

MEETING

PENSION FUND COMMITTEE

DATE AND TIME

TUESDAY 31ST JANUARY, 2023

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 26 January 2023 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 – paul.frost@barnet.gov.uk – 0208 359 2205

Media Relations Contact: Tristan Garrick 020 8359 2454

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ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
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4.	Public Question and Comments (if any)	
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21.	Any item(s) that the Chairman decides is urgent	

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Decisions of the Pension Fund Committee

10 November 2022

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

AGENDA ITEM 1

Zahra Beg
Linda Lusingu
Simon Radford

Danny Rich
Mark Shooter
Elliot Simberg

Michael Mire

1. **MINUTES (Agenda Item 1):**

RESOLVED that the minutes of the meeting held on 11 July 2022 be agreed as a correct record.

2. **ABSENCE OF MEMBERS (Agenda Item 2):**

The Pension Fund Committee noted the apologies for absence from James Kennedy.

An apology for lateness was received from Councillor Simberg who arrived at 18:30.

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 and determination of the item.

Councillor Michael Mire made a declaration, he noted that his wife worked at a school that was noted within item 9. Councillor Mire 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. **TRIENNIAL VALUATION - WHOLE OF FUND RESULTS (Agenda Item 7):**

The Head of Pensions and Treasury introduced the report covering the valuation results for the Whole of Fund and the consultation on changes to the Funding Strategy Statement which had been launched on 1 November 2022.

The Chair welcomed Steven Scott from Hymans Robertson who joined the meeting virtually.

The Committee asked the Actuary about the impact of Covid on the mortality assumptions and whether the proposal to strengthen the mortality assumption was being overly prudent in context. The Actuary explained that it was too early to determine the long-term impact of Covid on mortality rates and that the proposed change reflected a reassessment of long-term improvement rates based on data from their Club Vita model.

The Committee noted that the overall improvement in funding was encouraging, but also noted that there were headwinds to consider as we moved forward.

The Committee also noted the impact of data on results. Officers explained that they were going through a process of analysing the reasons for the significant data item. The Actuary stated that he was comfortable presenting the results on the data used based on the high level validation checks that Hymans had undertaken as part of their valuation process.

The Head of Pensions and Treasury explained that Officers had now initiated consultation with employers and that for the 2022 valuation this process would last 2-months running until 31 December 2022. Officers would then bring conclusions of the consultation process to the Committee meeting in January.

The Committee did not provide any additional comments on the proposed Funding Strategy Statement.

Having considered the report the Pension Fund Committee:

Resolved:

That the Pension Fund Committee:

- (1) Noted the whole of fund provisional Actuarial Results
- (2) Noted differences in covenant and actions taken by Officers to manage this;
- (3) Noted the consultation with employer groups.

8. VALUATION, TRANSACTIONS AND PERFORMANCE (Agenda Item 8):

The Head of Pensions and Treasury introduced the report.

Hymans Robertson representatives were in attendance to make comments and answer questions for Members.

The Committee received 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.

Councillor Mark Shooter stated a belief that a reason why the Fund had drifted away from its long-term strategic target was due to a lack of delegation to Officers to implement rebalancing between investment funds.

The Head of Pensions and Treasury highlighted that the lack of any formal process around delegation outside of the Committee cycle was a potential risk for the Fund.

Specifically, the Liability Driven Investment issues that had arisen in the Private Sector pension system required scheme managers to take very quick action. If the situation had impacted the LGPS system, then it was unclear how the Officers would have been able to act.

It was proposed in the meeting by Councillor Mark Shooter that a form of delegation be provided where action could be taken in-between Committee cycles subject to agreement of the Chair and Leader of the Opposition and where suitable advice was provided.

Some Committee members felt that any delegation should have clearly defined parameters and be codified rather than left to an ad-hoc process.

Councillor Anne Hutton did not agree to the proposal to introduce a soft form of delegation and asked Officers to bring a paper to the next Pension Fund Committee meeting setting out options for introducing delegation into the overall decision-making framework.

The Section 151 Officer reminded the Committee that it was possible to make decisions outside of the Committee cycle via the Urgency Committee but it was noted that the parties on that Committee were not Pension Fund Committee Members.

The Head of Pensions and Treasury highlighted that for a period of time the Fund was likely to have been fully funded on an Index Linked Gilts risk-free basis but that, despite efforts to do so by Officers, the Fund was not nimble enough to take advantage of the opportunity. The opportunity had now largely dissipated.

The Head of Pensions and Treasury also highlighted that the Fund had significant cash balances, but that there was no discretion for Officers to invest this cash in a way that could take advantage of less liquidity to bolster yield. The Head of Pensions and Treasury relayed that this meant that significant levels of cash (£100m plus) would be held in highly liquid funds yielding below 3% p.a. when he had been made aware by LGIM of less liquid cash like funds which may yield around 5% p.a.

Having considered the report the Pension Fund Committee:

Resolved:

- That the Pension Fund Committee noted the investment activities and performance of the Pension Fund for the quarter to 30 September 2022.
- The Exempt information be noted.

9. ADMINISTRATION AND DATA UPDATE REPORT (Agenda Item 9):

The Pension Manager introduced the report. The Committee received 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.

Having considered the report the Pension Fund Committee:

Resolved:

The Pension Fund Committee noted the current performance levels and updates on the data improvement plan and historical leaver exercise

10. ADMITTED BODY AND BOND STATUS UPDATE (Agenda Item 10):

The Pension Manager introduced the report. Members received update on the outstanding admitted body and bond agreements, as well as bond renewals and cessation calculations, that need arranging.

Having considered the report the Pension Fund Committee:

Resolved:

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

11. PENSIONS SCHEME RISK REGISTER (Agenda Item 11):

The Pension Manager introduced the report.

Having considered the report the Pension Fund Committee:

Resolved:

The Pension Fund Committee noted the report.

The Committee is also invited to agreed 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).

12. PENSION SCHEME EXPENSES (Agenda Item 12):

The Committee received the report.

The committee had the opportunity to consider the report.

Resolved:

- That the Committee noted the scheme costs incurred for the 6 months to 30th September 2022.
- That the exempt information be noted

13. PENSIONS FUND COMMITTEE WORK PROGRAMME (Agenda Item 13):

The Pension Fund Committee agreed to add the following items to the work programme.

- Feedback on training
- Status on the Audit 2021
- Policy report how the Committee can take investment decisions

Resolved:

- That the work programme be noted.

14. MOTION TO EXCLUDE PRESS AND PUBLIC (Agenda Item 14):

RESOLVED that the parties be excluded from the meeting, together with the press and public.

15. TRIENNIAL VALUATION - MIDDLESEX (Agenda Item 17):

Before the consideration of the item the Committee adjourned for a 10 minute break.

The Pension Fund Committee received the report. The Head of Pensions and Treasury introduced the report. The Committee received information relating to appendix A of the report.

The Committee agreed that the suggested approach for Funding Middlesex University obligations was appropriate and thanked Officers for bringing the issues underpinning the approach to their attention.

Resolved:

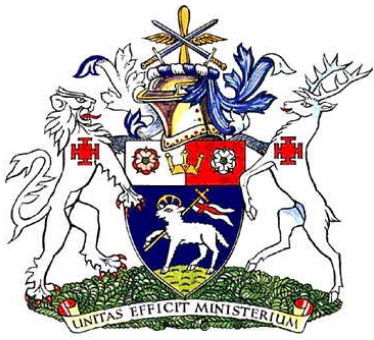
- That the Exempt information be noted.
- The Committee consider the position as documented in appendix A of the report and the options relating to this matter. Members thanks Officers for the update and the assessment.

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

None.

The meeting finished at 20:40

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Pension Fund Committee 31 January 2023

AGENDA ITEM 8

Title	Officer Delegation Proposal
Report of	Executive Director of Strategy and Resources (S151 Officer)
Wards	N/A
Status	Public
Urgent	No
Key	Non-key
Enclosures	None
Officer Contact Details	Adam McPhail, Finance Manager- Pensions adam.mcphail@barnet.gov.uk – 0208 359 7639

Summary

This paper makes a recommendation to improve overall Governance of the Fund's investment management processes by codifying delegation protocols in certain defined situations.

Officers Recommendations

The Pension Fund Committee is asked to amend the Investment Strategy Statement to introduce:

- 1. Delegation protocols for the Executive Director of Strategy and Resources to re-balance the Pension Fund assets according to the strategic allocation set by the Pension Fund Committee; and**
- 2. Delegation protocols for the Executive Director of Strategy and Resources to be able to take action in an urgent situation**

The delegation protocols are summarised under 2.3.1

1. Why this report is needed

- 1.1 The Pension Fund Committee is responsible for the management of Pension Fund assets, of which this paper discusses. This paper recommends that the Pension Fund Committee introduces protocols to improve overall governance of management of Pension Fund assets.

2. Reasons for recommendations

2.1 Context

- 2.1.1 At present, all decisions regarding commitments, and disposals, to investments are made by the Pension Fund Committee. The role of Officers is to make recommendations to the Pension Fund Committee and implement decisions, but Officers do not have authority to make investment decisions unilaterally or outside of the Committee meeting cycle.
- 2.1.2 Investment markets can change very quickly. For example, over the past 18 months there has been significant market volatility, with some pension funds in the private sector being faced with significant pressures that required quick decision making to manage (through their use of Liability Driven Investment “LDI” products)

2.2 Areas for Officer Delegation considered

- 2.2.1 At the 10th November 2022 Pension Fund Committee meeting Officers were asked to consider what delegation should be implemented and take proposals to the January 2023 Pension Fund Committee meeting
- 2.2.2 After consulting with advisors and considering what delegation could be implemented to improve governance, Officers have identified two areas where protocols for delegations should be established:

2.2.2.1 Re-Balancing:

The Pension Fund Committee sets out its strategic allocation of the Pension Fund assets to different asset classes within its Investment Strategy Statement. Currently, there is no mechanism to re-balance assets when the allocation drifts away from the strategic allocation outside of making formal proposals at Pension Fund Committee meetings. Introducing protocols to manage this would allow Officers to more easily maintain the strategic allocation determined by Pension Fund Committee

2.2.2.2 Urgent Situation:

There are mechanisms to make urgent decisions outside of the Committee cycle, but these are not well defined and do not necessarily include Pension Fund Committee members. Officers are concerned that in a distressed situation precious time might be wasted establishing the mechanism to make a decision rather than dealing with the matter at hand. Officers therefore feel having a well-defined protocol for an urgent situation is a matter of good governance

- 2.2.3 We summarise two examples where delegation may have been need in Section 2.3.

2.3 Proposals for Delegation, and Reasoning

2.3.1 Below are the Proposals for protocols that we would introduce into the Investment Strategy Statement to allow delegation for Officers to manage the two areas described above. Officers are asking Pension Fund Committee members to agree to the proposals and, pending this agreement, Officers will update the Investment Strategy Statement to reflect what has been agreed.

Delegation Type	Proposal	Rationale
Re-Balancing	<p>Officers propose that the Executive Director of Strategy and Resources will, in conjunction with our investment advisors, review the value of Pension Fund assets Quarterly and will have discretionary delegation to rebalance assets towards the Fund’s strategic allocation if the Executive Director of Strategy and Resources believes it appropriate.</p> <p>Officers do not wish to codify rules around how they would implement this as there are many reasons why assets may drift from their target allocation. However, in making decisions, Officers will consider a broad range of factors such as overall market sentiment, size of drift, likely future changes to investment strategy and any other factors brought to their attention by their advisors.</p> <p>Before Officers take steps to re-balance the portfolio towards the strategic allocation, Officers will consult with the Chair of the Pension Fund Committee. The Executive Director of Strategy and Resources will deliver a report at the next Pension Fund Committee meeting detailing what rebalancing had been conducted.</p>	This will allow Officers to maintain the strategic allocation determined by Pension Fund Committee

Delegation Type	Proposal	Rationale
Urgent Situation	<p>Officers propose that upon an identification of a potential urgent situation (i.e. a situation that requires urgent action to protect the resources of the Pension Fund), a briefing paper, prepared by the Executive Director of Strategy and Resources (S151 Officer), will be presented to the Chair of the Pension Fund committee at the earliest opportunity.</p> <p>This paper will outline the issues, the potential risks to the Pension Fund, and proposed solutions.</p> <p>The Chair, and the S151 officer, will then consult with advisors, Officers, and other Pension Fund Committee members. Following this consultation, the S151 Officer can then implement a solution they believe is best for the Pension Fund.</p> <p>The S151 Officer will then, within 30 days, circulate a report to Pension Fund Committee members detailing the situation and steps taken to protect the Pension Fund. The report will be shared for noting at the next Pension Fund Committee meeting.</p>	<p>This protocol will protect the Pension Fund by allowing Officers to be more responsive to urgent situations.</p> <p>As noted, this allows Officers and advisors to focus more clearly on the appropriate solutions to the situation, rather than what else they need to do in order to get authorisation to implement the solution.</p>

2.4 Case Studies where delegation may have been needed

2.4.1 We summarise two case studies below, both recent and one very specific to the Pension Fund, to illustrate situations where delegation may have been needed.

What	Issue	Outcome
Alcentra Multi-Asset Credit	<p>In September 2021 Alcentra announced numerous team changes, including resignation of their new Chief Investment Officer. This resulted in our investment advisors (Hymans Robertson) reviewing the fund and downgrading their rating down to “Negative”, meaning they were providing their clients with a recommendation to sell this investment.</p> <p>This would have resulted in a high number of investors submitting disposal requests, and thus would have likely resulted in a drop in asset value, and liquidity issues for Alcentra MAC as they looked to sell underlying holdings in order to meet these withdrawal requests.</p>	<p>Luckily for the Pension Fund a Pension Fund Committee Meeting was held two weeks after this issue was identified by Hymans, meaning that a paper asking for approval in the disposal of Alcentra MAC was brought to that committee meeting, and officers could enact a disposal of Alcentra MAC in a timely way.</p> <p>However, if this issue arose where there was not a Committee meeting for a few months, then the Pension Fund could have been subject to the risks associated with lagging behind the other investors submitting those disposal requests.</p>
Pension Funds with LDI issues	<p>In September 2022, following the “mini-budget” announced by Government, pension funds with significant LDI holdings faced severe liquidity issues due to a steep rise in interest rates and the resulting margin requirements.</p>	<p>The Pension Fund did not hold any of these types of investment, and therefore was not subject to the risks associated with holding them at this time.</p> <p>However, if the fund did hold these types of investment, then officers would not have the delegated authority to dispose of these assets or take mitigating action to limit the potential loss to the pension fund.</p>

3. Alternative options considered and not recommended

3.1 There are other areas where delegation might be appropriate (e.g. to take advantage of a short window of opportunity within a particular investment market), but Officers do not wish to develop protocols around these areas at this time.

4. Post decision implementation

- 4.1 Officers will update the Investment Strategy Statement to reflect the agreed changes to protocols.

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 & 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.
- 5.2.2 This proposal allows the Pension Fund to manage/mitigate against loss more effectively.

5.3 Legal and Constitutional References

- 5.3.1 Constitution- Under article 7 one of the responsibilities of the Pension Fund Committee is 'To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice.' This includes ensuring risk on pension fund assets are managed effectively.

5.4 Insight

- 5.4.1 N/A

5.5 Social Value

- 5.5.1 N/A

5.6 Risk Management

- 5.6.1 This proposal allows the Pension Fund to manage its risk of loss in times of financial turmoil.

5.7 Equalities and Diversity

- 5.7.1 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.

5.7.2 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.

5.8 Corporate Parenting

5.8.1 N/A

5.9 Consultation and Engagement

5.9.1 N/A

6. Environmental Impact

6.1.1 This proposal allows the Pension Fund to be more aligned to its strategic allocation, which is determined by the Pension Fund Committee. This strategic allocation has allocations to ESG and Responsible Investment funds.

7. Background papers

7.1 None

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Pension Fund Committee

31 January 2023



Title	Admitted Body and Bond Status Update
Report of	Executive Director of Strategy & Resources (S151 officer)
Wards	N/A
Status	Public, with exempt appendix.
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/renewals, as well as cessations from the Fund.

The LBB Pensions Team 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/renewals and cessation valuations.

That the Pension Fund Committee approve the admission into the Fund of Capita Shared Services Limited and Chequers Cleaning) as detailed in paragraph 1.3.

That the Pension Fund Committee approve the decision by the LBB Pensions Team in relation to the exit credit payment for Caterlink (Queen Elizabeth Girls School). Services Limited and Chequers Cleaning) as detailed in paragraph 1.12.

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 are two new admitted bodies to the Fund and the Committee are asked to approve the admission of the Capita Shared Services and Chequers Cleaning into the Fund.
- 1.4 As a result of Capita Re employees returning the Council on 1 April 2023, the LBB Pensions Team are exploring with the actuary whether there are any pensions considerations due to this insourcing.

Admission Agreements

- 1.5 An update on the progress on the completion of Admission Agreements is attached in Appendix A.
- 1.6 The LBB Pensions Team sets 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.

Following legal advice, the LBB Pensions Team will be sending a letter to both Signature Education and all the schools advising that our opinion is that, following legal advice, their employees should be entitled to LGPS benefits and that they have not been provided with the benefits that they are entitled to. This is deemed to be a matter between Signature Education and the schools, which the LBB Pensions Team will help to resolve.

A copy of this correspondence has also been sent to The Pensions Regulator.

