communication team to liaise with S151 Officer as and when a media enquiry arises. The LBB Pensions Team 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 31 March 2022 received by the LBB Pensions Team in May 2022. The LBB Pensions Team and WYPF to discuss issues weekly.	Ongoing Every 3 months Ongoing	Mar-19

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
PB014	**Impact of COVID-19 and staffing issues 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 The LBB Pensions Team. The LBB Pensions Team will monitor service levels through regular reports and calls with WYPF.	4	2	8	2	1	Treat	The LBB Pensions Team 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. WYPF staff have started hybrid working arrangements. Recent issues with WYPF staff absences and unfilled vacancies have been discussed with senior management at	Ongoing Ongoing Ongoing	Apr-20

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
											WYPF and will continue to be reviewed until the LBB Pensions Team are satisfied that there is no detrimental effect on WYPF performance.		
PB015	**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,	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	5	1	5	2	2	Treat	WYPF have provided to the LBB Pensions Team a copy of their Cyber Security review to show that WYPF have sufficient controls in place to minimise the risk of a cyber-incident occurring. The Pensions Team are reviewing this document.	Q4, 2022	Jun-20

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
		disruption or damage to the fund or its members as a result of the failure of its information technology systems and processes. It includes risks to information (data security) as well as assets, and both internal risks (eg from staff) and external risks (eg hacking).		its pension administration software system.							The LBB Pensions Team to check whether the WYPF policy is updated in line with the TPR cyber security principles.		

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
PB016	**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 the LBB Pensions Team the results of the pensioner existence exercise and where members have not responded, their pension will be suspended until the pensioner returns their certificate. Exercise commenced in October 2021. Exercise will commence for overseas pensions in autumn 2023. The LBB Pensions Team to review transfer documentation sent with transfer	Ongoing Ongoing Ongoing	Aug-20

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
				ensure proper checks on the receiving arrangement before making payment. Regulations were laid before Parliament on 8 November 2021 that intend to protect departing members from pension scams and will require trustees and other pension providers to urgently review their transfer processes and policies.							quotations to members and review the processes to ensure that appropriate checks are being taken to prevent transfer value payments being made to “pension scam” arrangements. The LBB Pensions Team to ensure that WYPF processes consider these new regulations and have requested details of all transfer payments made every six months.	 Q2, 2022	

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
											WYPF have confirmed that they will be signing up to TPR Pensions Pledge, which is a new initiative to: • raise awareness of the risks of scams • educating administrators and Boards on the best practice for due diligence around transfers • doing all they can to protect their members.	Ongoing	

Last Updated:18/10/2022

London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November 2022

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	
PB017	**Effect of new pensions legislation and LGPS regulations (including the proposed increase in State Pension Age) on the provision of pension benefits to members of the Fund.**	New pensions legislation or updates to the LGPS regulations can influence members pension benefits within the Fund. An example would be the proposed increase in State Pension Age (SPA)currently proposed to increase from age 67 to 68 between 2044 and 2046. As the LGPS normal retirement age is linked to SPA, this will have an effect for members born on or after 1978.	Statutory Duty	The LBB Pensions Team to monitor and review updates to pensions legislation to determine the impact on members benefits. This will be in conjunction with WYPF, Hymans Robertson and other bodies to enable relevant communication to be sent to appropriate parties.	4	2	8	2	3	Treat	The LBB Pensions Team to ensure that legislative changes are reviewed as soon as possible, so that any impact on members and employers are communicated clearly and promptly.	Ongoing	

Last Updated:18/10/2022

This page is intentionally left blank

Non- Administration F Non- Administration Risk Register - November 2022 - Investment

Risk ID	Short-risk Tile	Long Description	Nature of Risk	Controls and Mitigation in Place	Residual Risk			Target Risk			Further Actions		Date Risk Identified
					Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Actions	Delivery Date	
Inv001	Investment Strategy	Long-term investment strategy for the Pension Fund has low chance of delivering return required to meet fully funded objectives	Strategy	The investment strategy was reviewed in 2018 and changes made increased the probability of achieving full funding in 20 years from 66% to 70%. The changes are substantially implemented. The funding level at the 2019 triennial valuation improved from 73% to 86%.	Major 5	Possible 3	High 15	Major 4	Possible 3	Medium High 12	Some modifications of the investment strategy have been made to help reduce risk. An investment review will be conducted in early 2023 once actuarial valuation has been completed.	31-Mar-23	Initial risk
Inv002	Investment manager returns	Investment managers under perform relative to the benchmark over the medium term.	Implementation & Monitoring	Quarterly investment monitoring in place to analyse market performance against the performance of the investment manager. The most volatile asset place (equities) is mostly managed on an index tracking basis to eliminate relative performance risk. The active portfolio is highly diversified to reduce the impact of single manager performance. The planned elimination of DFG's will significantly reduce the impact of single manager underperformance	Medium 3	Possible 3	Medium 9	Major 3	Possible 3	Medium 9	As assets are pooled with the London CIV there will be enhanced strutiny of manager capabilities	31-Dec-25	Initial risk
Inv003	ESG	The management of ESG risk is not adequate impacting on both investment returns and reputational risk.	Implementation & Monitoring	The investment portfolio is highly diversified and the active managers are expected to take into consideration all risks when selecting investments. The Pension Fund Committee is currently reviewing its approach to ESG issues and is switching equities into portfolios with a greater ESG orientation.	Major 4	Unlikely / Possible 2	Medium 8	Low / medium 2	Unlikely / Possible 2	Low 4	To meet regulations the Fund is required to establish climate related metrics and targets	31-Mar-23	Jan-20
Inv004	Rebalancing	Rebalancing of portfolios to approved asset allocations delayed due to market volatility	Implementation & Monitoring	Scheduled timetable for sale and transfer of assets to ensure transition completed in agreed timeframe	Medium 3	Possible 3	Medium 9	Medium 3	Possible 3	Medium 9	Full reporting of transition costs following significant asset transfers	ongoing	Initial risk

Risk ID	Short-risk Tile	Long Description	Nature of Risk	Controls and Mitigation in Place	Residual Risk			Target Risk			Further Actions		Date Risk Identified
					Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Actions	Delivery Date	
Fun001	Achievement of Investment Return Assumption	Fund assets fail to deliver returns in line with actuarial assumptions	Strategic	Annual actuarial review and triennial valuation on all employers anticipate long term returns on prudent basis. However, markets are volatile and three year returns are unpredictable. Changes to investment strategy since 2018 have increased the probability of achieving full funding while protecting downside risk.	Major 4	Possible 3	Medium High 12	Major 4	Possible 3	Medium High 12	Investment strategy will be reviewed in 2023 and there may be opportunities to improve the likelihood of achieving full funding	31-Mar-23	Initial risk
Fun002	Contribution rate increases	Effect of possible increase in employer's contribution rate on service delivery and affordability for scheme employers	Cashflow	Manage impact by deficit spreading and phasing in of contributions rises. Council already has +/ -1% annual change band and pooling for academies provides some stability. Rates on average held steady at 2019 valuation with increases in primary rate offset by lower secondary contributions. Upward drift of primary rates is partly due to Government action that has increased the benefit liability.	Major 4	Possible 3	Medium High 12	Medium 3	Possible 3	Medium 9	Refresh following 31 March 2022 valuation	31-Mar-23	Initial risk
Fun003	Funding level	Significant reduction in funding level following triennial actuarial valuation	Strategic	The funding level increased at the 2019 valuation from 73% to 86%. Post March 2019 returns have achieved the actuary's target. A review will be undertaken at 31 March 2021 to check progress of funding level. The investment strategy will be reviewed in 2021 to ensure that the risk level is appropriate.	Major 4	Possible 3	Medium High 12	Medium 4	Unlikely / Possible 2	Medium 8	Opportunities to increase the prudence level will be considered at the March 2022 triennial valuation	31-Mar-23	Initial risk
Fun004	Employers' covenant	Strength of covenant of employers /risk of financial loss to Pension Fund	Implementation & cashflow	Ensure Bond arrangements maintained and renewed. Pension Fund Committee monitors Admission agreements bond renewals. The Council is considered a low risk and academies have a limited Government guarantee. Other employers are monitored.	Medium 3	Unlikely 2	Low Medium 6	Medium 3	Unlikely / possible 2	Low Medium 6	Review process for monitoring non-tax raising employers following valuation	ongoing	initial risk