- 1.8 Capita Shared Services Limited is a new entity set up by Capita following an internal reorganisation within Capita. This will affect c20 members who are

currently employed by Capita CSG. The new entity has applied to become an admitted body on 1 November 2022.

Chequers Cleaning have applied to become an admitted body on 1 December 2022 following the cessation of Optivo as an admitted body on 30 November 2022. The new employer has one member.

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 the value of the assets and liabilities in relation to the employer to determine if there is a surplus (or exit credit) 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 exit credit payments for both Fremantle and Hartwig as previously agreed by the Committee have been paid following acceptance from both former employers.
- 1.12 For Absolute Catering (St James' Catholic School), the LBB Pensions Team are working the former employer and school to ensure that the deficit payment is made as soon as possible.
- 1.13 The LBB Pensions Team have recommended that for Caterlink (Queen Elizabeth Girls School), none of the surplus payment be returned to the former employer. This is because it has been found that there were significant issues with the data provided for the calculation of the opening position in 2016 and the 2019 valuation position. This has been accepted by the Caterlink.

The LBB Pensions Team request that the Committee approve this recommendation.

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

Grasvenor School on 31 August 2022
Optivo on 30 November 2022

Grasvenor School was an academy school that has now closed.

- 1.15 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

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

1.17 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.

1.18 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.

1.19 Revised bonds have now been received for both Capita Re and Capita CSG

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**

6.1 None

**Update on Admission Agreements
– January 2023**

	Employer	Contract Start Date	Update	Action Required by?
1	Innovate (St James Catholic School)	01/08/2019	Admission Agreement has been signed by employer. Waiting for school to sign and return. Deadline is 20 January 2023 .	St James' Catholic School
2	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 20 January 2023 . Contributions have been paid up to date.	St Joseph's School
3	Sancroft Community Care Ltd	01/06/2019	Admission Agreement sent to employer for signing. Employer has refused to sign. Call arranged with employer in week commencing 16 January 2023 to discuss. Contributions have been paid up to date.	Sancroft Community Care Ltd
4	Innovate (Blessed Dominic)	01/09/2019	Admission Agreement with HB Law to be signed and sealed. LBB Pensions Team to chase HB Law on 20 January 2023 .	HB Law
5	Signature Dining (Pardes House Primary)	01/04/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice. An update will be provided to the Committee at the meeting.	LBB Pensions Team
6	Signature Dining (Sacks Morasha)	01/04/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice. An update will be provided to the Committee at the meeting.	LBB Pensions Team
7	Signature Dining (Hasmonean Primary)	01/04/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice. An update will be provided to the Committee at the meeting.	LBB Pensions Team
8	Tenon (St Michaels School)	01/04/2021	Admission Agreement sent to employer for signing. Deadline is 20 January 2023 .	Tenon
9	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

10	Signature Dining (Beit Shvidler)	01/09/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice. An update will be provided to the Committee at the meeting.	LBB Pensions Team
11	Signature Dining (Hasmonean MAT)	01/09/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice. An update will be provided to the Committee at the meeting.	LBB Pensions Team
12	Signature Dining (Etz Chaim)	01/09/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice. An update will be provided to the Committee at the meeting.	LBB Pensions Team
13	Signature Dining (Menorah Foundation)	01/09/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice. An update will be provided to the Committee at the meeting.	LBB Pensions Team
14	Signature Dining (Queens Road Kosher CPU)	01/09/2021	Employer does not think their employees should join LGPS. LBB Pensions Team taking legal advice. An update will be provided to the Committee at the meeting.	LBB Pensions Team
15	Nourish Contract Catering Ltd (Osidge School)	01/08/2022	Admission Agreement sent to employer. Deadline for signing set as 10 February 2023 .	Nourish Contract Catering Ltd
16	Enigma CCTV Limited	01/09/2022	Admission Agreement sent to employer. Deadline for signing set as 10 February 2023 .	Enigma CCTV Limited
17	Capita Shared Services Limited	01/11/2022	WYPF have sent data to Hymans Robertson. Pending receipt of employer contribution rate. Deadline for rate set as 31 January 2023 .	Hymans Robertson
18	Chequers Cleaning	01/12/2022	WYPF to provide data to Hymans Robertson. Deadline set as 31 January 2023 .	WYPF

Employers shown in red above are new admitted bodies and the LBB Pensions Team request that the Pension Fund Committee approve their admission into the Barnet Pension Fund

**Update on Cessation Valuations
- January 2023**

	Employer	Cessation Date	Surplus/deficit	Update	Action Required by?
1	Absolute Catering (St James' Catholic School)	31/07/2019	-£47,000	The LBB Pensions Team have requested payment of the deficit from Absolute Catering. The LBB Pensions Team are speaking to the employer to ensure payment is made as soon as possible.	Absolute Catering/St James' School
2	Fremantle Trust	31/05/2019	£1,453,000	Payment of the exit credit agreed by the Committee has now been made.	n/a
3	Caterlink (Totteridge Academy)	23/02/2020	n/k	WYPF to provide data to Hymans to calculate cessation valuation, when data issues have been corrected. Contributions have been paid up to date.	WYPF
4	Ashlyns (St Andrew's C of E School)	31/07/2022	-£45,000	Deficit payment has been requested from employer. Deadline for payment has been set as 31 January 2023.	Ashlyns
5	Atlas Cleaning (St Michaels)	31/03/2021	n/k	WYPF to provide data to Hymans to calculate cessation valuation. Member leaver details need to be updated before data can be submitted.	WYPF
6	Caterlink (QE Girls School)	31/08/2021	£32,000	The LBB Pensions Team recommended that no surplus be returned to the employer, and this has been agreed by Caterlink.	n/a
7	Hartwig	09/07/2021	£71,000	Payment of the exit credit agreed by the Committee has now been made.	n/a
8	Churchill Catering (Queenswell School)	30/11/2021	-£1,000	Deficit payment has been requested from employer. Deadline for payment has been set as 31 January 2023.	Churchill Catering

9	Atlas Cleaning (Claremont)	31/03/2022	n/k	WYPF to submit cessation data to Hymans. Member leaver details need to be updated before data can be submitted.	WYPF
10	City and County Healthcare Group	08/06/2022	n/k	WYPF to submit cessation data to Hymans. Member leaver details need to be updated before data can be submitted.	WYPF
11	Alliance in Partnership (Osidge School)	31/07/2022	n/k	WYPF to submit cessation data to Hymans. Financial information needs to be updated before data can be submitted.	WYPF
12	OCS	31/08/2022	n/k	WYPF have provided data to Hymans Robertson. Pending cessation valuation amount from actuary.	Hymans Robertson
13	Grasvenor School	31/08/2022	n/k	WYPF to submit cessation data to Hymans. Member leaver details need to be updated before data can be submitted.	WYPF
14	Optivo	30/11/2022	n/k	WYPF to submit cessation data to Hymans. Member leaver details need to be updated before data can be submitted.	WYPF

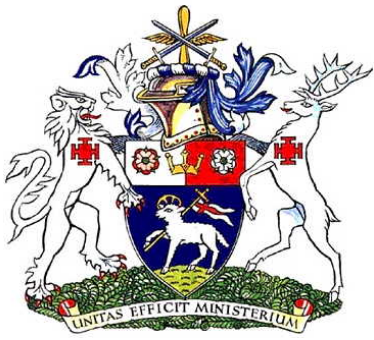
**Update on Bond Renewals
– January 2023**

	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. Deadline set for 31 January 2023 .	n/a
2	Olive Dining (Archer Academy)	n/a	n/a	£25,000	Bond Agreement with HB Law to be signed and sealed. LBB Pensions Team to chase HB Law on 20 January 2023 .	HB Law
3	Caterlink (Compton School)	n/a	n/a	£85,000	Bond Agreement with HB Law to be signed and sealed. LBB Pensions Team to chase HB Law on 20 January 2023 .	HB Law
4	Olive Dining (St Joseph's Primary)	n/a	n/a	£50,000	Waiting for employer to provide a bond/guarantee. Final deadline set for 31 January 2023 .	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

					LBB Pensions Team taking legal advice.	
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. Call arranged with employer in week commencing 16 January 2023 to discuss.	Harrow Council
9	Tenon (St Michaels School)	n/a	n/a	£8,000	Pending employer to provide a Bond or letter of guarantee. Final deadline set for 31 January 2023.	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	24/11/2023	£2,591,000	New Bond received	n/a
18	Capita CSG	£3,162,000	24/11/2023	£2,779,000	New Bond received	n/a
19	Capita Shared Services Limited	n/a	n/a	n/k	WYPF to provide data to Hymans to calculate Bond value	WYPF
20	Chequers Cleaning	n/a	n/a	n/k	WYPF to provide data to Hymans to calculate Bond value	WYPF

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Pension Fund Committee

AGENDA ITEM 10

31 January 2023

Title	External Audit Update
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	All
Status	Public
Urgent	No
Key	Non-Key
Enclosures	None
Officer Contact Details	Adam McPhail, Finance Manager, 0208 359 7639 adam.mcphail@barnet.gov.uk

Summary

BDO are the Pension Fund's appointed external auditors for the 2020/21 and 2021/22 financial years. In line with International Standard on Auditing 260 (ISA 260) the Pension Fund's external auditors, BDO, should be provided with access to those charged with governance. BDO will not be attending the meeting. This report is to update the Pension Fund Committee on the 2020/21 audit, and on the plan for the 2021/22 audit.

Officers Recommendations

That the Pension Fund Committee note the update on the 2020/21 audit, and the plan for the 2021/22 audit, and to identify matters that the Committee wish to bring to the attention of the auditor.

1. Why this report is needed

- 1.1 Under Section 151 of the Local Government Act 1972 - "...every local authority shall make arrangements for the proper administration of their financial affairs...". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts.
- 1.2 **2020/21 External Audit Update**
- 1.2.1 In 2021 BDO presented their audit plan for the pension fund which gave an approximate audit end date of October 2021. However, to date the 2020/21 audit report is still outstanding, with BDO still undertaking some work with West Yorkshire
- 1.2.2 Pension Fund on some benefit calculations. BDO have advised that this delay is due to resource pressures present within audit firms nationally, and that extra testing is required due to the change in administrator in 2020/21.
- 1.2.3 Due to turnover of BDO staff over the audit, Officers have found the process very inefficient with BDO following up on responses to questions many months later and with BDO staff completing testing that was initially undertaken by other people within the BDO team, which has generated a number of questions on the BDO side.
- 1.2.4 BDO have assured us that the completed audit report will be ready to be signed off before the New Year.
- 1.2.5 In an update to Pension Fund officers in December 2022, BDO advised that the fieldwork for the 2020/21 Pension Fund Accounts had been completed, with the Audit Partners review outstanding. They also advised that their report should be ready following this review, and the resolution of the national accounting for infrastructure issue, which should be in February 2023.
- 1.2.6 Further details around the delay in the signing of the overall council accounts, and subsequently the Pension Fund Accounts can be found in the Reports Pack for the 2nd November 2022 Audit committee
- <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=144&MIId=11061&Ver=4>
- 1.2.7 BDO are providing an update on the wider council audit to the Audit Committee on 16th January 2023.
- 1.3 **2021/22 External Audit Plan**
- 1.3.1 Due to the delays in completing the 2020/21 audit, BDO have advised that an audit plan report is not yet available.
- 1.3.2 The expected start date of the 2021/22 audit is November 2022, with an audit plan expected to be presented to the Pension Fund committee in the November meeting.
- 1.3.3 The draft 2021/22 accounts have been published. The deadline for the publication of the accounts is 30th September 2022.

2. Reasons for recommendations

- 2.1 It is appropriate for the Committee to be updated on the status of the 2020/21 audit, and have the opportunity to influence the testing undertaken by the auditor in the 2021/22.

3. Alternative options considered and not recommended

- 3.1 None- Statutory function.

4. Post decision implementation

- 4.1 None- The external auditor will report to the Committee following the conclusion of the audit.

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 & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 This report sets out the framework for the assessment of the Pension Fund's financial reporting and management as well as value for money.
- 5.2.2 The external audit fees for 2021/22 are £35,789 (£36,170 for 2020/21).
- 5.2.3 In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council's accounts and Pension Fund accounts.
- 5.2.4 The ISA 260 report must be considered by "those charged with governance" before the external auditor can sign the accounts".

5.3 Social Value

- 5.3.1 Arrangements for proper administration of financial affairs and 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 Committee's Terms of Reference include "review and consider approval of the Pension Fund Statement of Accounts".

5.5 Risk Management

5.5.1 The external audit ISA 260 report highlights areas of good control and areas of weakness which need to be addressed. Failure to do so carries the risk of adverse financial and/or reputational consequences.

5.6 Equalities and Diversity

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

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

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not required

5.9 Insight

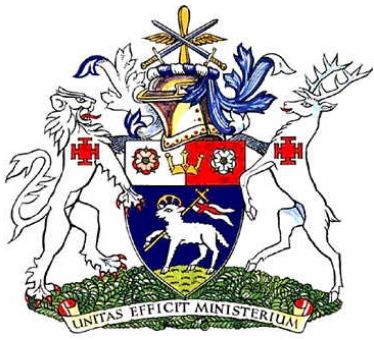
5.9.1 Not applicable in the context of this report

6. Environmental Impact

6.1 None in the context of this report.

7. Background Papers

7.1 None.



Pension Fund Committee

AGENDA ITEM 11

31 January 2023

Title	Investment Strategy and Manager Appointments
Report of	Executive Director of Strategy and Resources (S151 Officer)
Wards	N/A
Status	Public
Urgent	No
Key	Non-key
Enclosures	Appendix 1- Summary of Outstanding Transactions
Officer Contact Details	Adam McPhail, Finance Manager- Pensions adam.mcphail@barnet.gov.uk – 0208 359 7639

Summary

This report provides a summary of the investment transactions made in 2022, and an overview of the planned investment transactions in 2023.

The report also makes a recommendation for delegation of the signing of the MiFid Opt-Up form to the Head of Pensions.

Officers Recommendations

1. The Pension Fund Committee note the investment transactions that occurred in 2022, and the planned transactions for 2023.
2. The Pension Fund Committee agree to delegate the signing of the MiFid Opt-Up form to the Head of Pensions, in order to allow Officers to implement transactions through London CIV.

1. Why this report is needed

1.1 Acting in its capacity as Administering Authority to the Barnet Pension Fund, it is the responsibility of London Borough of Barnet to ensure that the Pension Fund complies with legislation and effectively manages the Fund's financial affairs.

1.2 The matters covered in this paper are:

- Investment transactions in 2022
- The planned investment transactions in 2023
- The need for delegation of the signing of the MiFid Opt-Up form

1.3 Investment Transactions in 2022

1.3.1 In 2022 the Pension Fund made new investments in Fiera Real Estate Opportunities Fund (£30m commitment agreed at October 2021 meeting), and LCIV Multi-Asset Credit (£50m commitment agreed at December 2021 meeting).

1.3.2 Below is a summary of the investments made by the Pension Fund in 2022:

Fund Name	Amount Invested
Barings Special Situation Credit	£16.283m
LCIV Renewable Infrastructure	£3.830m
LCIV Private Debt	£19.950m
Adams Street 2019 Global Fund	£12.516m
Adams Street Secondary Fund	£4.932m
Insight Secured Finance Fund	£44.000m
Fiera Real Estate Opportunities Fund	£28.249m
LCIV Multi-Asset Credit	£30.000m
Total	£159.760m

1.3.3 In 2022 the Pension Fund fully disinvested from Schroders Diversified Growth Fund (agreed at February 2018 meeting), Alcentra Global Multi-Credit Solution Fund (agreed at October 2021 meeting), and M&G Lion Credit Opportunity Fund (agreed at December 2021 meeting).

1.3.4 Below is a summary of the disinvestments the Pension Fund Made in 2022:

Fund Name	Amount Disinvested
Alcentra Global Multi-Credit Solution Fund	£10.671m
Partners Group 2015 Fund	£0.636m
Partners Group 2017 Fund	£3.978m
M&G Lion Credit Opportunity Fund	£31.220m
Schroders Diversified Growth Fund	£136.790m
Total	£183.295m

1.4 **Planned Investment Transactions for 2023**

1.4.1 The Pension Fund has a number of investments where the commitments have not been fully drawn. Whilst fund managers do not provide a detailed schedule as to the scale and timings of the remaining drawdowns, it is expected that the majority of these funds will be invested during 2023.

1.4.2 The Pension Fund also has a new investment into LCIV Global ESG Bonds (agreed at December 2021 meeting), with a commitment of £60m.

1.4.3 In order to fund these new investments, the Pension Fund is also expected to make a variety of disinvestments from a number of funds. The timing of these disinvestments will depend on the timing of the drawdowns mentioned above, as a result it is expected that the majority of these disinvestments will occur in 2023.

1.4.4 Appendix 1 shows a summary of these outstanding transactions, with expected timings, methods, drivers, and funding sources.