Non- Administration Risk Register - November 2022 - Governance

Risk ID	Short-risk Tile	Long Description	Nature of Risk	Controls and Mitigation in Place	Residual Risk			Target Risk			Further Actions		Date Risk Identified
					Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Actions	Delivery Date	
Gov001	Knowledge and Understanding	Those involved in governance of the Pension Fund have insufficient knowledge and support to undertake their functions.	Training	This risk covers Pension Fund Committee, Local Pension Board, officers and advisors. Training plans are developed for the Committee and Board and members are encouraged to identify training needs. Complex agenda items are introduced via training sessions. The officer resources have recently been increased. The performance of advisors is regularly reviewed and feedback provided.	Major 4	Low 1	Low 4	Major 4	Low 1	Low 4	Regular Training. Local Pension Board members complete TPR Public Sector Trustee Toolkit LOLA training platfrom available to all PFC and LPB members	Ongoing	Jan-17

This page is intentionally left blank

	Pension Fund Committee **10 November 2022**
Title	**Pension Fund Costs and Expenses- 6 Months to 30th September 2022**
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	n/a
Status	Public with exempt appendices.
Urgent	No
Key	No
Enclosures	Appendix 1 - Pension scheme costs for 6 months to 30th September 2022 (exempt) **Exempt enclosures - Not for publication by virtue of paragraphs 3 of Schedule 12A of the Local Government Act 1972 as amended. Information relating to the financial or business affairs of any particular person (including the authority holding that information).**
Officer Contact Details	Adam McPhail, Finance Manager adam.mcphail@barnet.gov.uk - 0208 359 7639

Summary

This report summarises the Pension Fund costs incurred for the 6 months from 1st April 2022 to 30th September 2022, with a comparison to the previous year.

Officer Recommendations

(1) That the Committee note the scheme costs incurred for the 6 months to 30th September 2022.

1. WHY THIS REPORT IS NEEDED

1.1 Pension fund investment management fees and administration and governance costs are significant, £13.943 million in total for 2021/22, this report allows committee to assure themselves of its reasonableness. The majority of the in-year costs related to investment management fees. These costs are not included in this report, as they are very difficult to determine and we rely on end of year reports from fund managers in order to disclose them in our year-end accounts. As a result, only costs invoiced directly to the fund are considered in this report.

1.2 Attached to the paper is an appendix detailing the costs directly invoiced to the fund, in the 6 months to 30 September 2022 with a comparison to the directly charged costs in the previous year.

1.3 Costs which are invoiced, are reviewed by the Pension team and if necessary, discussed with the Executive Director of Strategy and Resources.

1.4 It is estimated that there will be a decrease in costs directly charged to the fund by £157k. This is mainly due to:

An estimated £272k reduction in fund manager fees charged directly to the pension fund. This is due to a reduction in investments with fund managers who directly charge fees (mainly Schroders DGF), and an increase in investments with fund managers who charge fees to investments. As a result, it is expected that fees charged to investments will increase at the year end.

An estimated £58k reduction in Pensions Saving Statements (PSS) costs. This issue has now been resolved, with the last few recharges being received from LB Barnet early this financial year.