1.5 MiFid Opt-Up form

- 1.5.1 There are broadly two categories of investors from a Regulatory perspective:
- Professional Client
 - Retail Client
- 1.5.2 The regulatory protections provided to investors are different depending on whether the investor is a Professional or a Retail Client.
- 1.5.3 Our relationship with London CIV requires the Barnet Pension Fund to be treated as a Professional Client and so before we can make new investments with London CIV we need to undertake a process to elect to become a Professional Client. This requires us to demonstrate, amongst other things, that we have sufficient expertise and take appropriate advice (this process is known as “Opting-Up”) – this is a requirements of the MiFid II regulations.
- 1.5.4 The Committee delegated Officers to complete this process with London CIV prior to the May 2022 Local Elections. The relevant delegation was provided in December 2021, but because there has been a change of more than 50% of Committee members, London CIV require us to refresh this process.
- 1.5.5 Officers are asking the Pension Fund Committee to delegate completion of this process to the Head of Pensions and Treasury.
- 1.5.6 Further details around MiFid II regulations can be found at <https://www.esma.europa.eu/policy-rules/mifid-ii-and-mifir>
- 1.5.7 For information, we include as Appendix [X] a template letter from London CIV (as at November 2022) which sets out the application request to be treated as a Professional Client and the implications of this.

2. Reasons for recommendations

- 2.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) review and if necessary, revise the investment strategy.
- 2.2 Completing the MiFID “Opt-Up” process is a requirement for us to continue to make new investments with London CIV.

3. Alternative options considered and not recommended

- 3.1 None

4. Post decision implementation

- 4.1 Delegation is requested to officers to implement the agreed actions.

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 & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 There are no direct resources issues for the council however changes in the financial performance of the pension fund affects the pension fund deficit reflected in the Authority's accounts and the level of contributions payable by the Council and other employers.

5.3 Legal and Constitutional References

- 5.3.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) to review and if necessary, revise the investment strategy.
- 5.3.2 The Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee, (1) the approval of the Investment Strategy Statement and to act in accordance with its principles and (2) the appointment of investment managers. This paper considers alterations to the asset allocation set out in the ISS.

5.4 Insight

- 5.4.1 N/A

5.5 Social Value

- 5.5.1 The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.
- 5.5.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.
- 5.5.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.
- 5.5.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long-term financial health of contributing employees on retirement.

5.6 Risk Management

- 5.6.1 Risk management is central to the LGPS; which are in themselves risk management

tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.6.2 Understanding the causes of sources and variabilities of scheme returns informs the management of investment and funding risk.

5.7 Equalities and Diversity

5.7.1 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.

5.8 Corporate Parenting

5.8.1 Not applicable in the context of this report.

5.9 Consultation and Engagement

5.9.1 Not applicable.

6. Environmental Impact

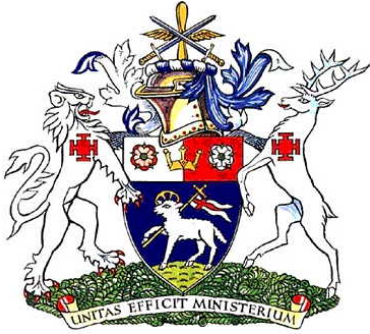
6.1 The paper and appendices discuss investments into assets which are deemed as Responsible Investments.

7. Background papers

7.1 All recent Committee meetings have included an agenda item on investment strategy.

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 2021	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 (?)
Barings - Special Credit		4	Expect by end of January 2023	Manual - when called	Strategy	Cash
Adams Street - Private Eq		58	Expect by end of January 2024	Over next 18-months	Strategy	Cash
LCIV - Renewable Inf		28	Expect by end of January 2024	Manual - when called	Strategy	Cash
LCIV - MAC		30	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	265	410				
Shortfall (disinvestments less investments)						- 145
Cash at bank						103
Balance (i.e. unfunded transitions)						- 42

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Pension Fund Committee

31 January 2023

Title	Knowledge and Understanding
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	None
Officer Contact Details	David Spreckley, Head of Pensions and Treasury, david.spreckley@barnet.gov.uk

Summary

It is important that the Pension Fund Committee has appropriate training opportunities for it to fulfil its duties.

This paper summarises the training completed by Pension Fund Committee members via Hymans' LOLA portal and also records other training provided by Officers since the last Pension Fund Committee meetings.

Pension Fund Committee members are encouraged to keep records of any other training that they undertake and forward this to Barnet's governance team.

Officers Recommendations

The Pension Fund Committee are invited to note this report.

- 1.1 The London Borough of Barnet Pension Fund is governed by the Pension Fund Committee, scrutinized by the Local Pensions Board with support of Officers, advisors and outsourced administrators.
- 1.2 The Pension Fund Committee is a decision making body responsible for the operation of the Pension Fund, ensuring it is governed and administered effectively and is financially sustainable.
- 1.3 The Local Pension Board is an oversight body with no direct decision making powers. The Local Pension Board's primary role is to review decisions made by the Pensions Committee and hold the Committee to account. The Local Pension Board includes member and employer representation.
- 1.4 Issues surrounding the Pension Fund are complex and financially significant to the Council. To make effective decisions it is important that Committee members feel empowered to ask the right questions of Officers and advisors.
- 1.5 It is a priority that both the Pension Fund Committee and Local Pension Board members have access to sufficient training opportunities so that they can meet their duties.
- 1.6 To deliver on this priority we have identified 'mandatory' training – this is training that we expect Local Pension Board members to undertake to enable them to perform their duties (note that this is a Regulatory requirement for Board members to have sufficient knowledge and understanding to carry out their duties) and 'recommended' training, which will further develop Committee members' skills.
- 1.7 The mandatory and primary training opportunities available to Board and Committee members are summarised in the table below:

Training Opportunity	Description	Approx. hours	PFC	LPB
The Pensions Regulator Trustee tool kit	Web based modular training programme with 7x 30-minute modules focused on governance	3.5	Recommended	Mandatory
Hymans' training portal	Web based training programme with 6 modules covering all aspects of operating an LGPS Fund	c10	Mandatory (within first 6-months of appointment)	Recommended (within first 6-months of appointment)
CIPFA	Day sessions developed and provided by CIPFA on various governance and topical issues	10 p.a.	Recommended	Recommended

Training Opportunity	Description	Approx. hours	PFC	LPB
Sustainability Training Day	Dedicated workshop / training day focusing on sustainability with a view to developing the Fund's Responsible Investment Policy	5	Mandatory	N/A
Ad-hoc training sessions held before or during committee meetings	Topical issues – Committee / Officers to make suggestions	4 p.a.	Mandatory	N/A (LPB will also receive training)
Private Reading / research	Reading papers / attending workshops and seminars as suggested by Officers and other members of the Committee	0.25 p.w. (c10 p.a.)	Recommended	Recommended
Total (First 12-months)			19 hours Mandatory 23.5 hours Recommended	3.5 hours Mandatory 30 hours Recommended

Record of training undertaken on LOLA platform

1.9 The table on the following page summarises the training undertaken by Committee Members via Hymans' LOLA training platform as at 1 January 2023:

Committee Member	Course Name	Course				Course Progress	
		Enrolment Status	Course First Access Date	Course Last Access Date	Final score	(%)	
Anne Hutton	Module 1 - An introduction to the LGPS	Completed	15/08/2022 15:08	25/10/2022 18:12	150	83	
Andreas Ioannidis	Module 1 - An introduction to the LGPS	In Progress	24/12/2022 14:01	24/12/2022 15:51		0	
Danny Rich	Module 1 - An introduction to the LGPS	Subscribed				0	
Elliot Simberg	Module 1 - An introduction to the LGPS	Subscribed				0	
Linda Lusingu	Module 1 - An introduction to the LGPS	Subscribed				0	
Michael Mire	Module 1 - An introduction to the LGPS	Subscribed				0	
Mark Shooter	Module 1 - An introduction to the LGPS	Subscribed				0	
Zahra Beg	Module 1 - An introduction to the LGPS	Subscribed				0	
Anne Hutton	Module 2 - LGPS Governance & Oversight Bodies	Completed	22/08/2022 15:11	22/08/2022 16:52	100	71	
Andreas Ioannidis	Module 2 - LGPS Governance & Oversight Bodies	Subscribed				0	
Danny Rich	Module 2 - LGPS Governance & Oversight Bodies	Subscribed				0	
Elliot Simberg	Module 2 - LGPS Governance & Oversight Bodies	Subscribed				0	
Linda Lusingu	Module 2 - LGPS Governance & Oversight Bodies	Subscribed				0	
Michael Mire	Module 2 - LGPS Governance & Oversight Bodies	Subscribed				0	
Mark Shooter	Module 2 - LGPS Governance & Oversight Bodies	Subscribed				0	
Zahra Beg	Module 2 - LGPS Governance & Oversight Bodies	Subscribed				0	
Anne Hutton	Module 3 - Administration & Fund Management	Completed	18/10/2022 15:44	18/10/2022 17:54	50	70	
Andreas Ioannidis	Module 3 - Administration & Fund Management	Subscribed				0	
Danny Rich	Module 3 - Administration & Fund Management	Subscribed				0	
Elliot Simberg	Module 3 - Administration & Fund Management	Subscribed				0	
Linda Lusingu	Module 3 - Administration & Fund Management	Subscribed				0	
Michael Mire	Module 3 - Administration & Fund Management	Subscribed				0	
Mark Shooter	Module 3 - Administration & Fund Management	Subscribed				0	
Zahra Beg	Module 3 - Administration & Fund Management	Subscribed				0	
Anne Hutton	Module 4 - Funding and Actuarial Matters	Completed	24/10/2022 16:03	01/11/2022 11:05	100	71	
Andreas Ioannidis	Module 4 - Funding and Actuarial Matters	Subscribed				0	
Danny Rich	Module 4 - Funding and Actuarial Matters	Subscribed				0	
Elliot Simberg	Module 4 - Funding and Actuarial Matters	Subscribed				0	
Linda Lusingu	Module 4 - Funding and Actuarial Matters	Subscribed				0	
Michael Mire	Module 4 - Funding and Actuarial Matters	Subscribed				0	
Mark Shooter	Module 4 - Funding and Actuarial Matters	Subscribed				0	
Zahra Beg	Module 4 - Funding and Actuarial Matters	Subscribed				0	
Anne Hutton	Module 5 - Investments	In Progress	02/09/2022 20:38	15/12/2022 17:55		64	
Andreas Ioannidis	Module 5 - Investments	Subscribed				0	
Danny Rich	Module 5 - Investments	Subscribed				0	
Elliot Simberg	Module 5 - Investments	Subscribed				0	
Linda Lusingu	Module 5 - Investments	Subscribed				0	
Michael Mire	Module 5 - Investments	Subscribed				0	
Mark Shooter	Module 5 - Investments	Subscribed				0	
Zahra Beg	Module 5 - Investments	Subscribed				0	
Anne Hutton	Module 6 - Current Issues	In Progress	25/10/2022 18:13	25/10/2022 18:24		5	
Andreas Ioannidis	Module 6 - Current Issues	Subscribed				0	
Danny Rich	Module 6 - Current Issues	Subscribed				0	
Elliot Simberg	Module 6 - Current Issues	Subscribed				0	
Linda Lusingu	Module 6 - Current Issues	Subscribed				0	
Michael Mire	Module 6 - Current Issues	Subscribed				0	
Mark Shooter	Module 6 - Current Issues	Subscribed				0	
Zahra Beg	Module 6 - Current Issues	Subscribed				0	

- 1.10 It appears that apart from Cllr Hutton, Committee members have not engaged with any of the learning Modules provided through the platform.
- 1.11 In addition, it appears that Cllr Radford does not have access to the Training Modules and the reasons for this will be investigated by Officers.
- 1.12 It was agreed at the 11 July 2022 Pension Fund Committee meeting that Members should target 31 December 2022 for completing Hymans' LOLA training portal.

- 1.13 In addition to training provided via Hymans portal, the following training opportunities have been provided to Committee members by Officers since the last Pension Fund Committee meeting:
- Responsible Investment day (7 hours) – Details of the topics covered are set out in the Responsible Investment paper circulated at the 31 January 2023 Pension Fund Committee meeting
 - Trade Finance (0.5 hours) – An overview of Trade Finance, including the risk and return profile and how this asset class can help the Barnet Pension Fund optimise its returns when high cash balances materialise

2. REASONS FOR RECOMMENDATIONS

2.1 N/A – Report is for noting

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None necessary for this report.

4. POST DECISION IMPLEMENTATION

4.1 Training requirements will be reviewed annually.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Good knowledge and understanding of the Pension Fund will improve overall governance and operational effectiveness of the Pension Fund.

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

5.2.1 Provision of training courses from professional advisors carries advisory costs.

5.3 Social Value

5.3.1 The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.

5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.

5.3.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long-term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

5.4.1 There are no legal references.

5.4.2 The Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee the appointment of various service providers. Monitoring is an essential element of the appointment and re-appointment process.

5.5 Risk Management

5.5.1 Risk management is central to the LGPS; which are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.5.2 The Committee relies on its service providers and good performance from these will help to avoid problems.

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.

5.7 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

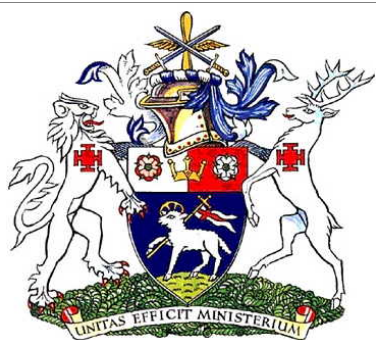
6. ENVIRONMENT CONSIDERATIONS

6.1 None

7. BACKGROUND PAPERS

7.1 Guidance around the Board's regulatory duties around Knowledge and Understanding can be accessed [here](#).

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Pension Fund Committee

31 January 2023

Title	Barnet Council Pension Fund – Valuation, Transactions and Performance
Report of	Executive Director of Strategy and Resources (S151 Officer)
Wards	N/A
Status	Public, with exempt appendix D
Urgent	No
Key	No
Enclosures	<p>Appendix A - Asset Allocation as of 31 December 2022</p> <p>Appendix B- Hymans Flash Stats for Q4 2022</p> <p>Appendix C – Review of Investment Managers Performance for Q3, 2022 (Hymans Robertson)</p> <p>Appendix D – Review of Fund Managers (Hymans Robertson) for Q3, 2022 (exempt)</p> <p>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)).</p>
Officer Contact Details	Adam McPhail, Finance Manager- Pensions (adam.mcphail@barnet.gov.uk)

Summary

This report provides an update on investment valuations, transactions and performance in the 6 months to 31 December 2022 with an updated estimated valuation to 31 December 2022.

Officers Recommendations

That the Pension Fund Committee note the investment activities and performance of the Pension Fund for the quarter to 31 December 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 Since September 2022 markets have improved and this is reflected in the valuation increasing by approximately £41m (2.96% increase from September 2022). Investments in equities and illiquid alternatives have performed particularly well over the quarter. Despite this our USD denominated funds (notably Adams Street and IFM) have decreased in value due to the Pound strengthening against the Dollar.
- 1.3 Hymans Robertson have provided a Flash Stats report for Q4 2022 (appendix B), which gives an update on the overall market in the quarter. The 2.96% increase in the fund is consistent with the market returns reported in this report, with markets globally returning 2.1%. As mentioned above, our funds exposed to US markets have taken a slight decrease, with US markets returning -0.2% over the quarter.
- 1.4 Due to the committee meeting being early in the quarter, there has not been sufficient time for Hymans Robertson to compile their Q4 2022 report. However, we have now received their report for Q3 2022 (appendix C, which is discussed below.
- 1.5 Performance over the quarter to 30 September 2022 of -2.1% was 0.3% above benchmark, with the annual return of -6.3% being -0.5% below benchmark. The annualised 3-year return was 4.4%, which is 0.1% above benchmark.
- 1.6 The main drivers of absolute returns continue to be private equities, infrastructure, and property. The majority of credit funds have produced negative returns over the quarter.
- 1.7 The annual underperformance against benchmark is mainly due to the Schroders Diversified Growth Fund (-18.6%) and the Barings Multi-Credit fund (-16.1%). The relatively new LCIV Sustainable Equity fund and the maturing Partners 2015 Multi-Asset Credit funds have also struggled in the year (-6.6% and -11.2% 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, and one ranked as suitable- on watch, as highlighted in the report. The LCIV mandates are not rated by Hymans.
- 1.9 Hymans also award Responsible Investment ratings and all but one is rated strong or good. The four London CIV mandates not rated.

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

The retirement of the Adams Street Head of Primary Investment, and the appointment of their successor.

An extension to the responsibilities of the Aberdeen Standard CEO of Interactive Investing.

IFM continue to expand their infrastructure team.

Movements in funds since the last Pension Fund Committee meeting.

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

1.11 Specific transactions of note since the last Pension Fund Committee meeting are:

- Sales were from RAFI (£20 million) and Market Cap equities (£36 million) at LGIM. There is one remaining phase (March 2023) with £56 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 Schrodgers DGF (£75.829m million), as well as capital distributions from Partners Group totalling £0.534 million. This completed the disposal of Schrodgers DGF.
- There were drawdowns from LCIV Private Debt (£4.096 million), LCIV Renewables Infrastructure (£1.278 million) and Adams Street (£9.656 million).
- The fund made its initial investment of £30m into LCIV Multi-Asset Credit, with a further £30m expected to be made in Q1 of 2023.

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 A - Asset Allocation as of 31 December 2022

	Latest valuation date	30-Jun-22 Transactions		30-Sep-22 Transactions		31-Dec-22		31-Dec-22		Target Allocation	
		£'000	£'000	£'000	£'000	£'000	%	%	%	%	
Equities								51.00%			50.00
LGIM Global		136,555		134,910	(36,000.00)	103,425	7.25%			0.00	
LGIM RAFI		196,476		186,785	(20,000.00)	184,348	12.93%			10.00	
LGIM Future Worlds		206,619		201,667	56,000.00	268,187	18.81%			25.00	
LCIV Emerging Markets		65,248		64,007		65,448	4.59%			5.00	
LCIV Sustainable Exclusion Equity		40,338		40,115		39,787	2.79%			5.00	
Adams Street Private Equity		44,593	6,932	61,721	9,656.00	66,055	4.63%			5.00	
Property								6.46%			6.00
Aberdeen Standard Long Lease	Aug-22	34,234		35,159		35,159	2.47%			2.00	
CBRE Global		33,205		31,190		28,768	2.02%			2.00	
Fiera Real Estate Opportunities	Mar-22	28,249		28,249		28,249	1.98%			2.00	
Diversified Growth								0.00%			0.00
Schroder		145,829	(60,000)	75,829	(75,829.00)	0	0.00%			0.00	
Multi Credit Liquid								11.05%			13.00
Baring Global High Yield		37,386		37,112		37,976	2.66%			3.50	
LCIV MAC		0		0	30,000.00	30,043	2.11%			3.50	
Insight Secured Finance	May-22	89,530		89,530		89,530	6.28%			6.00	
Corporate Bonds								8.89%			10.00
Schroder	May-22	126,710		126,710		126,710	8.89%			10.00	
Illiquid Alternatives								15.39%			21.00
Alcentra European Direct Lending		16,237		14,375		14,281	1.00%			1.50	
Partners Group		50,021	(480)	44,913	(534.00)	47,062	3.30%			5.50	
LCIV Private Debt		27,919	6,737	34,368	4,096.00	40,069	2.81%			4.00	
Barings Special Situations Debt		24,811		23,915		24,153	1.69%			2.00	
LCIV Renewables Infrastructure		9,689	4,880	14,386	1,278.00	15,390	1.08%			3.00	
IFM Global Infrastructure		90,670		85,168		78,558	5.51%			5.00	
Cash		16,244	38,717	54,961		102,905	7.22%	7.22%		0.00	0.00
Total		1,420,563	(3,214)	1,385,070	(31,333)	1,426,103	100%	100.00%		100.00	100.00
<p>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</p>											

Flash stats

Q4 2022



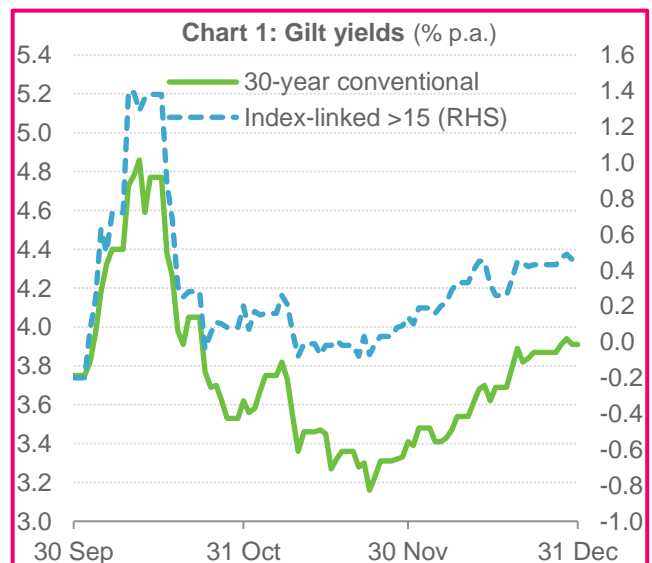
Ryan Bio-Genfi, Investment Research Analyst

The 4th quarter of 2022 brought some relief to a bad year for markets. Equity and credit markets rallied as inflation fell, and surprised to the downside, but tight labour markets and strong wage growth saw the major central banks continue to raise interest rates.

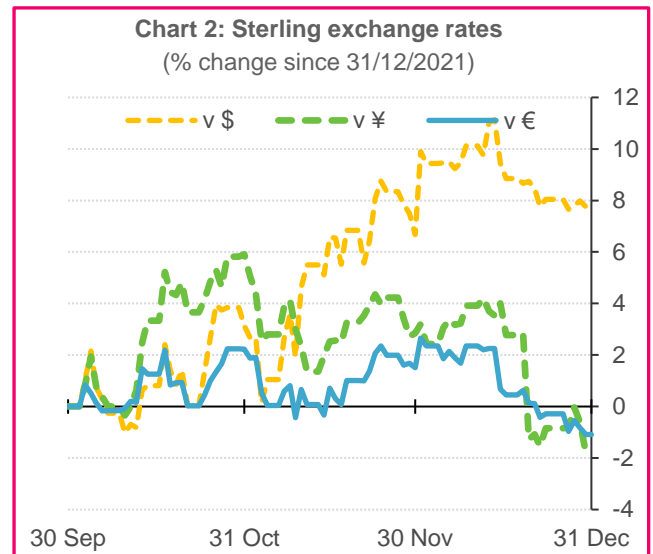
Sterling returns (%) to 30th of December 2022

		3 mths	12 mths			3 mths	12 mths
EQUITY INDICES				STERLING BOND INDICES			
Global	FTSE All-World	2.1	-7.3	Gilts (All)	FTSE	1.7	-23.8
UK	FTSE 100	8.7	4.7	Index-linked (All)	FTSE	-6.0	-33.6
	FTSE All-Share	8.9	0.3	Corporates (All)	iBoxx	7.2	-18.4
US	S&P 500	-0.2	-18.1	MODEL PORTFOLIOS			
Japan	TOPIX	5.1	4.1	70% equity		5.0	-9.1
Europe ex UK	FTSE Dev Europe	11.7	-7.5	50% equity		5.0	-12.3
Emerging	FTSE Emerging	0.7	-6.4	30% equity		5.0	-15.6

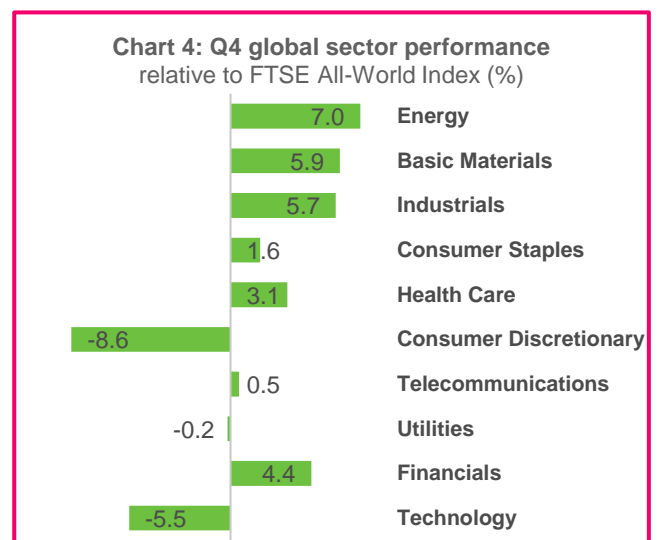
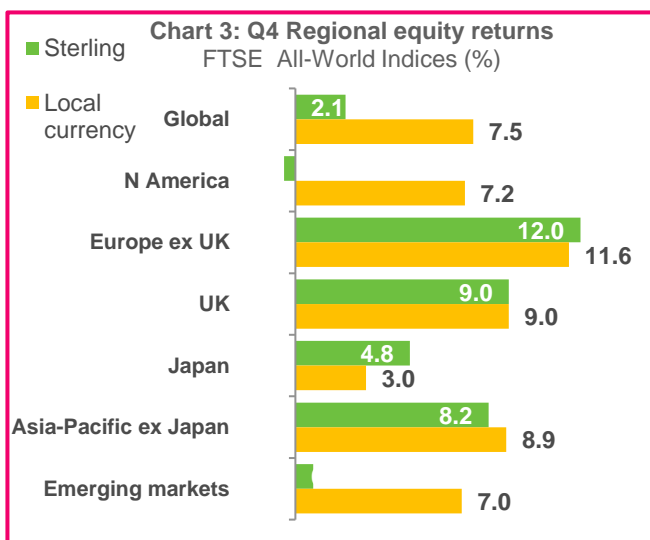
- Growth outturns, released in Q4, surprised to the upside. US labour and consumer demand remains resilient while the worst fears around potential European gas shortages and resultant economic impact, have abated more recently.
- However, high inflation and rising interest rates increasingly weigh on the outlook for consumers and businesses. As a result, forward-looking indicators still point to a very challenging economic outlook, with global GDP forecasts revised lower in Q4.
- December's manufacturing PMI moved further into contraction territory as new orders fell sharply. Price measures provided better news as the rates of input costs and output charges fell to 2-year lows. The services sector has generally performed better than the manufacturing sector in the major advanced economies, supported by robust labour markets.



- Year-on-year headline CPI inflation fell to 7.1%, 10.7%, and 10.1% in the US, UK, and eurozone, respectively, in November. Headline inflation is forecast to come down sharply over the first half of 2023, but central bankers remain concerned about strong wage growth and core inflation.
- Following a round of 0.75% p.a. hikes, the major central banks shifted down to smaller 0.5% p.a. increases in December, taking policy rates in the US, UK, and eurozone to 4.5% p.a., 3.5% p.a. and 2.0% p.a., respectively.
- UK 10-year gilt yields fell 0.5% p.a., to 3.7% p.a. as the market continued to recover from intense selling pressure seen in the wake of the “mini” budget, while longer-term yields rose. UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, fell 0.6% p.a. to 3.4% p.a.



- Global investment grade credit spreads fell 0.3% p.a., to 1.5% p.a., while speculative-grade spreads fell 1.0% p.a., to 5.1% p.a. Speculative-grade default rates have risen a little since the start of 2022 but remain below long-term average levels.
- The FTSE All World Total Return Index rose 7.6% as downside inflation surprises and an easing of potential European gas shortages, led to an improvement in investor sentiment. Though, sterling appreciation, primarily against the dollar, will have weighed on unhedged returns in GBP terms. The energy sector outperformed amid record earnings reports, as did Industrials and basic materials, energy intensive sectors which had previously weakened on European energy supply concerns. Consumer discretionary stocks underperformed as the cost-of-living squeeze intensified and technology continued 2022’s underperformance. Europe ex-UK notably outperformed, followed by the UK and Asia ex-Japan. Japan notably underperformed on the back of yen strength and doubts over ongoing monetary support from the Bank of Japan.
- Signs of a more rapid easing in US inflation pressures saw the US dollar fall 4.8% in trade-weighted terms, reducing its year-to-date gains to 6.3%. Equivalent sterling, euro, and yen measures rose 1.9%, 4.4%, and 5.2%, respectively.
- MSCI UK Monthly Property Index fell in November by 5.5%. The extent of recent declines in capital values, which are now 17% below their June peak has been the primary driver. Capital values have fallen occurred across the 3 main commercial sectors but have been most notable in the industrial sector, where they have fallen 23% since the end of June.



London Borough of Barnet Pension Fund

Q3 2022 Investment Monitoring Report

Nick Jellema – Senior Investment Consultant

Yoel Deal – Investment Consultant

Tianna Patel – Investment Analyst

Jiazhe Lee – Investment Analyst

Executive Summary

Fund assets totalled c.£1,385.4m at the end of Q3 2022, a decrease of c.£26m from the end of the previous quarter.

The Fund's assets returned -2.1% (net of fees) over the quarter, outperforming the benchmark by c.0.3%.

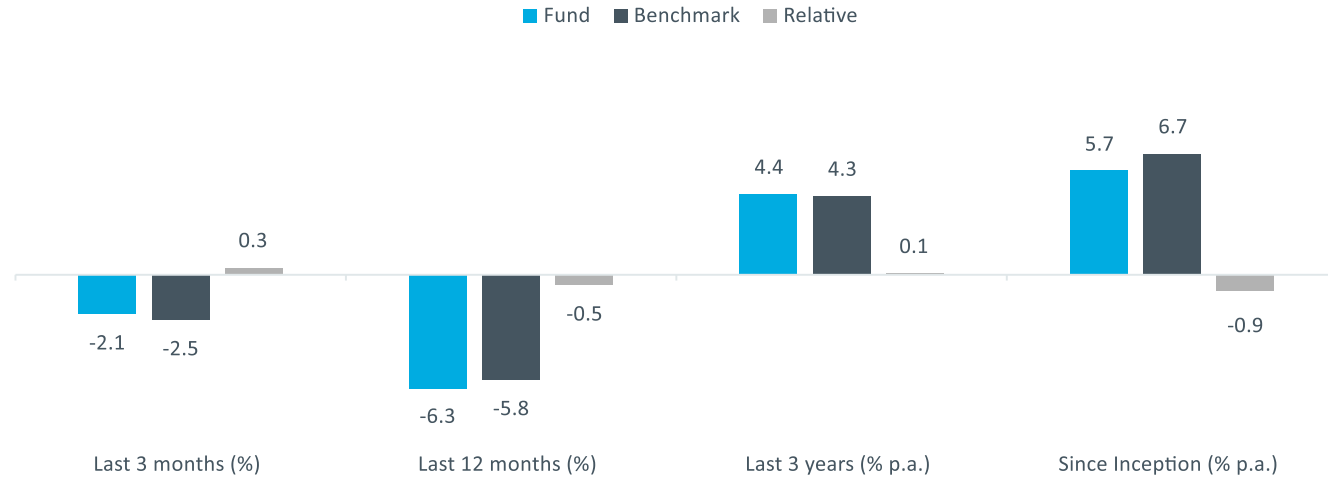
Key Actions

The following transitions took place over the quarter:

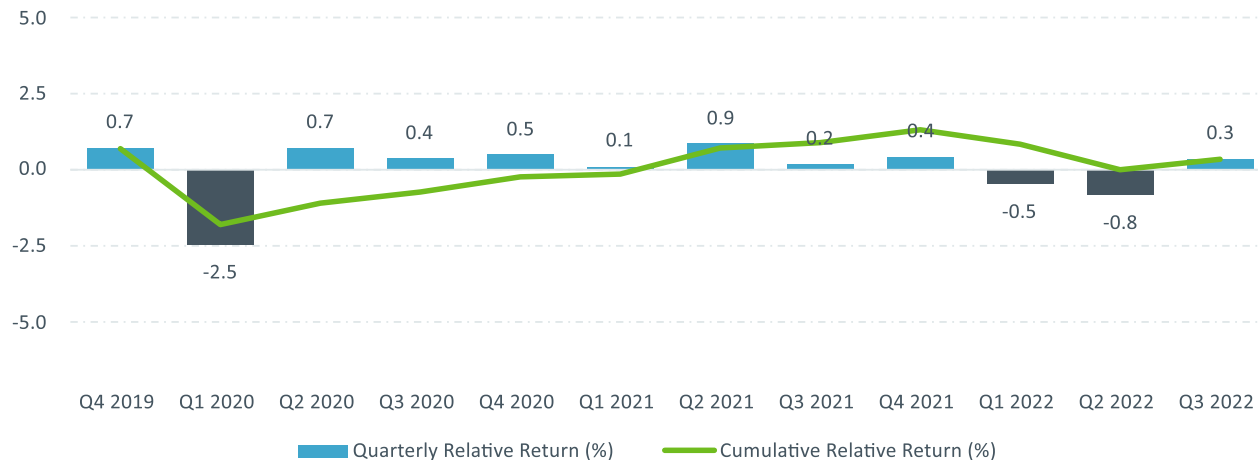
- A divestment of c.£50m from Schroders DGF. Officers fully divested from the DGF in early Q4.

Over the quarter the following funds continued to call capital from the Fund's commitments: Adams Street Global 2019 Fund, LCIV Private Debt and LCIV Renewable Infrastructure.

Historic quarterly performance (net of fees)



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

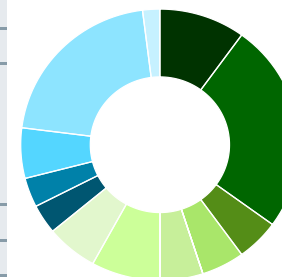


Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 2022	Q3 2022			
LGIM RAFI Carbon Pathway Index GBP Hdgd	196.6	186.9	13.5%	10.0%	3.5%
LGIM Future World Global Equity Index	84.1	85.1	6.1%	10.0%	-3.9%
LGIM Future World Global Equity Index GBP Hdgd	122.7	116.7	8.4%	15.0%	-6.6%
LCIV Sustainable Exclusion Global Equity	39.3	40.1	2.9%	5.0%	-2.1%
LGIM UK Equity Index	6.6	6.3	0.5%	0.0%	9.7%
LGIM World ex UK Dev Equity Index	68.0	69.4	5.0%		
LGIM World ex UK Dev Equity Index GBP Hdgd	53.4	50.7	3.7%		
LGIM World Emerging Markets Equity Index	8.7	8.5	0.6%		
LCIV Emerging Markets Equity	63.2	64.0	4.6%	5.0%	-0.4%
Schroder Life Diversified Growth	140.3	86.2	6.2%	0.0%	6.2%
Adams Street 2019 Global	41.2	46.1	3.3%	5.0%	-1.2%
Adams Street Global Secondaries	7.7	7.0	0.5%		
Total Growth	831.8	767.1	55.4%	50.0%	5.4%
IFM Global Infrastructure	91.8	97.6	7.0%	5.0%	2.0%
LCIV Renewable Infrastructure	9.7	14.4	1.0%	3.0%	-2.0%
Standard Life Long Lease Property	35.0	34.1	2.5%	2.0%	0.5%
CBRE Global Alpha	32.9	32.9	2.4%	2.0%	0.4%
FREOF V	28.2	29.2	2.1%	2.0%	0.1%
Barings Multi-Credit	37.4	37.1	2.7%	3.5%	-0.8%
LCIV MAC	0.0	0.0	0.0%	3.5%	-3.5%
Insight Secured Finance	89.0	88.8	6.4%	6.0%	0.4%
Schroder All Maturities Corporate Bond	122.2	107.1	7.7%	10.0%	-2.3%
Alcentra Direct Lending	14.4	14.2	1.0%	1.5%	-0.5%
Partners Group MAC 2015	4.2	4.0	0.3%	0.0%	0.3%
Partners Group MAC 2017	13.9	13.6	1.0%	3.0%	-2.0%
Partners Group MAC V	29.1	28.9	2.1%	2.5%	-0.4%
LCIV Private Debt	27.9	34.4	2.5%	4.0%	-1.5%
Barings Global Special Situations Credit	27.1	27.1	2.0%	2.0%	0.0%
Total Income	563.0	563.5	40.7%	50.0%	-9.3%
Cash	16.1	54.8	4.0%	0.0%	4.0%
Total Fund	1,410.9	1,385.4	100.0%	100.0%	-

Strategic allocation

3



- RAFI 10%
- Global Equity 25%
- Global Active ESG Equity 5%
- Emerging Markets 5%
- Private Equity 5%
- Infrastructure 8%
- Property 6%
- Multi-Credit 4%
- ABS 4%
- Corporate Bonds 6%
- Private Debt 21%
- Distressed Debt 2%

The Q3 22 valuation for Alcentra Direct Lending, Adams Street Partners, Barings Global Special Situations and CBRE Global Alpha are as at Q2 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 2023 (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.

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	-5.0	-5.0	0.1	-9.2	-9.7	0.6	4.6	4.5	0.1	6.4	6.4	0.0
LGIM UK Equity Index	-3.4	-3.5	0.0	-3.9	-4.0	0.1	0.9	0.8	0.1	4.5	4.3	0.1
LGIM World ex UK Dev Equity Index	2.1	2.1	0.0	-3.3	-3.3	-0.0	8.6	8.6	-0.0	11.1	11.1	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	-5.0	-4.9	-0.1	-16.9	-16.8	-0.1	5.3	5.4	-0.1	4.8	4.8	-0.1
LGIM World Emerging Markets Equity Index	-2.3	-2.3	-0.0	-8.8	-8.7	-0.1	2.7	2.7	-0.1	6.4	6.4	-0.0
LGIM Future World Global Equity Index GBP Hdgd	-4.9	-4.9	0.0	-16.6	-16.6	0.1	n/a	n/a	n/a	-6.9	-6.9	0.1
LGIM Future World Global Equity Index	1.2	1.1	0.1	-5.0	-5.1	0.1	n/a	n/a	n/a	2.6	2.5	0.2
LCIV Emerging Markets Equity	1.4	-3.8	5.4	-15.4	-13.2	-2.5	n/a	n/a	n/a	4.0	1.7	2.3
LCIV Sustainable Exclusion Global Equity	2.2	2.1	0.1	-9.3	-2.9	-6.6	n/a	n/a	n/a	-1.7	1.3	-3.0
Schroder Life Diversified Growth	-4.4	1.3	-5.6	-10.8	9.5	-18.6	1.5	7.8	-5.9	3.3	7.6	-4.0
Adams Street 2019 Global	-0.6	-7.4	7.4	34.7	0.2	34.5	n/a	n/a	n/a	91.5	12.1	70.8
Adams Street Global Secondaries	-38.8	3.6	-40.9	n/a	n/a	n/a	n/a	n/a	n/a	54.4	13.0	36.6
Income												
IFM Global Infrastructure	6.3	1.9	4.3	23.7	8.0	14.6	15.2	8.0	6.7	15.0	8.0	6.5
LCIV Renewable Infrastructure	19.2	1.7	17.2	19.0	7.0	11.2	n/a	n/a	n/a	19.0	7.0	11.2
Standard Life Long Lease Property	-2.4	-12.1	11.1	6.5	-21.4	35.4	6.8	-7.6	15.6	6.3	-4.8	11.6
CBRE Global Alpha	7.0	2.2	4.7	22.9	9.0	12.8	9.2	9.0	0.2	9.2	9.0	0.2
FREOF V	-3.0	2.9	-5.7	n/a	n/a	n/a	n/a	n/a	n/a	3.4	5.8	-2.3
Barings Multi-Credit	-0.7	1.5	-2.1	-11.6	5.4	-16.1	-0.9	5.4	-6.0	2.4	5.5	-3.0
Insight Secured Finance	-0.4	1.4	-1.7	-0.9	4.8	-5.4	1.7	4.5	-2.7	2.6	4.6	-1.9
Schroder All Maturities Corporate Bond	-12.8	-11.6	-1.3	-24.4	-22.3	-2.8	-6.7	-7.0	0.4	3.2	2.9	0.3
Alcentra Direct Lending	-0.2	1.7	-1.9	6.4	7.0	-0.6	4.5	7.0	-2.4	5.9	7.0	-1.1
Partners Group MAC 2015	-4.7	1.4	-6.0	-6.8	5.0	-11.2	0.7	5.3	-4.3	6.5	5.1	1.3
Partners Group MAC 2017	-0.1	1.4	-1.5	2.7	5.0	-2.2	3.5	5.3	-1.7	4.4	5.1	-0.7
Partners Group MAC V	0.3	1.4	-1.1	1.0	5.0	-3.9	3.2	5.3	-1.9	4.1	5.1	-0.9
LCIV Private Debt	10.3	1.5	8.7	11.2	6.0	4.9	n/a	n/a	n/a	11.2	6.0	4.9
Barings Global Special Situations Credit	-1.1	3.3	-4.3	n/a	n/a	n/a	n/a	n/a	n/a	15.6	13.8	1.6
Total	-2.1	-2.5	0.3	-6.3	-5.8	-0.5	4.4	4.3	0.1	5.7	6.7	-0.9

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

The Q3 22 performance for Alcentra Direct Lending and CBRE Global Alpha are as at Q2 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 IRRs.

Source: Unless stated otherwise, fund performance provided by Investment Managers and is net of fees. Benchmark performance provided by Investment Managers and DataStream

This page includes benchmarks, mandate information and any relevant updates from the managers over the period.

Mandate updates

- Adam Street Partners (ASP) – Kelly Meldrum, Head of Primary Investment has announced her retirement and Brijesh Jeevarathnam will succeed Meldrum as Global Head of Fund Investment and join ASP's Executive Committee.
- Aberdeen Standard – Long Lease Property – Richard Wilson, currently CEO of interactive investor and member of the Executive Leadership Team, will become the CEO of their personal wealth division assuming leadership of financial planning, discretionary and digital solutions businesses alongside.
- IFM continued to expand its infrastructure team during Q3. Luba Nikulina took on the responsibility as Chief Strategy Officer in September 2022.

We are comfortable with all individual updates as they do not have a direct day-to-day impact on the management of client mandates.

Mandate profiles

Mandate	Date Appointed	Benchmark/Target Description	Annual Fee (bps)
LGIM RAFI Carbon Pathway Index GBP Hdgd	08-Oct-15	RAFI Global Reduced Carbon Pathway 3.5% - GBP Hdgd	4.8
LGIM Future World Global Equity Index GBP Hdgd	31-Mar-21	Solactive L&G ESG Global Markets Net - GBP Hdgd	6
LGIM Future World Global Equity Index	31-Mar-21	Solactive L&G ESG Global Markets Net	3
LGIM UK Equity	15-Oct-15	FTSE All-Share	1
LGIM World ex UK Dev Equity Index	23-Oct-15	FTSE Dev ex UK Net	1
LGIM World Emerging Markets Equity Index	15-Oct-15	FTSE Emerging Net	4
LGIM World ex UK Dev Equity Index GBP Hdgd	23-Sep-19	FTSE Dev ex UK Net - GBP Hdgd	3
LCIV Emerging Markets	03-Dec-19	MSCI Emerging Markets Index (TR) Net	49.5
LCIV Sustainable Exclusion	16-Apr-21	MSCI World Index Net (Total Return)	38
IFM Global Infrastructure	01-Mar-18	8% - 12% p.a.	77
LCIV Renewable Infrastructure	30-Sep-21	Net IRR of 7 - 10% p.a.	103.5
Schroder Life Diversified Growth	31-Dec-10	ICE BofA Sterling 3-month Government Bill + 4.5% p.a.	43
Adams Street 2019 Global	17-Oct-19	MSCI ACWI TR Index + 4% p.a.	52
Adams Street Global Secondaries	23-Jun-21	Net IRR of 15% p.a.	100
Standard Life Long Lease Property	03-Jun-19	FT British Govt All Stocks Index Plus 2%	49
CBRE Global Alpha	01-Jul-19	9% - 11% p.a. over 3 year rolling period	45
FREOF V	09-Jun-22	12% - 15% p.a.	107
Barings Multi-Credit	10-Jun-16	3 month SOFR + 5% p.a. hedged to GBP	53
Insight Secured Finance	31-May-17	SONIA + 4% p.a.	36
Schroder All Maturities Corporate Bond	31-Dec-10	Merrill Lynch Sterling Non-Gilts Index	18
Alcentra Direct Lending	06-May-16	7% - 12% p.a. net IRR	125
Partners Group MAC 2015	03-May-16	SONIA + 4% - 6% p.a.	73
Partners Group MAC 2017	12-Oct-17	SONIA + 4% - 6% p.a.	73
Partners Group MAC V	13-Aug-19	SONIA + 4% - 6% p.a.	73
LCIV Private Debt	22-Jun-21	Net IRR of 6 - 8% p.a.	80
Barings Global Special Situations Credit	30-Sep-21	Gross return of 15 - 20% p.a.	125

Ratings definitions can be found in the Appendix. Adams Street Partners' Annual Fee is based on the annual projected fee over the lifetime of the fund as a proportion of the total commitment, all in USD.

Source: Investment Managers

Higher current and forecast inflation, and subsequent expectations of tighter monetary policy, are weighing heavily on consumer and business sentiment, with growth forecasts continuing to see downwards revisions. Recessions are now forecasts in several key European economies and the US economy also expected to slow substantially, increasing global recession risks.

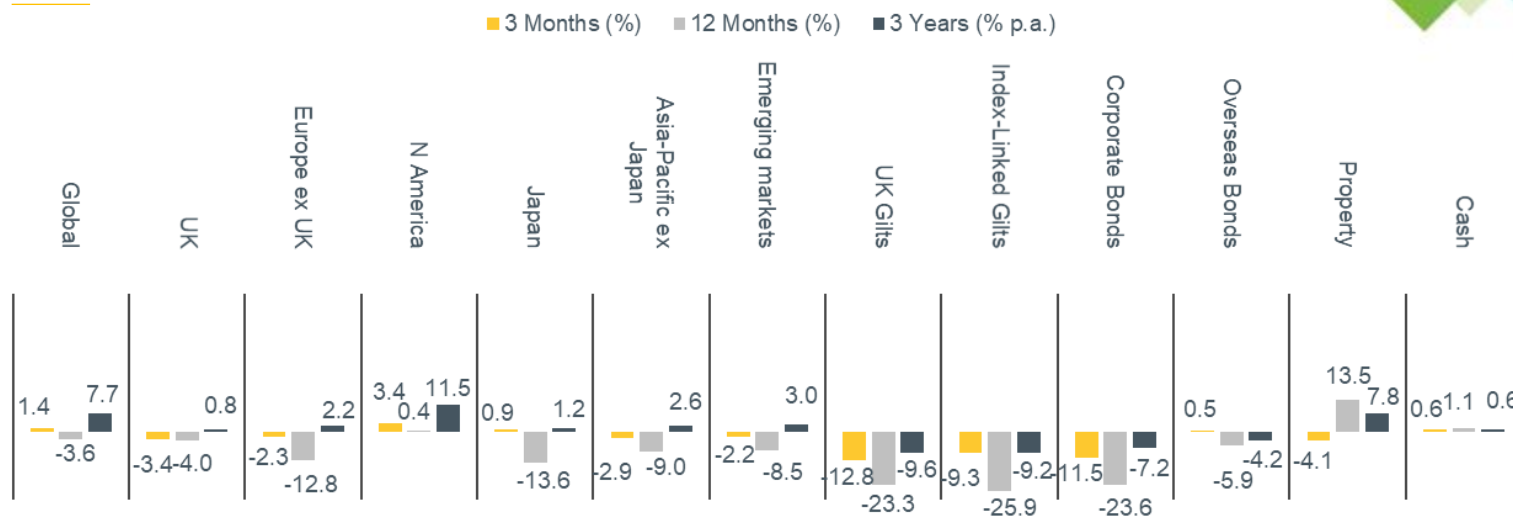
Year-on-year headline CPI inflation is running at 9.9%, 8.3%, and 9.1%, in the UK, eurozone, and US, respectively. Of more concern to central bankers, core inflation, which excludes food and energy prices, is also well above target, at 6.5%, 6.6%, and 4.8% in the UK, US, and eurozone, respectively.

Growing concerns about sustained high inflation were met with more aggressive messaging and action by central banks. The Fed raised interest rates by a cumulative 1.5% p.a. in Q3, while the Bank of England and the ECB raised rates by a total of 1% p.a. and 1.25% p.a., respectively.

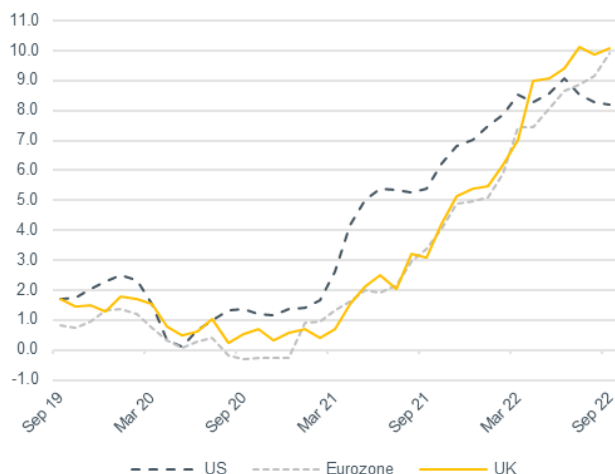
Against a global backdrop of high inflation and rising interest rate expectations, increases in UK government bond yields accelerated as the government unveiled a substantial unfunded fiscal package in late September. 10-year gilt yields ended the quarter at 4.1% p.a., 1.9% p.a. above end-June levels, while equivalent US and German yields both rose 0.8% p.a. over the same period, to 3.8% p.a. and 2.1% p.a., respectively.

UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose 0.4% p.a. to 4.0% p.a. Equivalent US implied inflation fell 0.2% p.a., to 2.2% p.a.

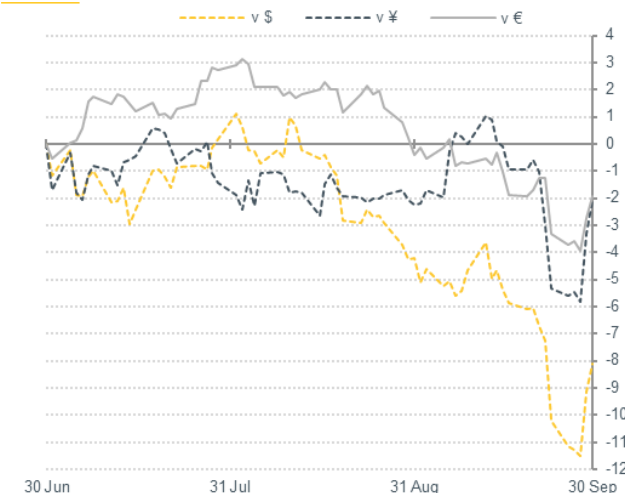
Historic returns for world markets [1]



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

Global investment-grade spreads ended the quarter slightly wider, while UK investment-grade credit spreads rose 0.4% p.a., to 2.4% p.a., as rising government bond yields saw pension schemes liquidate liquid assets to meet collateral calls on their interest-rate hedging programmes. US and European speculative grade credit spreads ended the quarter 0.4% p.a. and 0.2% p.a. below end June levels, at 5.4% p.a. and 6.3% p.a., respectively.

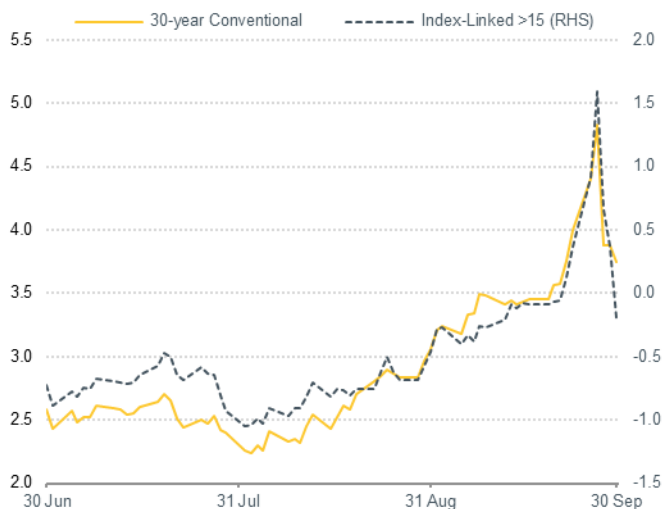
Despite a rally in July, global equities fell sharply in the second half of the quarter as high inflation, and subsequent higher interest rate expectations, weighed on both equity valuations and the fundamental outlook. The FTSE All World Index fell 4.8% (in local terms). Depreciation of sterling over the period resulted in a 1.4% return to unhedged UK investors. Performance was varied between cyclicals and defensives with telecoms, technology, and healthcare underperforming, while the energy and consumer discretionary sectors notably outperformed.

Regionally, Japanese and UK markets outperformed, both supported by currency weakness flattering the international earnings profile of their markets, and the UK also benefitting from an above-average exposure to the energy sector. Emerging and Asian markets once again underperformed.

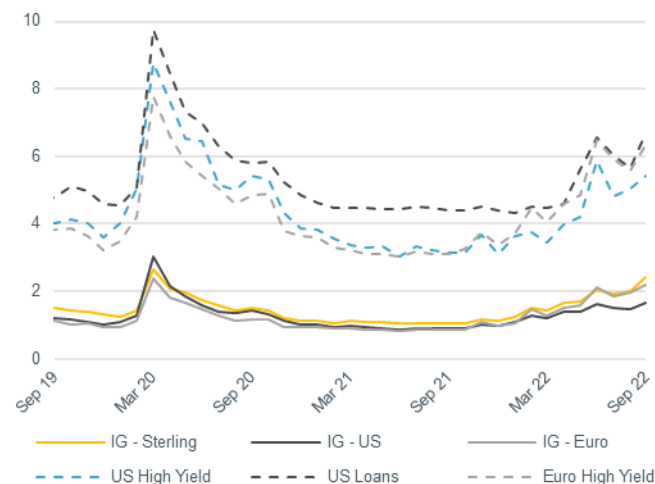
Global growth concerns were reflected in commodity markets, where energy and industrial metals prices led declines.

The MSCI UK Monthly Property Index has returned 13.5% in the 12 months to the end of September, although monthly returns entered negative territory in the third quarter. Capital value declines have been observed across the three main commercial sectors but have been more pronounced in the industrial sector.

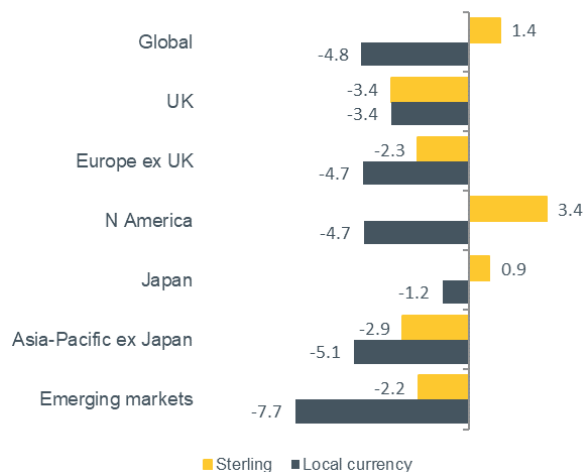
Gilt yields chart (% p.a.)



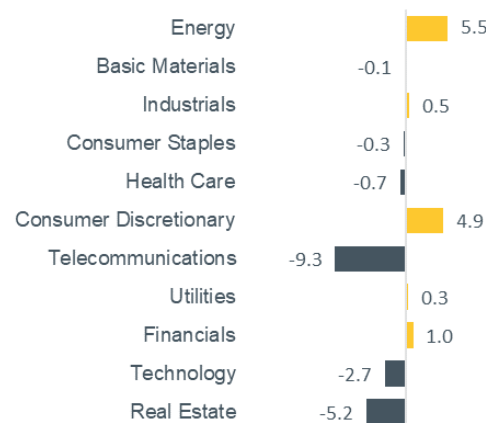
Investment and speculative grade credit spreads (% p.a.)



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.

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Geometric v Arithmetic Performance

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

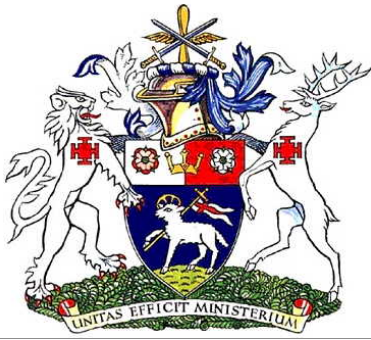
$$\frac{(1 + \text{Fund Performance})}{(1 + \text{Benchmark Performance})} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

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

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

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



Pension Fund Committee 31 January 2023

Title	Policies and Procedures Report
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Summary of the Policies and Procedures for the London Borough of Barnet Pension Fund
Officer Contact Details	Mark Fox, Pensions Manager – 0208 359 3341

Summary

This report provides the Pension Fund Committee with an update on the policies and processes for the Barnet Pension Fund, along with the dates for review, which will be followed by review and approval by the Committee.

Officers Recommendations

The Pension Fund Committee are requested to note the policies and processes and the dates for future review.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Pension Fund Committee has a responsibility to “approve and act in accordance with statutory Pension Fund documents”:
- Statement of Investment Principles (now referred to as the “Investment Strategy Statement)
 - Funding Strategy Statement
 - Governance Policy Statement
 - Pension Administration Strategy
 - Communication Policy Statement
- 1.2 Appendix A sets out the policies and processes that are currently in use by the Fund. Most of these polices are required by legislation.
- 1.3 The LBB Pensions Team have reviewed these documents and determined the frequency that these polices will be reviewed and the date of the next review.
- 1.4 Following a review of a policy by the LBB Pensions Team, the policies will be presented to the Committee for approval.

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 polices and processes of the Barnet Pension Fund, good governance of the Pension Fund is maintained. This is because good governance ensures the smooth running of the Fund with the 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

APPENDIX A

POLICIES AND PROCESSES FOR THE LONODN BOROUGH OF BARNET PENSION FUND

LGPS Policy	Regulation	Date approved by Pension Fund Committee	Period for review	Date last updated	Date for next review
Funding Strategy Statement	Regulation 58 of the LGPS Regulations 2013	Nov 19	Triennial	Feb 20	March 23 - as part of the valuation process
Administration Strategy Statement	Regulation 59 of the LGPS Regulations 2013	n/k	Biennial	May-21	July-23
Governance & Compliance Statement	Regulation 55 of the LGPS Regulations 2013	n/k	Annual	Dec-17	June-23
Investment Strategy Statement	Regulation 7 of the LGPS Investment Regulations 2016	n/k	Annual	Feb-21*	Jun-23
Deferred Debt & Debt Spreading Agreement Policy	Regulation 64(7A) and Regulation 64B of the LGPS Regulations 2013	Oct-21	Biennial	Dec-21	Dec-23
Exit Credit Policy	Regulations 3 of the LGPS (Amendment) Regulations 2020	Oct-21	Biennial	Oct-21	Oct-23
Contribution Review Policy	Regulation 3 of the LGPS (Amendment) (No. 2) Regulations 2020	Dec-21	Biennial	Jul-21	Jul-23
LBB Employer Discretions Policy	Regulation 60 of the LGPS Regulations 2013	n/k	Annual	Sep-21	Jun-23
Communication Policy	Regulation 61 of the LGPS Regulations 2013	n/k	Annual	May-21	May-23

Reporting Breaches procedure	Section 70 of the Pensions Act 2004	n/k	Biennial	Jun-21	May-23
Admissions and Cessations policy	n/a	n/a	Triennial	Dec-18	Jun-23
Overpayment Recovery Policy	n/a	n/a	Triennial	Dec-19	Sept-23

*The ISS can be modified in between full reviews.

	AGENDA ITEM 15 Pension Fund Committee 31 January 2023
Title	Developing the Fund’s Responsible Investment strategy - update
Report of	Executive Director of Resources (S151 officer)
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A - Summary of RI day sessions Appendix B - Update on Officer activity following the RI day Appendix C - High-level timeline 2023
Officer Contact Details	David Spreckley, Head of Pensions and Treasury 020 8359 6264
Summary	
<p>This report provides 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.</p> <p>Specifically, this report covers:</p> <ul style="list-style-type: none"> - A summary of the output and discussions at the Fund’s RI day held on 1 December 2022 - Draft principles for constructing the Fund’s Net Zero strategy - An update on activity by Officers to progress the Fund’s RI strategy 	
Officer Recommendations	
<p>That the draft principles for developing a framework for working towards a Net Zero investment strategy (as set out in the report under paragraph 1.18) are agreed.</p>	

WHY THIS REPORT IS NEEDED

- 1.1 On 1 December Officers, Pension Fund Committee and Local Pension Board members held a days' conference considering Responsible Investment issues with a focus on developing the Pension Fund's Net Zero strategy
- 1.2 We hosted speakers from a number of different organisations and the conference was held at Middlesex University. General feedback has been that the conference was a positive and constructive event and will provide a good platform to develop Barnet's Responsible Investment policies
- 1.3 This paper summarises the key output from the event plus the plan for taking our Responsible Investment policies forward through 2023

Summary of the Day

- 1.4 The day comprised six sessions. Materials for each of the sessions have been circulated to Committee members and attendees. The session was also recorded and Officers are considering how these recordings can be condensed down into bite size training modules for future reference
- 1.5 The overall theme of the session with their key messages are summarised within Appendix A
- 1.6 Appendix B provides an indication of initial thinking of Officers to take forward actions (for information only at this stage)
- 1.7 Note that the issues are complex and we expect this process to continue through-out 2023 before we are able to make firm proposals to the Committee.
- 1.8 However, Officers will work to keep the Committee up-to-date with progress in between Committee meetings so PFC members can see the progress being made. A timeline of anticipated activity during 2023 is set out in Appendix C
- 1.9 To close the day we broke out into two groups to consider how we take actions forward for the Barnet Pension Fund – a broad summary of the discussion is set out in the section below.

Summary of concluding discussions

- 1.10 The discussions were split out into the following three areas:
 - Net Zero
 - Engagement (e.g. Stewardship, Voting)
 - Impact investment

Net Zero strategy

- 1.11 There was an extensive discussion around what Net Zero target the Barnet Pension Fund should set - there was broad agreement that Barnet should set a Net Zero target, but there was disagreement about how this should be framed.
- 1.12 On the one hand, there was a feeling, which was broadly supported through the sessions, that setting a target that was aligned with the Council's 2030 target was not credible because the "real world" we would be investing into would not be Net Zero and so there would be a lack of breadth of opportunities to invest in
- 1.13 However, and on the other hand, there was a feeling that the Pension Fund's target should be consistent with what the Council was aiming to achieve on its operational side and that setting a later Net Zero target would be sending a conflicting message about what the Council was looking to achieve.
- 1.14 In summary there was broad consensus of sentiment that the Council should target a Net Zero strategy as soon as possible, but whether the right approach would be to:
 - to set a very ambitious target (e.g. 2030) to drive momentum and energy towards meeting it, but with a recognition that the target would be difficult to achieve; or
 - set a more realistic target (2040+) and seek to accelerate against that target.
- 1.15 It was also noted that we need to be very conscious that reducing Carbon emissions in the Pension Fund does not necessarily reduce Carbon in the real world
- 1.16 That said, we also noted that "making a statement" that we are aiming for a Net Zero Target would help drive the market and behaviour in the wider economy, and so does have value that will drive outcomes indirectly
- 1.17 Officers have developed a possible Framework, which we will develop with our advisors for initial consideration at the March 2023 PFC meeting – a summary of the initial thinking is set out in Appendix B of this paper

1.18 Underpinning the development of this framework will be the principles we work to. Officers are proposing the following guiding principles for formulating our Net Zero strategy:

1. **Leading and credible voice:** Our framework should provide a platform for Barnet to be a leading voice in discussions around targeting a Net Zero strategy for an LGPS Pension Fund
2. **Ambitious and measurable:** our target should be evidence based, credible, measurable and ambitious
3. **Risk and return focused:** We should not compromise risk or return potential in targeting a Net Zero strategy
4. **Wider Council alignment:** We should echo the wider targets set by the Council

1.19 Officers are seeking agreement from PFC members that these are the right principles to build our framework around.

Engagement

1.20 There was a discussion around our reporting around engagement. Overall, it was felt that hearing presentations from Hymans, LCIV and EOS was very positive as it 'brought to life' the work already being done around engagement. However, from Barnet's point of view there is less clarity around how to take this element of our Responsible Investment strategy forward.

1.21 It is Officers' view that Barnet could improve governance by increasing the frequency and transparency of reporting around engagement.

1.22 Stewardship is complex, and Officers are keen to make sure they understand how the engagement and stewardship "chain of command" works for the investments Barnet hold as a first step – initial thinking around this is set out in Appendix B

Impact

1.23 Whilst during the day the concept of Impact investment was seen as being an interesting area to explore, there was no appetite to set an explicit objective around this

1.24 We also noted the FCA consultation on Sustainability Disclosure Requirements, which is due to conclude during 2023.

1.25 Officers will consider Impact in more detail once the conclusions of the FCA review are available and we are clearer as a Council on our strategy around Net Zero and Engagement / Stewardship.

2. REASONS FOR RECOMMENDATIONS

2.2.1 The Council has ambitious plans to meet its responsibilities around sustainability generally and climate change specifically. Having clarity on the principles we will use to develop our NetZero strategy will help frame future conversations and make it more likely that our strategy will meet the desired outcomes

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1.1 Not applicable.

4. POST DECISION IMPLEMENTATION

4.1.1 Not applicable

5. IMPLICATIONS OF DECISION

5.1.1 Corporate Priorities and Performance

5.1.2 Good management of the Pension Fund, including developing governance around climate change and ESG, will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities.

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

5.2.1 there are no direct resources issues however changes in the financial performance of the pension fund affects the pension fund deficit reflected in the Authority's accounts and the level of contributions payable by the Council and other employers.

5.3 Social Value

5.3.1 The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.

5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.

5.3.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long-term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

5.4.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) to review the investment strategy and publish a statement of any revisions made.

5.4.2 The Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee, (1) the approval of the Investment Strategy Statement (ISS) and (2) the appointment of investment managers. This paper considers factors that will influence the asset allocation set out in the ISS.

5.5 Risk Management

5.5.1 Risk management is central to the LGPS; which are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.5.2 Understanding the causes of sources and variabilities of scheme returns informs the management of investment and funding risk.

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, although consultation may ultimately be needed before formalising any specific targets around Net Zero.

5.9 Insight

5.9.1 Not applicable

6. ENVIRONMENTAL CONSIDERATION

6.1 Not relevant.

7. BACKGROUND PAPERS

7.1 A paper summarising the Fund's Responsibility Investment activity to date was shared at the July 2022 Pension Fund Committee meeting and can be accessed [here](#)

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Appendix A – Summary of RI day sessions

A very brief summary of the sessions held at the Responsible Investment day is provided below:

	Session	Summary
1	Why are we here?	<p>Kris de Mayer from UCL Climate Action Unit delivered a talk on the broader issue of Climate Change</p> <ul style="list-style-type: none"> - Extreme weather events now 4x more likely - Focus on what can be achieved – every 0.1 deg we manage to reduce warming by will have a positive impact - Risks relating to climate change are very difficult to quantify given how interconnected systems are - Think about how we can use our capital to accelerate the transition <p>Kris shared an interview he conducted with The Little Questions Podcast</p> <p>The Little Questions: Interview with Dr Kris De Meyer, Director of the UCL Climate Action Unit (libsyn.com)</p>
2	Context for BPF – where are we?	<p>Hymans discussed the progress that had been made by the Fund to date, which is summarised below:</p> <ul style="list-style-type: none"> - 51.5% of target allocation in currently mandates with RI objectives, all of which was implemented in the last 3 years - Up to 71%* of the strategy could be invested in mandates with RI objectives immediately - Up to 80%* of the strategy could be invested in mandates with RI objectives within 1-3yrs - Up to 100%* of the strategy could be invested in mandates with RI objectives by ~2030 <p>One area Hymans noted that the BPF could do more around is our overall monitoring and reporting of manager activities.</p>
3	Refresher on risk management and investment principles	<p>Hymans gave an overview around risk.</p> <p>Hymans' presentation noted:</p> <ul style="list-style-type: none"> - LBBPF has an estimated c.£4bn of projected nominal future benefit payments, which could be higher depending on demographic and financial experience... ...but only c.£1.5bn of assets currently to meet those obligations. The balance can be made up from contributions and investment returns of at least 4.6% p.a.

	Session	Summary
		<p>Hymans set out a two-stage approach to considering risk and investment decisions:</p> <ul style="list-style-type: none"> - Firstly, consider financial metrics and whether suitable; - Secondly consider suitability of non-financial metrics
4	Key stakeholder's journeys	<p>The broad targets for our two key stakeholders (LCIV and the Council) are summarised below:</p> <p>London CIV</p> <p>London CIV has committed to become a Net Zero entity by 2040 in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C. It will also become a Net Zero Company across operational and supply chain emissions as early as 2025.</p> <p>However, LCIV are committed to providing Funds for Councils who would wish to seek an earlier target.</p> <p>Barnet</p> <ul style="list-style-type: none"> • We will work to future proof our borough, safeguard our environment, protect our green spaces and biodiversity for our generations to come. • We will work together with local people, communities, and businesses across the borough, to become net zero carbon in Barnet by 2042, and for the Council by 2030. • We will put sustainability at the heart of what we do and empower local communities to do the same, taking action to tackle the most pressing environmental challenges affecting our borough <p>We also heard from Rachel Cowburn from London Borough of Hackney who talked about Hackney's journey and specifically about the tension between the Council's target and the Pension Fund's target.</p>
5	Impact Investment	<p>On impact, we noted that all investments have "impact", however, the FCA is codifying what Investment Managers can classify as Impact and London CIV talked to specific Funds that they offered which could be considered as having an 'impact' through an ESG lens.</p> <p>The FCA review's aims is to build trust and integrity in ESG-labelled instruments, products and the supporting ecosystem and the publication of FCA final rules and guidance in a Policy Statement by the end of H1 2023.</p>

	Session	Summary
6	Stewardship vs. divestment	<p>This was the most difficult session to summarise as Stewardship and engagement is intrinsically complex involving many parties.</p> <p>We heard from London CIV, a London CIV partner, Federated EOS Hermes and Hymans on the different channels for engaging with the companies that the Fund invests in. Overall, it was felt that engagement was a better means of affecting change than divesting.</p> <p>Examples of Stewardship activities conducted by Federated EOS Hermes is set out below:</p> <p>Decarbonisation and low-carbon actions</p> <ul style="list-style-type: none"> - Transition plans aligned with achieving the 1.5°C goal of the Paris Agreement, covering relevant Scope 1, 2 and 3 emissions to achieve net-zero emissions by 2050 or sooner - Supporting strategy, including development of low-carbon products and services to thrive in a low carbon economy <p>Physical climate risk</p> <ul style="list-style-type: none"> - Climate change is already having material impacts and warming of at least 1.5°C is now almost inevitable - Companies should assess exposure to this risk and demonstrate resilience through the development of adaptation plans <p>Disclosure, governance</p> <ul style="list-style-type: none"> - Support for TCFD disclosures, to enable investors to access the information necessary to fully assess the quality of a company's climate action plan and determine its physical and transition risk exposure - Successful transition requires climate-competent governance structures, enabling remuneration schemes, and public policy positions that help build a supportive policy environment

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Appendix B - Update on Officer activity following the RI day

Officers are working with their advisors to develop the Fund's Responsible Investment strategy. A brief update of this together with a high-level timeline is set out below:

Net Zero

A summary of initial thinking around how we might frame our Net Zero strategy is set out below:

- It is possible in 2023 to establish a portfolio that is Net Zero.
- The issue is that this portfolio is unlikely to be optimal in terms of risk, return and cost effectiveness.
- The problem we have as a Council to create meaningful debate on this issue (with other key stakeholders and the broader communities we are part of) is that we are not able to articulate this with data and we do not know where the 'gaps' are (for example, we may very well be able to in 2023 construct a Net Zero strategy that achieves the required level of return, but it introduces too much cost or risk to make sustainable). Without knowing what we are aiming for it feels difficult for us to move forward constructively.
- One avenue Offices are exploring is to develop a "parallel" portfolio that would meet a Net Zero position by 2030 ("BarNETZERO Target") and assess this under key investment risk / return lenses. This will allow us to identify how converged we are with the Target portfolio.
- We are then considering how we could map out a plan for converging towards the BarNETZERO Target" portfolio over the next 7 years.
- All future investment decisions will have a step which tests convergence with the BarNETZERO Target portfolio – if a decision puts us backwards in terms of convergence then that decision would need to be reviewed and justified.
- We could then use BarNETZERO Target as a means of identifying where the gaps are and use it as a means to influence key stakeholders in terms of our requirements (e.g. London CIV). We could publish BarNETZERO Target and use it as a means of engaging with our communities.
- To be clear – we would not fully converge with BarNETZERO Target if the risk / return / cost profile does not meet our broader requirements for the Fund (Principle 4).

Officers will engage with the Committee over the next five months to bring their thinking around BarNETZERO Target to life

Engagement

Officers are keen that valuable resources are focused in areas that are likely to yield the greatest impact.

This is likely to mean developing relationships and seeking to influence our immediate key stakeholders (London CIV / LGIM / Federated Hermes, LAPPF) rather than seeking to engage in dialogue with companies directly.

Officers are working through the following steps:

Step 1 – Map out what happens currently, who does what, what policies are, what people have the most influence and what influence Barnet is likely to have directly

Step 2 – In understanding the landscape, Officers, in conjunction with their advisors, will develop a reporting framework around this for Committee together with an engagement plan for Officers and Committee, which could include meetings with key stakeholders, specific presentations, letters etc.

Step 3 – having understood the landscape, reporting and engagement strategy Officers will update its RI policy to reflect practices and processes developed

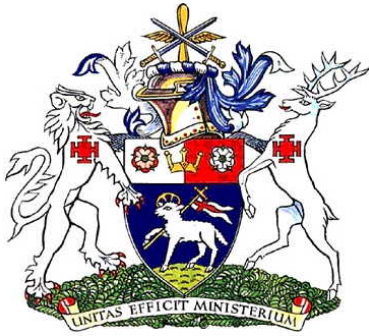
We have considered where we might have the most influence with our advisors and summarise our initial thinking below which we will seek to develop through 2023

Appendix C – High-level timeline 2023

A high-level timeline of anticipated activity during 2023 is set out below:

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Governance	★ 31 Jan PFC meeting		★ 22 Mar PFC meeting			★ June PFC meeting				★ Oct PFC meeting	RI Policies update	
Net Zero Strategy	Principles Agree	Work with Hymans to develop 'parallel' NetZero strategy and convergence milestones			Proposal to adopt 'parallel' Net Zero Strategy and Framework for converging			Consider and recommend convergence step 1.				
Stewardship / Engagement	Map out current engagement 'chain' and key influencers		Develop Reporting Framework		Develop stakeholder engagement strategy maximising impact (reach / influence)							
Impact				Feedback from FCA review								

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Pension Fund Committee

AGENDA ITEM 16

31 January 2023

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 – Explanation of Two Stage contribution test Appendix B – Summary of provisional contribution rates (excl Middlesex University)
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.

Officers shared details of the proposed assumptions and approach for the 31 March 2022 valuation at the 10 November 2022 Pension Fund Committee meeting. A consultation on the approach was held over the period 1 November 2022 to 31 December 2022.

This paper sets out final proposals for the approach we will adopt for the 31 March 2022 valuation and indicative contribution rates for employers.

Officers Recommendations

That the Committee agree to the modify the approach for certain employers to a two-stage test (as explained in Appendix A) to maintain stability of funding contributions.

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 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 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

Item	Time frame	Progress
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	Done Note introduction of two test approach to maintain Funding Stability for the 2022 valuation
Share draft results and contribution requirements with each employer	November to December 2022	Done
Finalise results and implement Rates and Adjustment certificate	By 31 March 2023	Pending
New contributions come into effect	From 1 April 2023	Pending

Update on Valuation process

- 1.6 We have concluded the valuation consultation and now submitted provisional results letters to all employers. We had very little feedback on the approach we are proposing to adopt, however, through the consultation, and after inspecting the provisional results with the Scheme Actuary, we have proposed a modification of the approach to help stabilise contribution rates.
- 1.7 The details of the modification made and the rationale for this is explained in Appendix A.
- 1.8 A summary of proposed contribution rates is set for all employers (excluding Middlesex University where we are having separate discussions) is set out in appendix B.
- 1.9 We are also exploring a modification of approach for the Council to reflect the impact of prepaying contributions following the 2019 valuation.
- 1.10 You will note that contribution rates for the majority of employers have remained the stable. This is consistent with our overall approach to keep contribution rates stable and legislative requirements.
- 1.11 Where contribution rates have increased, the Pension Team have organised a meeting with the impacted employer and if affordability is a concern we may discuss options around phasing in the propose increase.

Unexplained Data item

- 1.12 As noted at the November PFC meeting, 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”.
- 1.13 We are still in process of analysing these differences but do not wish to delay the production of results due to this issue. The fund actuary is comfortable with this.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Pension Funding is intrinsically uncertain and can be volatile. The Head of Pensions believes that the introduction of a two-stage test for the 2022 valuation is financially prudent and protects the sustainability of the Fund.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not implementing a second test for certain employers. The introduction of a second test for certain groups of employers was in response to initial results indicating that contribution rates would reduce for a large cohort of employers. The Head of Pensions, having taken advice of the fund actuary, did not feel it was appropriate to reduce contributions as initially indicated under test 1 at this time given likely headwinds and, specifically, commentary from the Scheme Advisory Board.

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 strategy statement.pdf \(barnet.gov.uk\)](#)
- 7.2 A link to the November Committee papers covering the valuation is linked [here](#)

AUTHOR TO COMPLETE TABLE BELOW:

Who	Clearance Date	Name
Committee Chair		
Executive Director of Strategy and Resources		Anisa Darr
Enabling Board / Delivery Board		
Commissioning and Policy		
Equalities & Diversity		
HR Business Partner		
Strategic Procurement		
HB Public Law	16 January	Sharon Clarke
Finance		
Governance	15 January	Paul Frost

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2022 Valuation

Consultation Update

Introduction of second test to validate contribution decreases

Introduction

This paper sets out rationale for introducing a second test to validate whether contribution rates should reduce over the period 1 April 2023 to 31 March 2026.

There are several employer groups with different characteristics. This approach is not being applied to MDX, B&S and contractors.

There are also important technical, legislative and economic considerations relevant to the recommendation.

In summary:

- Using a time frame of c17 years and a probability of success of 70% within Hymans' Model suggests that contribution rates reduce for most employers.
- Playing in the observed reduction in long term real interest rates since 2019, commentary from the Scheme Advisory Board and a general requirement for stability we propose that a second test (test 2) is introduced which uses a slightly shorter timeframe of 15 years and probability of success of 80% - contributions will only decrease if they are assessed to do so under this second test..

- The combined result of Hymans' Model + test 2 is that for the majority of employers the contribution rate remains consistent with the 2019 rate.

The remainder of the paper consider the regulatory and economic context, more information on Hymans' modelling and an explanation of how Test 2 is applied.

Legislative and 2019 context

Legislative and regulatory context

The LGPS 2013 regulations each LGPS Fund to put in place a Rates and Adjustment certificate prepared by an Actuary – this is the legal document that imposes a contribution requirement on employers.

CIPFA guidance requires the contribution rate to be prudent.

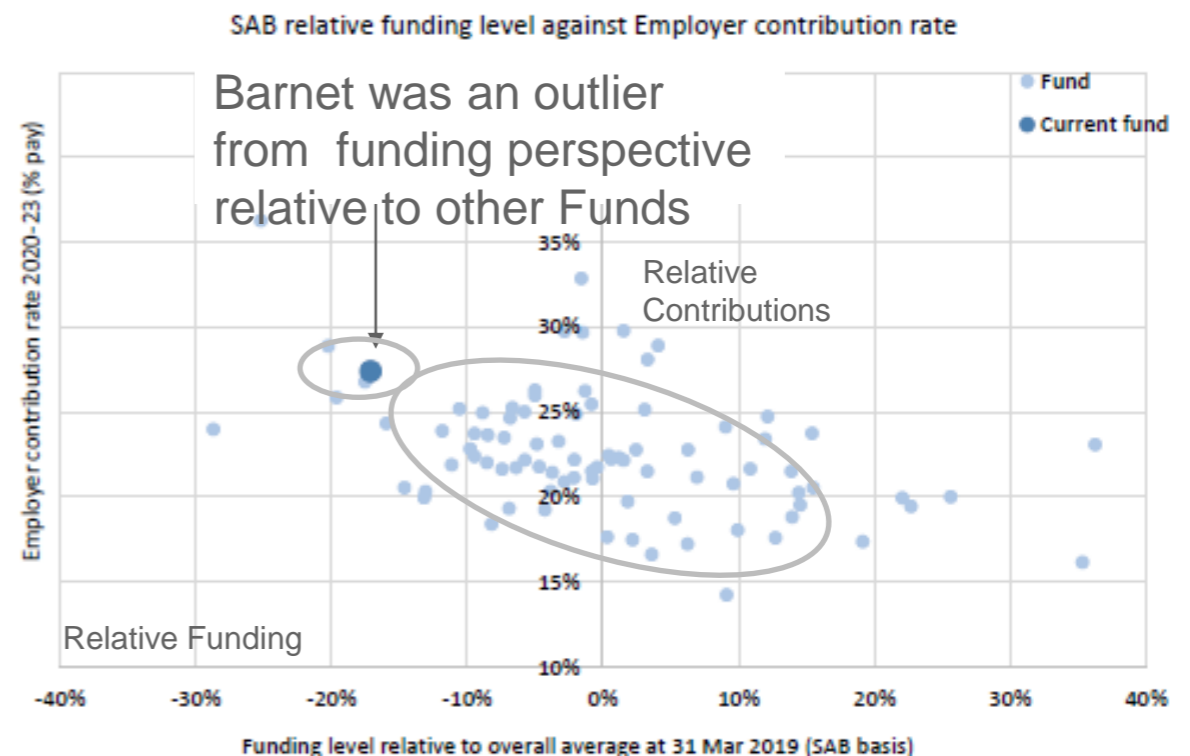
LGPS regulations require the method underpinning the rate to be stable.

The Government Actuaries Department (“GAD”) undertake a triennial review of Funds to check for consistency and overall solvency. GAD will speak to funds where they believe there is a fundamental funding issue.

2019 Position

GAD’s analysis of the 2019 valuation is shown in the chart to the right.

GAD’s analysis shows that at the 2019 valuation, Barnet (the dark blue dot) was amongst least well funded funds (on GAD’s standardised basis). GAD did not seek to speak to Barnet because Barnet were also paying amongst the highest contributions towards their fund.



We do not have information to confirm where Barnet sits relatively at 2022, however, whilst we may see some convergence towards the pack, Barnet is still likely to be a marginal outlier.

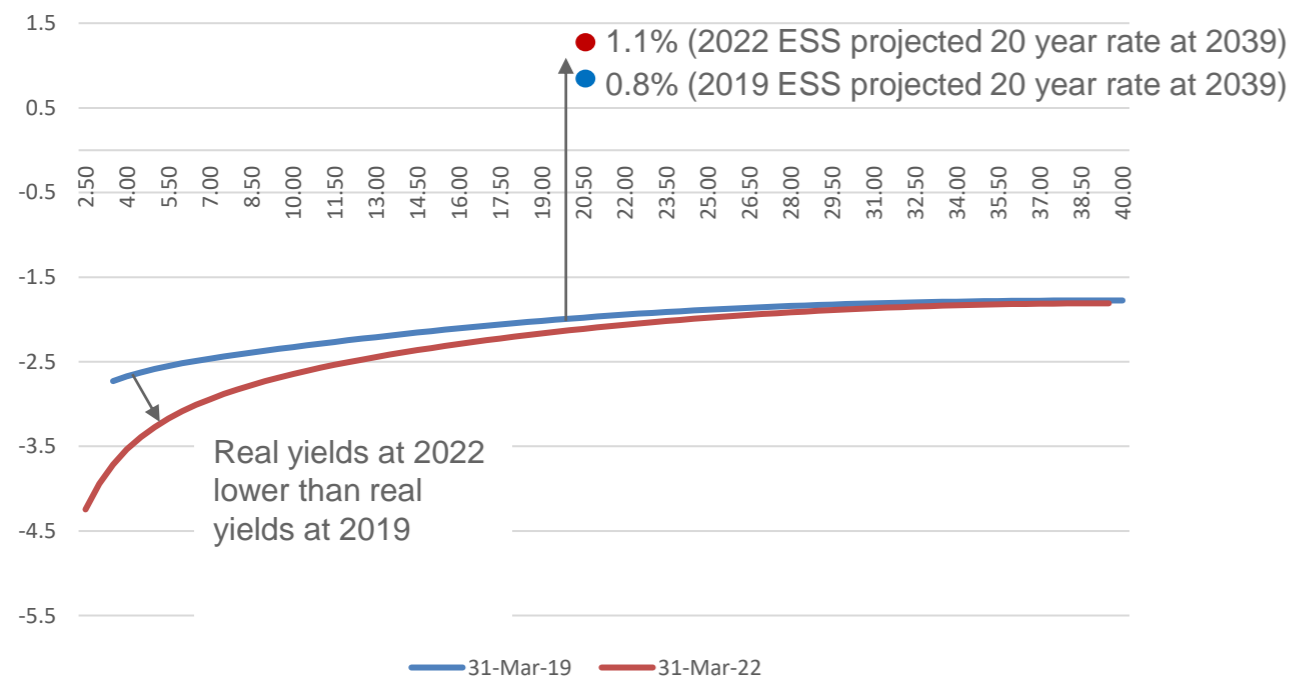
Economic and model context

Real Interest Rates

Long-term real interest rates are the primary driver for pension costs as they drive expectations around future investment returns. The real ‘risk free’ yield curve from market data at 2019 and 2022 is outlined below together with Hymans’ Economic Scenario Service (“ESS”) projection in 17 years time.

The chart shows that real market interest rates (the **blue** (2019) line relative to the **red** (2022) lines) decreased over the three years. This is reflected in Hymans advice where they recommended discount rates as follows

Hymans ESS model projects real yields rise and they are projecting this rise to be greater in 2022 than they did in 2019



Source: LBB analysis / Hymans reports

Metric	2019	2022
Discount Rate	4.4%	4.6%
Inflation	2.3%	2.7%
Net rate	2.1%	1.9%

However, under Hymans’ approach, the contribution rate is more influenced by the assumptions embedded within the ESS.

Hymans have increased the real Interest rates within the ESS (**Blue** dot to **Red** Dot) – i.e. a reversion to higher rate relative to market indicators.

In summary, this has led to Hymans’ model indicating a reduction in contribution rates if we use a timeframe of 17 years and a probability of success (under the ESS model) of 70%.

Regulatory context and post valuation experience

Scheme Advisory Board (SAB) statement

Given economic headwinds' the SAB have cautioned against LGPS funds reducing contribution rates substantially. A link to the SAB's comment on this can be found [here](#)

Stability

It is a regulatory requirement that contribution rates are stable. To the extent contribution rates are reduced we will need to consider the ability for employers to be able to increase them again if required.

Post valuation experience

Inflation has turned out to be higher than anticipated at 31 March 2022 and investment markets are volatile. Whilst real interest rates have increased rapidly since the valuation it is too early to say how this might impact asset price growth over the long-term. Reflecting this, Hymans are cautious on funds seeking to reduce rates too heavily based on expectation at 31 March 2022.

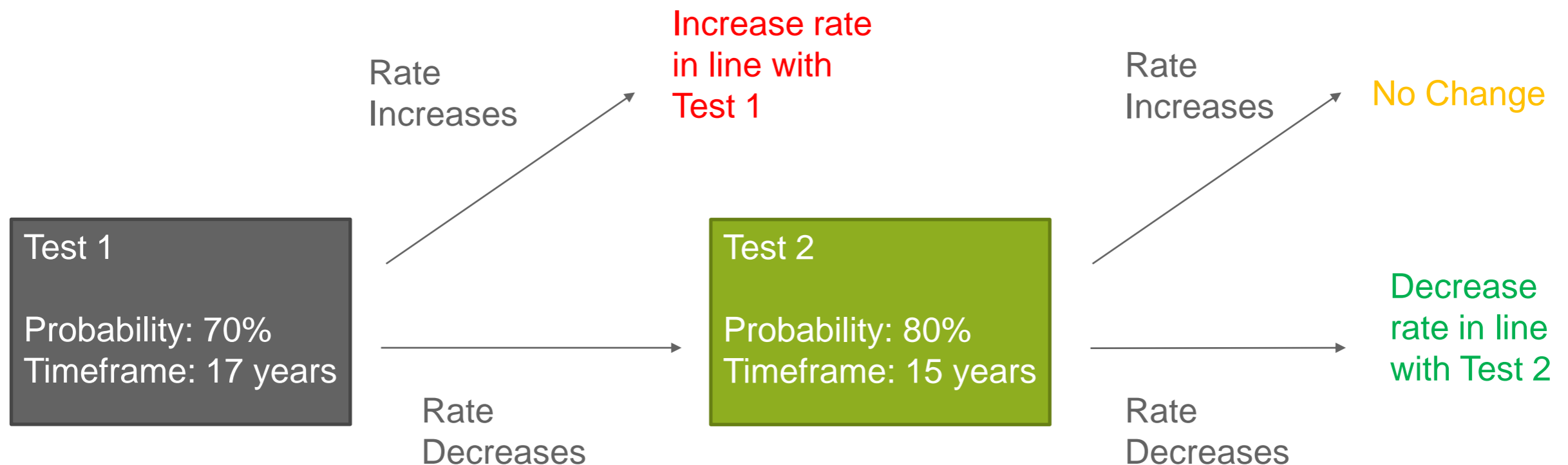
In recognition of this, we have worked with Hymans to develop a two stage process for validating whether contribution rates reduce – see next page

Two stage contribution rate test

As noted, Hymans' ESS model assumes an increase in long-term real interest rates and a higher increase relative to what was assumed in 2019. A consequence of this is that Hymans' model is generating lower contribution rates relative to 2019 for many employers.

Given general economic uncertainty around investment markets and high inflation expectations, reducing contribution rates at this time may not be prudent. After discussions with Hymans we therefore propose a two stage test to validate whether contribution rates should reduce. The second test replicates the first test, but assumes a shorter timeframe and increased probability of success – note this test is not used for MDX, B&S college or contractors.

The process is summarised below:



Appendix B – Summary of proposed employer contribution rates from 1 April 2023

Highlighted Yellow indicates a change relative to 31 March 2019 valuation

Employer	Academy	2019 contribution primary rate	2019 secondary contribution rate/amount	2022 primary contribution rate	Change in primary contribution rate	2022 secondary contribution amount	Total Contribution rate	Funding Level - 2019	Funding Level - 2022	Asset Share (£k)	Surplus/Deficit (£k)
Hendon School	Y	23.8%		19.5%		4.3%	23.8%	106%	121%	£6,845.0	£1,170.8
Queen Elizabeth Boys School	Y	23.8%		19.3%		4.5%	23.8%	93%	96%	£3,598.6	-£153.6
Mill Hill County High	Y	23.8%		20.0%		3.8%	23.8%	104%	106%	£5,528.5	£296.6
Woodhouse College		26.4%		20.1%		3.7%	23.8%	92%	104%	£5,510.7	£207.0
Ashmole Academy	Y	23.8%		19.3%		4.5%	23.8%	97%	107%	£7,522.2	£489.4
Hasmonean MAT	Y	23.8%		20.1%		3.7%	23.8%	81%	94%	£4,500.5	-£292.3
Greenwich Leisure		26.8%		28.4%	1.6%	-1.6%	26.8%	115%	126%	£6,533.8	£1,365.2
London Academy	Y	23.8%		18.3%		5.5%	23.8%	91%	99%	£5,232.4	-£73.8
Wren Academy	Y	23.8%		18.8%		2.2%	21.0%	123%	138%	£6,486.8	£1,781.5
Whitefield Trust School	Y	23.8%		19.5%		4.3%	23.8%	94%	102%	£3,269.7	£52.8
Middlesex Learning Trust - The Compton School	Y	23.8%		20.1%		3.7%	23.8%	90%	87%	£6,068.7	-£886.6
East Barnet School	Y	23.8%		20.1%		3.7%	23.8%	90%	103%	£5,277.8	£157.7
Independent Jewish Day School	Y	23.8%		19.3%		4.5%	23.8%	70%	70%	£248.2	-£105.0
Christs College	Y	23.8%		19.9%		3.9%	23.8%	97%	101%	£2,788.6	£29.3
Etz Chaim Jewish Primary	Y	23.8%		19.1%		4.7%	23.8%	121%	102%	£470.6	£10.8
NSL Ltd		24.8%	£11,000.00	25.5%	0.7%	£3,000	25.5%	87%	92%	£3,676.0	-£313.2
Copthall School	Y	23.8%		19.3%		3.5%	23.8%	111%	129%	£3,917.5	£870.9
Rimon Jewish Primary School	Y	23.8%		18.5%		3.3%	21.8%	149%	163%	£225.7	£86.8
BEAT		25.2%	£2,000.00	23.4%	-1.8%	£3,000	23.4%	78%	83%	£181.0	-£36.2
Deansbrook Junior School	Y	23.8%		21.4%		2.4%	23.8%	111%	119%	£2,514.2	£393.5

Appendix B – Summary of proposed employer contribution rates from 1 April 2023

Highlighted Yellow indicates a change relative to 31 March 2019 valuation

Employer	Academy	2019 contribution primary rate	2019 secondary contribution rate/amount	2022 primary contribution rate	Change in primary contribution rate	2022 secondary contribution amount	Total Contribution rate	Funding Level - 2019	Funding Level - 2022	Asset Share (£k)	Surplus/Deficit (£k)
Alma Primary	Y	23.8%		20.1%		2.8%	22.9%	139%	136%	£470.5	£123.9
St Andrew the Apostle School	Y	23.8%		19.7%		3.7%	23.4%	125%	137%	£927.6	£248.9
Archer Academy	Y	23.8%		20.2%		3.6%	23.8%	141%	137%	£1,646.0	£443.0
Broadfields Academy	Y	23.8%		19.4%		4.4%	23.8%	99%	112%	£4,177.5	£453.9
Capita Re *		21.2%	£380,000.00	20.3%	-0.9%	£433,000	20.3%	77%	89%	£43,716.1	-£5,400.3
Hyde School	Y	23.8%		19.3%		4.5%	23.8%	73%	84%	£1,446.1	-£278.4
Parkfield School	Y	23.8%		20.5%		3.3%	23.8%	82%	101%	£2,467.8	£16.5
Capita CSG *		22.1%	£455,000.00	21.4%	-0.7%	£497,000	21.4%	80%	91%	£52,453.0	-£5,055.9
Oak Lodge School	Y	23.8%		19.7%		4.1%	23.8%	30%	87%	£1,865.1	-£286.1
ISS		25.3%		27.7%	2.4%	-2.4%	25.3%	108%	119%	£9,481.8	£1,510.9
Alternative Provision Barnet Trust (Oak Hill School)	Y	23.8%		19.9%		3.9%	23.8%	75%	95%	£586.9	-£31.4
Saracens High School	Y	23.8%		18.4%		5.3%	23.8%	0%	129%	£674.1	£152.3
Summerside Primary Academy	Y	23.8%		20.1%		3.7%	23.8%	37%	82%	£1,114.1	-£239.5
Olive Dining (Archer Academy)		26.1%		28.4%	2.3%	-2.3%	23.8%	93%	144%	£90.2	£27.6
Olive Dining (St Joseph's Primary)		25.0%		28.3%	3.3%	0%	28.3%	100%	106%	£101.5	£5.8
Caterlink (Compton School)		26.4%		29.3%	2.9%	0%	29.3%	100%	97%	£352.1	-£10.3
HCL (Cophthall School) #		27.8%	5%	27.0%	-0.8%	0%	27.0%	82%	190%	£184.5	£87.2
Sacks Morasha Jewish Primary School	Y	23.8%		21.5%		2.3%	23.8%	7%	162%	£93.8	£35.7

Appendix B – Summary of proposed employer contribution rates from 1 April 2023

Highlighted Yellow indicates a change relative to 31 March 2019 valuation

Employer	Academy	2019 contribution primary rate	2019 secondary contribution rate/amount	2022 primary contribution rate	Change in primary contribution rate	2022 secondary contribution amount	Total Contribution rate	Funding Level - 2019	Funding Level - 2022	Asset Share (£k)	Surplus/Deficit (£k)
Kisharon Academy	Y	23.8%		18.5%		5.3%	23.8%	0%	74%	£418.3	-£143.3
Ark Pioneer Academy	Y	23.8%		19.8%		4.0%	23.8%	100%	145%	£275.9	£85.4
Childs Hill Primary	Y	23.8%		19.5%		9.2%	28.7%	18%	40%	£717.3	-£1,082.1
Bishop Douglass Academy	Y	23.8%		19.2%		8.8%	28.0%	29%	39%	£702.2	-£1,082.4
Barnet & Southgate College *		21.7%	£889,000.00	21.1%		£371,000	21.1%	85%	95%	£52,766.7	-£2,606.6
Barnet Homes *		20.1%	£587,000.00	19.4%		£636,000	19.4%	89%	95%	£74,239.1	-£3,768.2
Claremont Primary School	Y	0.0%		19.7%		4.1%	23.8%	90%	109%	£1,554.1	£122.7
Henrietta Barnett School	Y	23.8%		18.6%		5.2%	23.8%	99%	110%	£2,397.6	£213.1
LBB**		20.2%**	£7,804,000**	19.1%		£7,864,000	28.9%**	80%	88%	£824,554.2	-£114,033.8
Queen Elizabeth Girls School	Y	0.0%		20.3%		3.5%	23.8%	99%	107%	£3,609.4	£231.7
The Totteridge Academy	Y	0.0%		19.7%		4.1%	23.8%	94%	114%	£2,729.3	£338.5
Your Choice Barnet *		21.1%		20.2%	-0.9%	£17,000.00	20.2%	112%	120%	£17,433	£2,890
Tarmac Kier JV		34.8%		27.6%	-7.2%	0.5%	28.1%	n/a	87%	£891	-£133
BELS		23.1%		20.4%	-2.7%	3.9%	24.3%	89%	103%	£19,524	£499

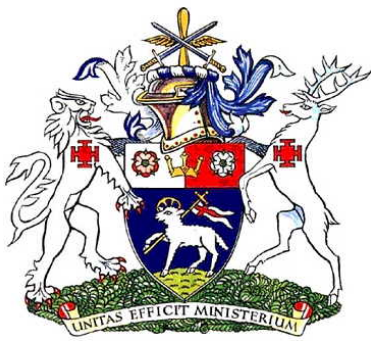
* Secondary rate increases each year

** Whilst the Rates and Adjustment certificate specified the Primary Rate as a percentage of salary and Secondary Rate as nominal amounts, for ease of administration LBB paid a total of 28.9% of pay over 1 April 2021 to 31 March 2023 (27.9% over 1 April 2020 to 31 March 2021) which comprised both Primary and Secondary Rates. A rebate process was then applied to reflect the prepayment of Secondary Contributions made in 2020.

Treatment of LBB's Secondary Rate from 1 April 2023 and whether it will be expressed as a percentage of salary or nominal amount is being considered.

Employer was paying 5% extra in lieu of Bond

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Pension Fund Committee 31 January 2023

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	
<p>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.</p>	

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 December, WYPF processed **1,135** cases, with **89.5%** of cases being completed within the agreed Key Performance Indicators (KPIs) targets. The number of processed cases is similar to the previous few months. The cases completed within their KPI is slightly below the 90% threshold that the LBB Pensions Team regard as good practice.
- 1.3 The reason for the slight drop in performance is probably due to WYPF being closed over Christmas and the staffing issues that WYPF are still experiencing.
- 1.4 WYPF updated the Local Pensions Board at their meeting on 6 December 2022 and advised that recruitment of staff is an issue across the pensions sector nationally and that once recruited, it can take a new employee 3-4 months to be able to do basic tasks and up to three years to be fully trained. Training new staff requires training from their colleagues, which has resulted in the recent reduction in performance.
- 1.5 The LBB Pensions Team is monitoring WYPF performance closely to ensure that performance and detailed reports on performance are provided to the Local Pension Board, who have also raised their concerns. The Pensions Team expect performance to improve over the next few months.
- 1.6 WYPF work in progress levels remain high, although it has reduced slightly over recent months. As of the end of December, there were over **2,400** outstanding items of work.
- 1.7 The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received by WYPF remains very low. Currently, there is one stage 1 IDRP appeals and one stage 2 IDRP appeal ongoing.

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. As of 12 January, this has increased to **98.5%** – meaning 93 members have not yet been issued with an ABS.
- 1.9 The Pensions Team continue to work with both WYPF and employers to ensure that these members receive a statement by the middle of March at the latest.

- 1.10 Although not all statements were issued by the deadline, the Pensions Team have decided that whilst this will be recorded on the Fund's breach log, no report will be submitted to The Pensions Regulator.

Data Improvement Plan

- 1.11 WYPF provide monthly data quality update reports to the Pensions Team on 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 are looking at ten areas of data where there are a large number of data issues that need correcting. The Pensions Team will be meeting with WYPF to ascertain progress and will provide an update to the Committee following this meeting.
- 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.
- 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. The TPR has targets for common data but not for conditional data.
- 1.16 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.
- 1.17 The common data score for December 2022 was **96.5%** which is above the TPR target. For conditional data, the score was **80%**, which is significantly higher than when WYPF took over the administration. The target is to get this number to 90% or above, which is why the Pensions Team and WYPF are focussing on correcting the data issues still outstanding.

Historical Leavers

- 1.18 WYPF inherited **c1,500** "historic leavers" which increased to **c1,950**, following the work undertaken by WYPF during the 2021 Annual Benefit Statement (ABS) process.
- 1.19 As of 3 January 2023, the total number of leavers outstanding had reduced to **659** with **420** "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 **308**.
- 1.22 The Pensions Team will shortly contact again all employer with historic leavers still outstanding requesting that they submit leaver forms to WYPF by 31 January 2023. If this deadline is not adhered to, the Pensions Team may
- 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

- 1.23 At the last meeting in November 2022, the Committee were advised of the large data experience item of c£50m, in the initial valuation report which the Pensions Team were investigating.
- 1.24 The Pensions Team have not been able to ascertain, at present, reasons for this anomaly, although it is believed that this is primarily down to the data issues arising from the 2019 valuation.
- 1.25 The Pensions Team are continuing to investigate this issue and will provide an update at future meetings until an appropriate reason for this discrepancy has been identified.

Pensions Dashboard

- 1.26 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.
- 1.27 The staging deadline for the LGPS is 30 September 2024.
- 1.28 WYPF have paused their tender process to find which platform provider they will use for Pensions Dashboard. This is because they may be able procure this service through the National LGPS Frameworks, who provide several services that LGPS Funds can use to deliver statutory services '*better, faster and cheaper*'.
- 1.29 The Pensions Team will continue to update the Committee at future meetings.

“McCloud” ruling – to finish

- 1.30 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.
- 1.31 The final regulations likely to be published in the first half of 2023 meaning that LGPS schemes will, for members in the Scheme between 1 April 2012 and 31 March 2022, need to do process two pension calculations, with the higher amount paid.
- 1.32 This applies to current members, as well as members who have left, retired, died or transferred their benefits out of the Fund.
- 1.33 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.
- 1.34 The Pensions Team will continue to update the Committee at future meetings.

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.

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

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London Borough of Barnet
Pension Fund Committee Work Programme
January 2023 – October 2023

Title of Report	Overview of decision	Report Of (officer)	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
LCIV presentation	To provide an update on LCIV developments	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

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent)
Knowledge and Understanding	To review Committee training completed and possible further training requirements	Chief Financial Officer	Non-key
July 2023			
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 31 st 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
October 2023			

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent)
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 20

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