However, it is expected that LCIV fees will increase by £89k due to greater investment in LCIV funds, with a further £44k increase in Actuarial fees when compared to 2021/22 due to the triennial valuation occurring this year.

1.5 Internal Audit have recommended that the reporting of costs include reporting of contributions and benefits. The table below summarises contribution income and benefit expenditure in the 6 months to 30th September 2022, compared to the 2021/22 figures, and the 2022/23 budget reported to the committee in the July meeting.

	6 months to 30th Sep 2022 £000	2021/22 £000	2022/23 Budget £000
Employees' Contributions	**6,064**	**13,073**	**13,600**
Employers' Contributions			
Normal Contributions	22,632	40,759	42,500
Deficit Recovery Contributions	1,524	4,023	4,100
Augmentaion Contributions	2,760	4,135	4,200
Total Employers' Contributions	**26,916**	**48,917**	**50,800**
Total Contributions Recievable	**32,980**	**61,990**	**64,400**

Pensions	26,624	49,480	53,500
Commutation and Lump Sum			
Retirement Benefits	5,838	8,469	11,000
Lump Sum Benefits	666	984	1,800
Total Benefits Payable	**33,128**	**58,933**	**66,300**

Net Contributions Received	**(149)**	**3,057**	**(1,900)**

Benefits paid exceeded contribution income by £0.149 million in the 6 months to 30th September 2022. It is expected that benefit payments will continue to be greater than contribution income in 2022/23, reflecting the final year's pre-payment of deficit contributions (£8 million relates to 2022-23) in 2020-21 and an increase in retirements in the wake of the COVID-19 pandemic. The estimates for 2022/23 are made on the basis of prudency, as the increase between 2021/22 and 2020/21 reported to the committee in the July meeting are used for the benefit increase on all types of benefit. Whereas the estimates for contribution income are made purely on the current income increasing by the 4% for inflation.

2. REASONS FOR RECOMMENDATIONS

2.1 The report is for noting.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None

4. POST DECISION IMPLEMENTATION

4.1 N/A.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly.

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

5.2.1 The Pension Fund costs are ultimately reflected in the employers' contribution rates and good management of costs will help to control contribution rates.

5.3 Social Value

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

5.4 Legal and Constitutional References

5.4.1 Constitution – Under article 7 one of the responsibilities of the Pension Fund Committee is 'To meet review and consider approval of the Pension Fund Statement of Accounts, income and expenditure and balance sheet or record of payments and receipts'. A review of expenses falls within that remit.

5.4.2 There are no relevant legal references.

5.5 Risk Management

5.5.1 Monitoring of expenditure is a key element of protecting the assets 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 and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

5.7 **Consultation and Engagement**

5.7.1 Not applicable

5.8 **Insight**

5.8.1 Not applicable

6. ENVIRONMENTAL IMPACT

6.1 None

7. BACKGROUND PAPERS

7.1 None

This page is intentionally left blank

London Borough of Barnet

Pension Fund Committee Work Programme

January 2023 – October 2023

AGENDA ITEM 13

Title of Report	Overview of decision	Report Of *(officer)*	Issue Type (Non- key/Key/Urgent)
31 January 2023			
Triennial Valuation	To consider responses to Funding Strategy Statement consultation and instruct Scheme Actuary to prepare final results	Chief Financial Officer	Non-Key
Quarterly investment report to 31 December 2022	Review the investment activity and the performance of the fund and its investment managers.	Chief Financial Officer	Non-Key
Investment strategy & manager appointments	To determine if a strategy review is required following completion of the 2022 triennial valuation.	Chief Financial Officer	Non-Key
LCIV presentation	To provide an update on LCIV developments	Chief Financial Officer	Non-Key
Responsible Investment	To review updates to Responsible Investment policy following Responsible Investment day and consider DHULC consultation on TCFD reporting	Chief Financial Officer	Non-key
Policies and Procedures	To update the Committee on status of the Fund's policies and procedures and planned update	Chief Financial Officer	Non-key
Knowledge and Understanding	To review Committee training completed and possible further training requirements	Chief Financial Officer	Non-key
Annual Accounts	To update the Committee on the status of the 2021/22 and 2022/23 report and accounts.	Chief Financial Officer	Non-key

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent
Admission Agreement and Bonds	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-key
Administration report	To update the Committee on the performance of the Pension Administrator.	Chief Financial Officer	Non-key

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent
22 March 2023			
Triennial Valuation Update	Finalise any outstanding matters in relation to the triennial valuation	Chief Financial Officer	Non-key
Quarterly investment report to 31 December 2021	Review the investment activity and the performance of the fund and its investment managers.	Chief Financial Officer	Non-Key
Investment strategy & manager appointments	To receive Hymans' recommendations and approve the updated investment strategy statement.	Chief Financial Officer	Non-Key
Responsible Investing Update	To review updates to Responsible Investment policy following Responsible Investment day and consider DHULC consultation on TCFD reporting	Chief Financial Officer	Non-Key
Administration report	To update the Committee on the performance and plans for the administration service.	Chief Financial Officer	Non-key
Annual report of the Local Pension Board	Consider any recommendations from the Local Pension Board, comment on their workplan and approve their budget.	Chief Financial Officer	Non-key
Annual Accounts	To consider work programme for 2023 / 24 Report and Accounts.	Chief Financial Officer	Non-key
Admission Agreement and Bonds	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-key
Knowledge and Understanding	To review Committee training completed and possible further training requirements	Chief Financial Officer	Non-key

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent
July 2023 - TBC			
Quarterly investment report to 30 June 2023	Review investment activity and the performance of the fund and investment managers.	Chief Financial Officers	Non-key
Review of Pension Fund Risk Register	To review the management of pension fund risks.	Chief Financial Officer	Non-key
Pooling update	To note developments in pooling and to review Barnet's pooling plan.	Chief Financial Officer	Non-key
Investment Strategy & manager appointments	To review progress on investment strategy decisions.	Chief Financial Officer	Non-key
Administration Report	To update the Committee on the performance of the administration service.	Chief Financial Officer	Non-key
Admission Agreement and Bonds	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-key
Annual accounts for the year to 31st March 2023	To approve the Pension Fund Annual Accounts	Chief Financial Officer	Non-key
Annual review of performance of advisors	Provide feedback to advisors on their performance.	Chief Financial Officer	Non-key
Knowledge and Understanding	To review Committee training completed and possible further training requirements	Chief Financial Officer	Non-key
Responsible Investment	To review the Fund's progress against its Responsible Investment objectives	Chief Financial Officer	Non-key

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent
October 2023 – TBC			
Quarterly investment report to 30 September 2023	Review investment activity and the performance of the fund and investment managers	Chief Financial Officers	Non-key
Review of Scheme Expenses	To review the scheme costs incurred in the six months to 30 September 2023	Chief Financial Officer	Non-key
Pooling update	To note developments in pooling and to review Barnet's pooling plan	Chief Financial Officer	Non-key
Investment Strategy & manager appointments	To review progress on investment strategy decisions	Chief Financial Officer	Non-key
Admission Agreement and Bonds	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-key
Administration Report	To update the Committee on the performance of the administration service, including issuance of ABS.	Chief Financial Officer	Non-key
Annual review of performance of advisors	Provide feedback to advisors on their performance.	Chief Financial Officer	Non-key
Knowledge and Understanding	To review Committee training completed and possible further training requirements	Chief Financial Officer	Non-key
Responsible Investment	To review the Fund's progress against its Responsible Investment objectives	Chief Financial Officer	Non-key

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

AGENDA ITEM 15

Document is Restricted

This page is intentionally left blank

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

AGENDA ITEM 16

Document is Restricted

This page is intentionally left blank

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

AGENDA ITEM 17

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank