

MEETING

PENSION FUND COMMITTEE

DATE AND TIME

THURSDAY 2ND NOVEMBER, 2023

AT 6.00 PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4AX

TO: MEMBERS OF PENSION FUND COMMITTEE (Quorum 3)

Chairman: Councillor Simon Radford (Chair),
Vice Chairman: Councillor Anne Hutton (Vice-Chair)

Councillors

Andreas Ioannidis Elliot Simberg
Mark Shooter Liron Woodcock-Velleman

Substitute Members

Nick Mearing-Smith Arjun Mittra
Danny Rich Peter Zinkin

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is Thursday 2nd November at 6PM. Requests must be submitted to governanceservice@barnet.gov.uk

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

Governance Services contact: governanceservice@barnet.gov.uk
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ORDER OF BUSINESS

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Minutes of the Pension Fund Committee

4 July 2023

Members Present:-

AGENDA ITEM 1

Councillor Simon Radford (Chair)
Councillor Anne Hutton (Vice-Chair)

Councillor Andreas Ioannidis Councillor Elliot Simberg
Councillor Mark Shooter Woodcock-Velleman

Apologies for Absence

1. MINUTES

RESOLVED that the minutes of the meeting held on 22nd March 2023 be agreed as a correct record.

2. ABSENCE OF MEMBERS

There were none. Cllr Shooter arrived during item 10.

3. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS

Councillor Radford declared a non-pecuniary interest by virtue of the fact that in his employment, sales colleague receive money from investment managers.

4. PUBLIC QUESTION AND COMMENTS (IF ANY)

There were none.

5. REPORT OF THE MONITORING OFFICER (IF ANY)

There was none.

6. MEMBERS' ITEMS (IF ANY)

There were none.

7. QUARTERLY INVESTMENT REPORT TO 30 JUNE 2023

The Head of Pensions and Treasury presented the report and noted that it provided an update on investment valuations, transactions and performance to 31 March 2023 and an update on asset values to 31 May 2023. Over the last 12 months, the fund's investments had reduced in value by around 3%.

It was explained that whilst assets had reduced, liabilities had also decreased, resulting in there being a funding surplus based on the actuary's long-term assumptions for investment returns and inflation. However, it was noted that whilst this was a positive position it could quickly unwind and so Officers had considered what action could be taken to consolidate this position – this was discussed further under item 9.

It was noted that Hymans had made some enhancements to the report recognising different benchmarks were applied to different managers (e.g some benchmarks were market-related and others were set relative to cash rates).

Hymans had highlighted five funds that require closer attention though still performing well.

In response to questions raised on Adam Street funds, it was noted that they were still building up and would continue to do so over several years before returning capital. Target allocation towards Adam Street is 5% of the fund.

The Chair enquired whether the 'unrated' funds would be rated at some point. The Hymans representative noted that London CIV were not formally rated by Hymans. Hymans provided an assurance note rather than supplying a formal rating.

Some other funds were unrated, such as Allianz Trade Finance Fund and would be rated in due course.

RESOLVED that:

The Pension Fund Committee noted the investment activities and performance of the Pension Fund to 31 May 2023.

8. POOLING UPDATE

The Head of Pensions and Treasury presented his report which provided the Committee with an overview of Barnet's Pooling activities. It was explained that in November 2015 the government published guidance for LGPS Funds to pool their assets with the objective of improving governance and cost efficiency. It was noted that London CIV is the Council's Pooling vehicle and key strategic partner. The paper provided an update on Barnet's activity with London CIV and pooling.

It was noted in the discussion that London CIV has a 2040 NetZero target and would therefore need to be reconciled with Barnet's ambition to be a NetZero Pension Fund earlier if in accordance with our broader fiduciary duty. The Head of Pensions and Treasury recommended engaging closely with London CIV whilst keeping 2030 as an anchor point to decision making.

The Head of Pensions and Treasury added that the government is keen for pooling to happen more quickly and a consultation would be launched within the next two months around this.

The Chair recommended that committee Members attend LGPS events and share information with the committee.

RESOLVED that:

the Pension Fund Committee noted the importance of pooling and the update provided by Officers.

9. INVESTMENT STRATEGY REPORT

The Head of Pensions and Treasury presented his report providing a summary of the investment transactions made from February 2023 to May 2023, and including an overview of the planned investment transactions in 2023.

The Head of Pensions and Treasury talked through the rationale for seeking to consolidate the Fund's surplus position - in order to consolidate the Fund's surplus position, the Committee was asked to agree to the recommendation to switch the Fund's Strategic Allocation from 50% growth assets / 50% income assets to 30% growth assets / 70% income assets.

The Chair explained that the proposals had been discussed with the Chief Finance Officer and Committee Members (including Cllr Shooter who was not in attendance for this item but who was overall supportive of the proposal based on prior discussions).

The Head of Pensions and Treasury stated that if agreed this would be implemented as soon as possible after the meeting.

In response to questions asked by the Committee, it was explained that switching the Fund's Strategic Allocation would continue to be evaluated and should there be any significant changes in the market conditions, a review would be undertaken.

Resolved that:

- a) In order to consolidate the Fund's surplus position the Committee agreed to the recommendation to switch the Fund's Strategic Allocation from 50% growth assets / 50% income assets to 30% growth assets / 70% income assets.**
- b) other investment transactions that have occurred so far in 2023, and the further planned transactions for 2023 were noted.**

10. ADMINISTRATION AND DATA REPORT

The Pensions Manager presented his report on administration performance by West Yorkshire Pension Fund (WYPF), with an update on the data improvement plan and historical leaver exercise.

The report also detailed the work undertaken by the LBB Pensions Team in trying to determine the cause of the £50m data experience issue detailed in the 2022 valuation report.

It was reported that the West Yorkshire Pension Fund remained in a good position and that there was continued work to monitor their performance. Good progress had been made on the annual benefit statements and they were currently on target.

A Member Newsletter would be issued over the next few days.

Data scores had increased due to WYPF carrying out major updates.

The Pensions Manager reported that investigations carried out by Barnet officers on the £50million data experience item had not come up with a result. No systemic issues had been identified. A proposal would be made to hold further investigations via a third-party provider. Details on the costs of doing this would be presented to the committee at the meeting in November 2023. The cost-benefit of carrying this out would need to be considered.

Resolved that:

- i) the Pension Fund Committee noted the current performance levels and updates on the data improvement plan and historical leaver exercise.**
- ii) the Pension Fund Committee noted the actions already taken by the LBB Pensions Team to determine the cause of the £50m data experience issue and the further measures being taken.**

Cllr Shooter joined the meeting.

11. KNOWLEDGE AND UNDERSTANDING

The Pensions Manager presented his report which summarised the actions that will be taken by the LBB Pensions Team to keep records of Committee Members' and Local Pension Board Members' training.

The Chair noted that some events attended by Committee members contained professional development points. He recommended that they update the Pensions Manager when they attend these.

Resolved that:

- 1) the contents of this report were noted.**
- 2) the recommendation of the LBB Pensions Team that Committee members complete the LOLA training by 31 October 2023 was noted.**

12. DRAFT ANNUAL ACCOUNTS

The Chair reported that since publication of the report additional items had been added to the timetable and that these were unexpected. An update from BDO on these would be presented to the Governance, Audit, Risk Management and Standards Committee to be held on the 25 July 2023.

Additional to the timetable of the 21/22 accounts: an interim visit is scheduled for March or April 2024 with final target for sign off August 2024.

Additional to the timetable of the 22/23 accounts: an interim visit November/December 2024 with final sign off January 2025.

It was noted that the delays were happening nationally, but there was concern as there was a discrepancy between the new dates and the previous timetable. At the previous meeting of the Pension Fund Committee on the 22 March 2023, when BDO had been present, assurance had been given by them that the accounts would be signed off by the end of March 2023 and this had not happened.

Resolved that:

the update on the 2020/21 audit, and the plan for the 2021/22 audit was noted, and it was noted that the committee could identify matters that it wished to bring to the attention of the auditor.

13. ADMISSIONS, CESSATIONS AND BONDS UPDATE

The Pensions Manager presented his report which provided a status update on the outstanding admissions, cessations and bond agreements/renewals.

The Pensions Manager reported that the LBB Pensions Team had been working with employers, West Yorkshire Pension Fund (WYPF), Hymans Robertson and HB Public Law to ensure the outstanding admissions and cessations were completed and that bond agreements were put in place.

It was noted that there had been no new admitted bodies to the Fund since the last update to the Committee. The LBB Pensions Team would be undertaking a review of the admissions, bonds and cessations process during the summer (2023), to make it more efficient. The Pensions Team would be providing an update on the review at the next Committee meeting.

The Pensions Manager reported that the cessations were progressing well.

Eight bond renewals were due to be completed very soon. Work was ongoing to simplify the process.

The Chair noted that items C and D of the report could be discussed in more detail in closed session. The committee agreed the decision could be made without the need for discussion in private session.

Resolved that:

- a) the progress on outstanding admissions, cessations and bond agreements/renewals were noted.**
- b) the admission into the Fund of Innovate (Blessed Dominic School), as detailed in paragraph 1.2 of the report was approved.**

- c) the update on Signature Education as detailed in paragraph 1.7 of the report was noted.
- d) the decision by the LBB Pensions Team in relation to the exit credit payment for OCS as detailed in Appendix D of the report, was approved.

14. RESPONSIBLE INVESTMENT

The Head of Pensions & Treasury presented his report and slides which provided an update on the framework developed to progress the NetZero Strategy. The framework sought to create a hypothetical 'Model NetZero' portfolio optimised on the priority of meeting a NetZero position by 2030 but also to generate a suitable risk-return profile.

The Head of Pensions and Treasury reported that the general response from broader stakeholders within the Pension Industry was that NetZero 2030 would not be easily achievable. The principles agreed by the committee and the Model Portfolio would support Barnet Council's aims to be a leading voice on NetZero and articulate its vision towards a NetZero 2030 position in a credible way.

The Chair thanked the Head of Pensions and Treasury for his work on this.

The Head of Pensions and Treasury reported that investment proposals would be brought to the committee over the next few cycles of meetings.

Resolved that:

The Committee noted the contents of the report and the progress made towards developing the Barnet NetZero strategy.

15. ANNUAL REVIEW OF PERFORMANCE OF ADVISORS

The committee discussed the item in closed session.

16. PENSION FUND COMMITTEE WORK PROGRAMME

The Pension Fund Committee noted the work programme.

17. MOTION TO EXCLUDE PRESS AND PUBLIC

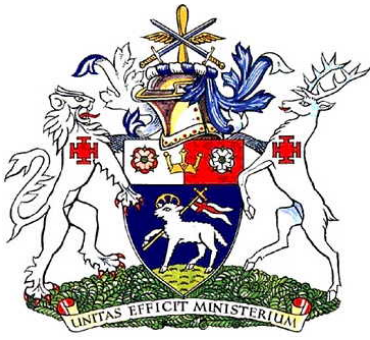
A motion was moved to discuss item 15 in private session.

18. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT

There were none.

The meeting finished at Time Not Specified

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AGENDA ITEM 7

Pension Fund Committee

2 November 2023

Title	Temporary Easement In Contribution
Date of meeting	2 November 2023
Report of	Chief Executive (Head of Paid Services)
Wards	All
Status	Public
Urgent	No
Appendices	None
Officer Contact Details	Jon Bell, Assistant Director of Human Resources and Organisational Development jon.bell@barnet.gov.uk

Summary

This report requests for the Pension Fund Committee to consider a series of options for the London Borough of Barnet, as an employer, to have a temporary easement in contributions towards the Pension Fund.

Recommendations

1. That the Pension Fund Committee considers the request of a temporary easement in employer contribution as set out in the paper.
2. That the Pension Fund Committee considers what additional assurances it would like in respect of the surplus position ahead of the next valuation.
3. That the Pension Fund Committee considers its position in relation to the existing policy.

1. Reasons for the Recommendations

- 1.1 This report updates the Pension Fund Committee on the national, regional and local financial landscape, its impact on the Medium Term Financial Strategy (MTFS) and options for consideration in respect of the employer contribution London Borough of Barnet makes to the Pension Fund.

1.2 The request is made on the basis of:

- An understanding the Pension Fund is at 130% funded and therefore in surplus;
- At the previous triennial valuation Hymans would have agreed to a 1% reduction in employer contribution, which the council chose not to take to maintain stability;
- “Employer Flexibilities” regulations introduced in 2020 provide a mechanism for the Rates and Adjustment certificate to be reviewed in between valuations;
- Since 31 Mar 2022 there has been a shift in national and local environment as set out in para 1.7. This has resulted in an in-year pressure on the council’s revenue position which will have an ongoing impact on future years. The impact is felt more acutely in 2024/25 and 2025/26, long term plans to address this through digital transformation and prevention is in place but takes time and therefore the temporary easement is requested – which would have the impact of protecting our revenues reserves position;
- The council is reviewing all aspects of expenditure and therefore in that spirit it is appropriate to also review the employer contribution, particularly as it is continuing to increase the surplus that exists in the Pension Fund while continuing to draw down on reserves the council holds. Reduction in reserves will have an adverse impact on the council’s ability to absorb future risks and therefore also has a potentially adverse impact on the Pension Fund.

Local Government and London Context

- 1.3 On 12 October 2023 London Councils published its representation to HM Treasury ahead of the Autumn Statement (expected on 22 November 2023). It had specific asks around housing and homelessness, Adult social care, Children’s services and supporting asylum seekers and refugees.
- 1.4 More generally London Councils set out that resources in London remain a fifth lower than in 2010, while the population has increased by almost 800,000. This pressure has been exacerbated by over £1bn in unfunded and underfunded new burdens over that period.
- 1.5 It sets out that 9 in 10 boroughs are expected to overspend on budget in 2023/24 by over 400m in total, with 1 in 4 forecasting overspends of over £20m. Savings of over £500m will be required across London in 2024/25 to balance budgets, as part of almost £2bn over next 4 years. Their analysis shows that outer London boroughs are the lowest funded per capita in the country and face particularly tough choices.

Barnet forecast for 2023/24 as at Q1

- 1.6 On 4 Sept 2023, Overview and Scrutiny Committee received a report on the forecast position for 2023/24 as at quarter 1. This shows a forecast overspend of £23m.
- 1.7 There are a number of national and local factors driving this position:
- Inflation: Bank of England, Office for National Statistics and other forecasting organisations were estimating inflation to be around 5-6% in 2023, based on this intelligence the council budgeted for non-pay inflation to be just under 8%. The

average non-pay inflation across contracts (including fuel, electricity and social care contracts factoring London Living Wage) was just under 10%;

- Interest rates: while interest rates are slowly decreasing, the Bank of England base rate rose to 5.25% in August 2023, this means externalising internal borrowing at a time of decreasing cash reserves is expensive;
- Contingency hotels: Barnet has 5 hotels in the borough being used by the Home Office to house approx. 1600 asylum seekers. On the 1 Aug 2023 the Home Office announced a change in procedure for discontinuation of asylum support for those who have received a decision – from 28 or 21 days to 7 days. The Home Office is also pursuing hotel maximisation through room sharing, meaning more people on receiving their right to remain could become eligible for housing within the borough. Good quality, housing at Local Housing Allowance (LHA) rate is in low supply and therefore increases costs for the council – subsidy is only claimable for temporary accommodation at 90% and landlords are charging rates over LHA rates;
- Changes to tax benefits for landlords: the Government’s changes to tax benefits to landlords has seen a number of them exit the market further reducing the supply of housing available;
- Adult social care: assumptions were made around the increase in demand and actuals have exceeded this, discharges from hospitals – where statistics show that Barnet is now the 2nd highest in London (887 per 100,000, compared to London average of 687 per 100,000) – has driven further increases in use of homecare and reablement;
- Independent Fostering Agencies (IFA): as a result of placement sufficiency nationally and locally, more IFA placements are needed for sibling groups and children with more complex behaviours. Delays within the court system have also meant existing placements have had to be extended, compounding the issue;
- Increase in solo provision placements: while exceptional in nature, these placements - for the safety of the child and / or others – are very high. Placements for six young person this year have resulted in an overspend of about £1.7m;
- Special Parking Account: changes in parking and travel behaviours associated with cost of living crisis and increased prevalence of working from home has resulted in reduced parking income. This year the deficit is estimated to be £3m, this is on top of funded deficits in the previous two years of similar amounts.

1.8 The council holds a number of useable reserves for specific purposes and to mitigate against unforeseen in year risks materialising. We hold general fund balances of £15m and earmarked reserves as at 31 Mar 2022 of £127m. These earmarked reserves include Community Infrastructure Levy (CIL), grant funded reserves and other reserves. Planned use against these categories and offsetting the forecast overspend would reduce ‘other reserves’ to approx. £25m. It is important to protect this position to ensure there continues to be a buffer for future uncertainties.

Medium Term Financial Strategy (MTFS)

1.9 The detailed Medium Term Financial Strategy (MTFS) along with savings templates are due to be presented to Overview and Scrutiny on 21 Nov 2023. However, the headlines are expected to be savings of approx. just under £100m to be found by 2030, with just under half of this

falling in 2024/25 (driven primarily by the in year forecast overspend – as detailed in para 1.6-1.7).

- 1.10 One of the options, being requested for the Pension Fund Committee to consider, to close the gap is a temporary easement in employer contribution in the region of £5-£8m in 2024/25 and 2025/26. The mechanism of this will need to be advised by the actuary, legal advisors and internal policies.
- 1.11 For the PFC's information, at the 31 March 2022 valuation, the Actuary would have accepted 27.4% as a contribution (projected over 17 years), however the council agreed to pay 28.4% to ensure stability. The estimate of the difference between 27.4% and 28.4% (as estimated by the council and subject to confirmation by the actuary) is worth around £10m in total, over the 17 year period.
- 1.12 It is understood that the current internal policy will need to be reviewed and updated and therefore PFC are asked to consider this.
- 1.13 The council also recognises that the surplus position is subject to market conditions and could unwind and therefore the council would invite the PFC to comment on whether a periodic or annual review of surplus would be appropriate.
- 1.14 Provision of the Local Government Finance Act 1992 sets out the legal requirement that a council must set a balanced budget by 11 Mar of the preceding one in respect of which the budget is set. This means the council would need a decision from PFC by mid-November in order to progress to Cabinet, public consultation and then full Council.

2. Alternative Options Considered and Not Recommended

- 2.1 'Do Nothing' option was considered but not deemed to be financially responsible. Do nothing would, in practice, mean increasing an overfunded pension reserve whilst drawing down on slim revenue reserves and this is unlikely to be in the long-term best interests of residents.

3. Post Decision Implementation

- 3.1 Further discussion with the Actuary and Legal to work through mechanisms of allowing the employer contribution to be reduced temporarily.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

- 4.1 The request set out here supports Our Plan for Barnet 2023-26. Under 'Being an effective and engaged council' the priority set out is 'making the best possible use of our financial resources, now and in the future, so that we are able to continue to deliver on what matters to Barnet residents'.

Corporate Performance / Outcome Measures

- 4.2 Not applicable in the context of this report.

Sustainability

- 4.3 Not applicable in the context of this report.

Corporate Parenting

- 4.4 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. The outcomes and priorities in Our Plan for Barnet 2023-26, reflect the council's commitment to the Corporate Parenting duty to ensure the most vulnerable are protected and the needs of children in care and care leavers when approaching business planning, to ensure decisions are made through the lens of what a reasonable parent would do for their own child.
- 4.5 Council, in setting its budget, considers the Corporate Parenting Principles both in terms of savings and investment proposals. The council's proposal seeks to protect front line social work and services to children in care and care leavers by finding alternative savings.

Risk Management

- 4.6 Risk management is central to the Local Government Pension Scheme (LGPS) and the council and this request by the council is attempting to manage risks in both areas.

Insight

- 4.7 The council uses a number of sources in informing the Medium Term Financial Strategy, including Office for Budgetary Responsibility (OBR), Office for National Statistics (ONS) and interest rate forecasts from advisors. In addition to this the council uses trend available for council tax and social care demand.

Social Value

- 4.8 Not applicable in the context of this report.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

- 5.1 Effective investment management is key to the sustainability of the Pension Fund.

6. Legal Implications and Constitution References

- 6.1 Under the Council's Constitution, Part 2B of the terms of reference for the Pension Fund committee includes: "the committee have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including - but not limited to the following:
- 6.2 To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice.
- 6.3 To consider actuarial valuations and their impact on the Pension Fund.

7. Consultation

- 7.1 Not applicable in the context of this report.

8. Equalities and Diversity

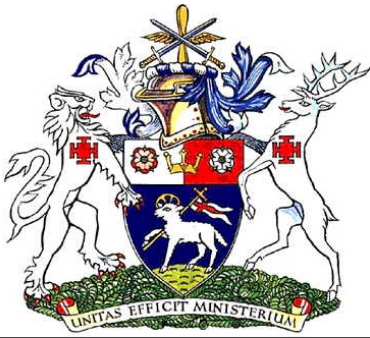
- 8.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is

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.

- 8.2 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.

9. Background Papers

- 9.1 Overview and Scrutiny – 4 Sept 2023 – Q1 financial performance: [\(Public Pack\)Q1 Financial Performance Agenda Supplement for Overview and Scrutiny Committee, 04/09/2023 19:00 \(modern.gov.co.uk\)](#)



Pension Fund Committee AGENDA ITEM 8
2 November 2023

Title	Pension Fund Investment Performance Report
Date of meeting	2 November 2023
Report of	Executive Director of Strategy and Resources (S151 Officer)
Wards	All
Status	Public with Exempt Appendix C 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)).
Urgent	No
Appendices	Appendix A – Asset Allocation as of 30th September 2023 Appendix B – Review of Investment Managers’ Performance for Q2 2023 (Hymans Robertson) Appendix C – Review of Fund Managers (Hymans Robertson) for Q2 2023 (Exempt)
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 to 30 June 2023 with an updated estimated valuation to 30 September 2023.

Recommendations

- That the Pension Fund Committee note the investment activities and performance of the Pension Fund to 30 September 2023.**

1. Reasons for the Recommendations

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 From June to September 2023 markets stabilised and this is reflected in the valuation increasing by an estimated £0.09m (0.01% increase). Investments in Schroders Corporate Bonds and LCIV Private Debt are the main performers over the 3 months (2.6% and 1.6% respectively).
- 1.3 Hymans Robertson have provided their report for Q2 2023 (appendix B), which gives an update on the overall market in the quarter to June 2023. The fund had a return of 1.8% over the quarter, which is 0.7% below benchmark.
- 1.4 The main drivers of absolute returns continue to be listed equities and infrastructure.
- 1.5 The quarterly underperformance against benchmark is mainly due to Partners MAC 2015 (-6.8%) as well as Fiera Real Estate Fund (-5.7%). The relatively new LCIV Sustainable Equity fund has also struggled in the quarter (-3.8%).

Investment Management Ratings

- 1.6 Hymans' manager ratings are included within their quarterly report (appendix C, page 4). All the managers are rated either preferred or positive (the top two rankings) other than four mandates ranked as suitable, and one ranked as suitable- on watch, as highlighted in the report. The LCIV mandates are not rated by Hymans.
- 1.7 Hymans also award Responsible Investment ratings and all bar one is rated strong or good, except for one rated as adequate. The four London CIV mandates not rated.
- 1.8 Notable comments in the Hymans quarterly report (appendix C) include:
- LCIV Chief Investment Officer stepping down, with the current LCIV Chief Executive Officer stepping in to the CIO role as an interim.
 - Appointments of CEO and CIO at ABRDN Standard Life Property Fund
 - Departure of client portfolio manager, and other roles, at Barings Multi-Credit.
- 1.9 Hymans have no concerns over these updates.

Strategic Allocations

- 1.10 The Pension Fund Committee has agreed to a strategic allocation of Pension Fund Assets to particular asset types. The target percentages of these asset types can be found in the last column of Appendix 1.

Re-balancing

- 1.11 Under the current allocation and at 30 September 2023, the fund is currently underweight in all asset classes, most notably Illiquid Alternatives (-4.19%). The fund is currently overweight in cash by 5.31%.
- 1.12 In the January 2023 Pension Fund Committee meeting the Committee agreed to delegate the re-balancing of the pension funds assets to bring it more in line with the strategic allocation. Whilst there is a significant underweighting in Illiquid Alternatives, however the underweight asset

classes have significant committed funds not yet drawn, but once drawn will address the underweight position.

2. Alternative Options Considered and Not Recommended

2.1 None.

3. Post Decision Implementation

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

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

4.1 The current corporate plan (Barnet Plan 2023-2026) was adopted in February 2023. To ensure that the Pension Fund is being invested prudently and to the best advantage in order to achieve the required funding level. Effective monitoring of the Pension Fund will ensure that long-term investment targeted returns are achieved and will provide support towards the Council's corporate priorities.

Corporate Performance / Outcome Measures

4.2 Effective management of Pension Fund assets which leads to good performance, has a positive effect on wider council finances through potential reduction in contribution payments.

Sustainability

4.3 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 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.

Corporate Parenting

4.4 Not applicable in the context of this report.

Risk Management

4.5 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.

Insight

4.6 Not Applicable

Social Value

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

<p>5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)</p>
<p>5.1 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 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.</p>
<p>6. Legal Implications and Constitution References</p>
<p>6.1 The Council’s Constitution – The Council’s Constitution – Part 2B- The Pension Fund Committee has responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including, but not limited to the following:</p> <ul style="list-style-type: none"> - To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice. - To consider approval and act in accordance with statutory Pension Fund documents: - Investment Strategy Statement - Funding Strategy Statement - Governance Policy Statement - Pension Administration Strategy - Communication Policy Statement. <p>6.2 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.</p>
<p>7. Consultation</p>
<p>7.1 Not Applicable</p>
<p>8. Equalities and Diversity</p>
<p>8.1 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</p>

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.

8.2 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.

8.3

9. Background Papers

9.1 None.

Appendix A- Asset Allocation as at 30 September 2023

	31-Mar-23 Transactions		30-Jun-23 Transactions		30-Sep-23		Target Allocation		
	£'000	£'000	£'000	£'000	£'000	%	%	%	%
Equities							29.61%		30.00
LGIM RAFI	193,092		203,220	-111,000	93,440	6.24%		6.00	
LGIM Future Worlds	394,606		415,329	-217,000	196,594	13.14%		13.00	
LCIV Emerging Markets	67,305		65,526	-21,000	43,715	2.92%		3.00	
LCIV Sustainable Exclusion Equity	39,652		39,627		38,921	2.60%		3.00	
Adams Street Private Equity	62,841		65,792	4,667	70,505	4.71%		5.00	
Property							5.55%		6.00
Aberdeen Standard Long Lease	26,753		26,453		26,753	1.79%		2.00	
CBRE Global	31,873		30,499		30,520	2.04%		2.00	
Fiera Real Estate Opportunities Fund	27,577		26,726	-776	25,855	1.73%		2.00	
Multi Credit Liquid							12.83%		13.00
Baring Global High Yield	38,975		39,705		40,493	2.71%		3.50	
LCIV MAC	60,214		61,362		61,970	4.14%		3.50	
Insight Secured Finance	89,530		89,230		89,530	5.98%		6.00	
Corporate Bonds							29.86%		30.00
Schroder	117,087		112,129	112,000	227,067	15.17%		15.00	
LCIV Global Bond Fund	0		0	225,000	219,821	14.69%		15.00	
Illiquid Alternatives							16.81%		21.00
Alcentra European Direct Lending	13,164		12,913	-1,644	11,269	0.75%		1.50	
Partners Group	46,586	-3,114	46,786	-4,033	43,028	2.88%		5.50	
LCIV Private Debt	41,797		43,297	558	44,529	2.98%		4.00	
Barings Special Situations Debt	35,586		34,819		34,637	2.31%		2.00	
LCIV Renewables Infrastructure	17,896	1,810	20,806	724	20,134	1.35%		3.00	
IFM Global Infrastructure	98,001		98,001		98,001	6.55%		5.00	
Cash	64,901		64,306	15,000	79,833	5.33%	5.33%	0.00	0.00
Total	1,467,436	(1,304)	1,496,526	2,496	1,496,615	100%	100.00%	100.00	100.00
Due to report timings, there will be small valuation differences with Hymans reports					-1				
Prior month valuations are adjusted for cash and foreign exchange rate movements									

London Borough of Barnet Pension Fund

Q2 2023 Investment Monitoring Report

Nick Jellema – Senior Investment Consultant

Yoel Deal – Investment Consultant

Tianna Patel – Senior Investment Analyst

Jiazhe Lee – Investment Analyst

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Executive Summary

Fund assets totalled c.£1,502m at the end of Q2 2023, an increase of c.£30.1m from the end of the previous quarter.

The Fund's assets returned 1.8% (net of fees) over the quarter, underperforming the benchmark by c.0.7%.

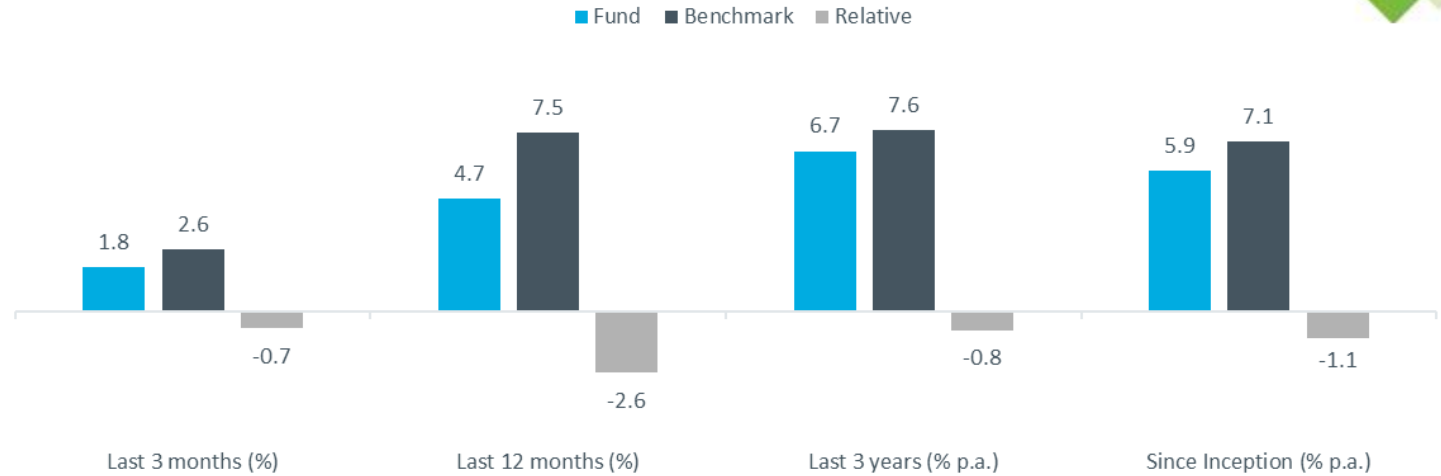
Key Actions

The following transitions took place over the quarter:

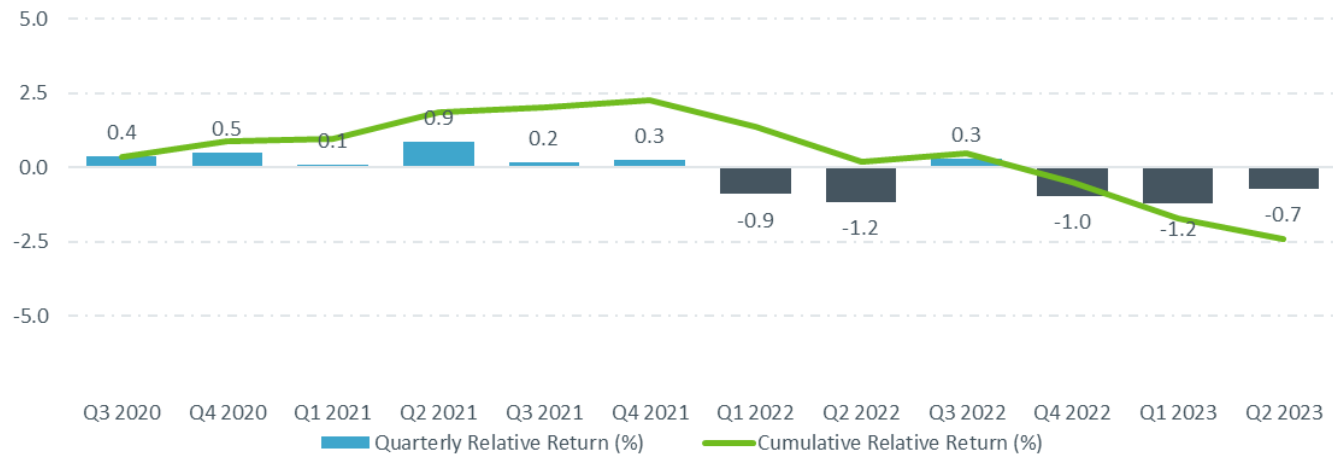
- An investment of c.£18.5m into the Pemberton Trade Finance fund.

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

Historic quarterly performance (net of fees)



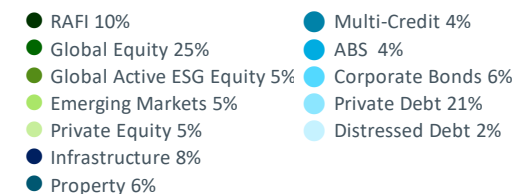
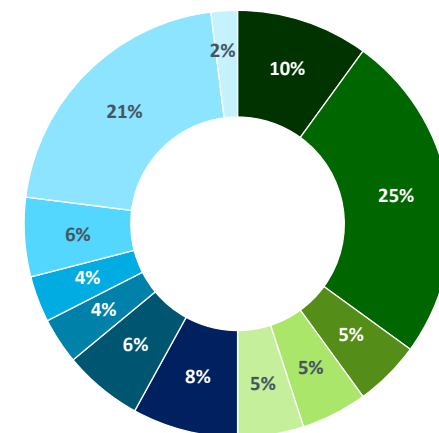
Relative quarterly and relative cumulative performance 3yr (net of fees)



Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q1 2023	Q2 2023			
LGIM RAFI Carbon Pathway Index GBP Hdgd	193.2	203.3	13.5%	10.0%	3.5%
LGIM Future World Global Equity Index	170.1	176.3	11.7%	10.0%	1.7%
LGIM Future World Global Equity Index GBP Hdgd	224.7	239.2	15.9%	15.0%	0.9%
LCIV Sustainable Exclusion Global Equity	39.7	39.6	2.6%	5.0%	-2.4%
LCIV Emerging Markets Equity	67.3	65.5	4.4%	5.0%	-0.6%
Adams Street 2019 Global	53.1	54.0	3.6%	5.0%	-0.6%
Adams Street Global Secondaries	11.6	12.7	0.8%		
Total Growth	759.6	790.8	52.7%	50.0%	2.7%
IFM Global Infrastructure	98.2	98.9	6.6%	5.0%	1.6%
LCIV Renewable Infrastructure	17.9	20.8	1.4%	3.0%	-1.6%
Standard Life Long Lease Property	26.8	26.5	1.8%	2.0%	-0.2%
CBRE Global Alpha	31.9	31.9	2.1%	2.0%	0.1%
FREOF V	27.6	26.7	1.8%	2.0%	-0.2%
Barings Multi-Credit	39.0	39.7	2.6%	3.5%	-0.9%
LCIV MAC	60.2	61.4	4.1%	3.5%	0.6%
Insight Secured Finance	91.8	94.2	6.3%	6.0%	0.3%
Schroder All Maturities Corporate Bond	117.1	112.1	7.5%	10.0%	-2.5%
Alcentra Direct Lending	13.0	13.0	0.9%	1.5%	-0.6%
Partners Group MAC 2015	4.1	3.3	0.2%	0.0%	0.2%
Partners Group MAC 2017	13.1	10.5	0.7%	1.0%	-0.3%
Partners Group MAC V	29.3	28.9	1.9%	4.5%	-2.6%
LCIV Private Debt	41.8	43.3	2.9%	4.0%	-1.1%
Barings Global Special Situations Credit	35.5	35.5	2.4%	2.0%	0.4%
Total Income	647.3	646.7	43.1%	50.0%	-6.9%
Allianz Trade Finance	18.5	18.6	1.2%	0.0%	1.2%
Pemberton Trade Finance	0.0	18.8	1.2%	0.0%	1.2%
Cash	46.2	26.9	1.8%	0.0%	1.8%
Total Fund	1,471.6	1,501.7	100.0%	100.0%	0.0%

Strategic allocation



The Q2 23 valuation for Alcentra Direct Lending, Adams Street, CBRE Global Alpha and Barings Global Special Situations are as at Q1 23, due to a lag applied by the manager. Where applicable the valuations are adjusted for cash movements post quarter end.

Following strategic decisions agreed in the May 2023 meeting, the Officers have begun implementing the agreed de-risk of 20% of assets from Growth (equity) to Income (bonds). The de-risk is being implemented in a phased manner over Q3.

It should be noted the benchmark allocations used are the existing allocations and have not been updated to reflect the proposed strategy agreed in May. The updated target allocation will be reflected in the Q3 2023 report.

The Officers have developed a Cash management policy to address the high cash balance.

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

Manager performance (net of fees)

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

Benchmark Indicator

- ◆ Market-based
- Cash-based / Absolute return

Details of the managers' benchmarks can be found in the Appendix.

'UNDER THE SPOTLIGHT':

To focus discussion, the contents of the remaining slides relate to a selection of funds whose performance is of particular interest this quarter:

LCIV Sustainable Exclusion	P6
Adams Street	P7
Standard Life Long Lease	P8
Fiera FROEF V	P9
Barings Global Special Sits	P10
Trade Finance (Allianz & Pemberton)	P11
Market Background	P12
Appendix	P14

The Q2 23 performance for Alcentra Direct Lending, CBRE and ASP, are as at Q1 23, due to a lag applied by the manager. Hymans Robertson estimate the performance numbers for 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.

		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	◆	5.2	5.1	0.2	15.5	15.0	0.4	15.9	15.6	0.3	8.5	8.4	0.1
LGIM Future World Global Equity Index	◆	3.7	3.6	0.1	12.0	11.7	0.2	-	-	-	6.5	6.3	0.2
LGIM Future World Global Equity Index GBP Hdgd	◆	6.5	6.4	0.1	15.4	15.2	0.2	-	-	-	3.9	3.8	0.2
LCIV Emerging Markets Equity	◆	-2.6	-1.9	-0.8	3.8	-2.8	6.8	3.1	1.3	1.7	3.9	1.7	2.2
LCIV Sustainable Exclusion Global Equity	◆	-0.1	3.9	-3.8	0.9	13.2	-10.9	-	-	-	-1.7	5.6	-7.0
Adams Street 2019 Global	◆	-	-	-	-	-	-	34.6	20.5	11.7	36.4	12.8	20.9
Income													
IFM Global Infrastructure	■	0.8	1.9	-1.2	7.7	8.0	-0.3	12.7	8.0	4.3	12.8	8.0	4.5
LCIV Renewable Infrastructure	■	-1.1	1.7	-2.7	33.0	7.0	24.3	-	-	-	17.6	7.0	9.9
Standard Life Long Lease Property	◆	-0.8	-4.9	4.3	-24.1	-12.3	-13.5	-2.9	-9.5	7.3	-0.9	-4.0	3.2
CBRE Global Alpha	■	-	-	-	3.3	9.0	-5.2	6.2	9.0	-2.6	5.0	9.0	-3.6
FROEF V	■	-3.0	2.9	-5.7	-5.5	12.0	-15.6	-	-	-	0.5	12.0	-10.3
Barings Multi-Credit	■	1.9	2.2	-0.3	6.2	7.5	-1.2	3.3	6.0	-2.5	2.9	5.8	-2.7
Insight Secured Finance	■	2.5	2.1	0.4	5.4	7.2	-1.7	4.9	5.2	-0.3	3.2	5.0	-1.7
Schroder All Maturities Corporate Bond	◆	-4.2	-3.4	-0.9	-8.6	-7.1	-1.6	-6.6	-6.2	-0.4	3.4	3.1	0.3
Alcentra Direct Lending	■	0.9	1.7	-0.8	1.1	7.0	-5.5	5.4	7.0	-1.5	5.4	7.0	-1.5
Partners Group MAC 2015	■	-5.5	1.4	-6.8	-7.5	6.5	-13.2	-0.5	5.5	-5.7	6.3	5.4	0.9
Partners Group MAC 2017	■	1.8	2.1	-0.3	6.9	7.2	-0.3	5.7	5.8	0.0	4.6	5.5	-0.9
Partners Group MAC V	■	2.5	2.1	0.4	7.3	7.2	0.1	5.7	5.8	0.0	5.1	5.6	-0.5
LCIV Private Debt	■	-1.2	1.5	-2.6	11.0	6.0	4.7	-	-	-	6.6	6.0	0.6
LCIV MAC	■	1.8	2.2	-0.4	-	-	-	-	-	-	4.1	5.0	-0.8
Barings Global Special Situations Credit	■	2.3	3.3	-0.9	3.1	13.8	-9.4	-	-	-	11.8	13.8	-1.7
Allianz Trade Finance	■	0.7	1.6	-0.9	-	-	-	-	-	-	0.6	1.6	-0.9
Pemberton Trade Finance	■	1.4	2.1	-0.7	-	-	-	-	-	-	1.4	2.1	-0.7
Total		1.8	2.6	-0.7	4.7	7.5	-2.6	6.7	7.6	-0.8	5.9	7.1	-1.1

Source: Fund performance provided by Investment Managers and is net of fees. Benchmark performance provided by Investment Managers and DataStream. Please note the Fund has a substantial amount of transitions activity over the quarter, which was a period of heightened market volatility. Reasonable endeavours have been made to ensure the performance data is accurate. However, there may be a lower level of accuracy in the performance data, as a result of this significant increase in transition activity.

Consensus forecasts for 2023 global GDP growth saw further upwards revisions in Q2, given unexpected resilience in labour markets and consumer spending. Nonetheless, with higher interest rates likely to weigh on consumer and business activity in the second half of 2023 and into 2024, growth forecasts remain relatively weak.

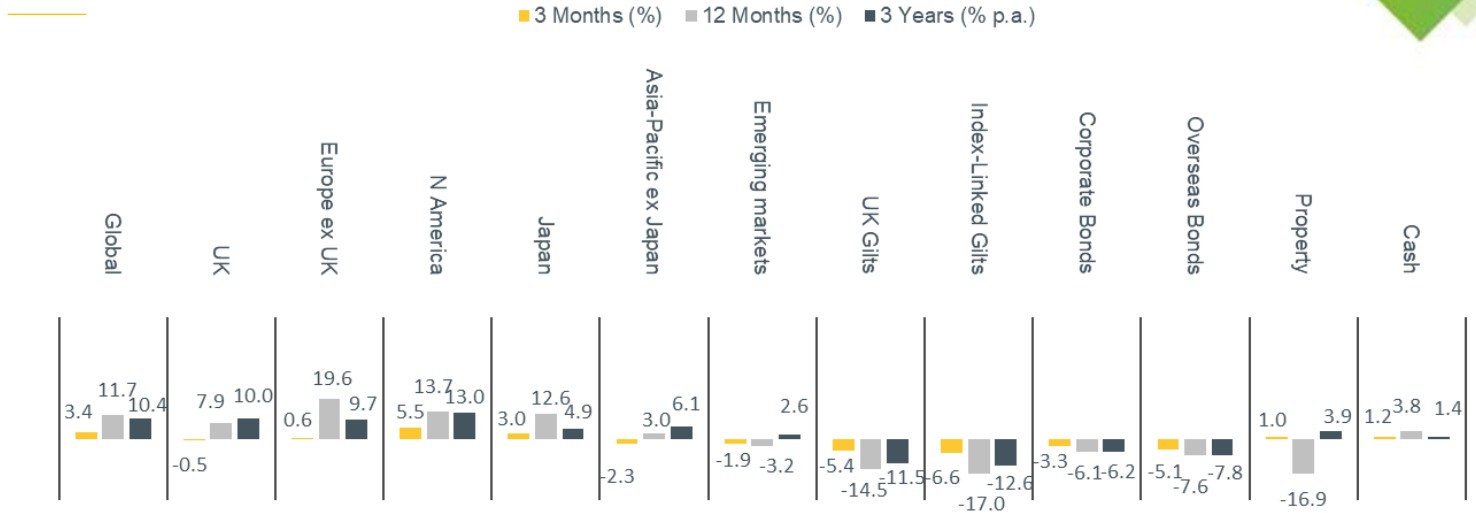
UK inflation data released during Q2 came in higher than forecasters expected. However, June's UK headline CPI inflation figure, released in July, fell more than expected, to 7.9% year-on-year and core inflation slipped back to 6.9% from 7.1%. Equivalent CPI inflation in the US and Eurozone fell to 3.0% and 5.5%, respectively, in June, and core inflation eased to 4.8% in the US, but rose to 5.5% in the Eurozone.

Responding to a run of higher-than-expected inflation, the Bank of England (BoE) raised rates by 0.75% p.a. in Q2, to 5.0% p.a., including a surprise 0.5% p.a. increase in June. The US Federal Reserve raised rates by 0.25% p.a., to 5.25% p.a., in May; pausing in June to evaluate the impact of prior tightening. The European Central Bank increased their deposit rate 3.5% p.a.

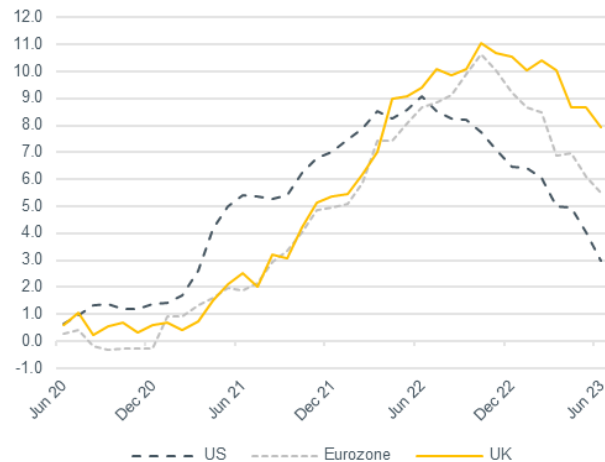
UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, was unchanged at 3.6% p.a., as real and nominal yields rose by similar amounts.

UK gilt yields surged as disappointing inflation data was compounded by heavy issuance and BoE gilt sales. UK 10-year gilt yields rose sharply by 0.8% p.a. to 4.4% p.a., while US yields rose 0.2% p.a. to 3.8% p.a., and equivalent German yields rose 0.1% p.a., to 2.4% p.a.

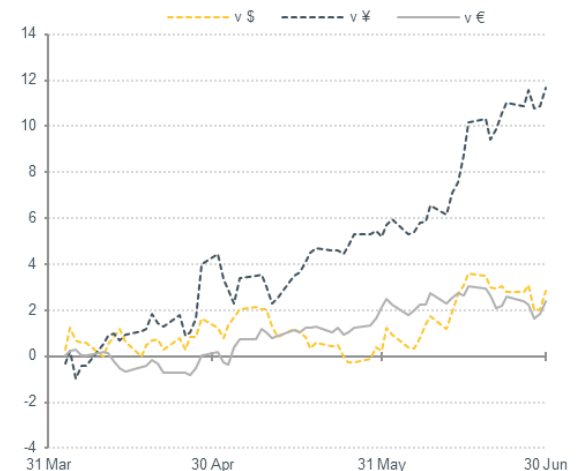
Historic returns for world markets ^[1]



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

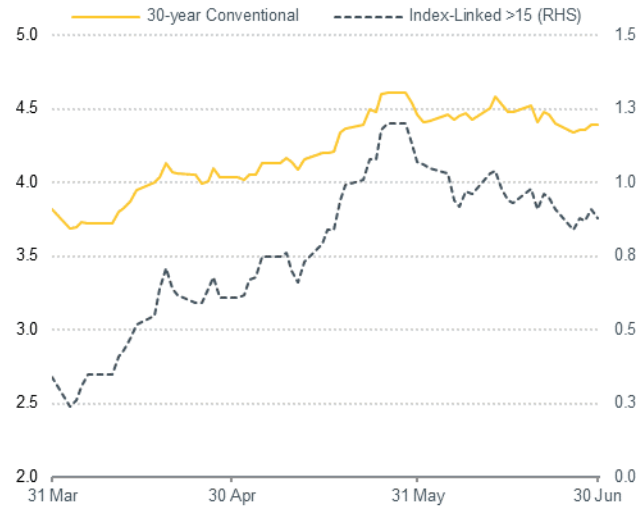
The UK investment-grade credit market recorded negative total returns as the rise in underlying gilt yields more than offset a fall in credit spreads. Global investment-grade credit spreads decreased by 0.1% p.a. to 1.4% p.a., and global speculative-grade credit spreads decreased by 0.5% p.a. to 4.5% p.a.

The FTSE All World Total Return Index rose 6.7%, buoyed by better-than-expected earnings and AI-inspired optimism around the technology sector. Japanese and North American equities outperformed, with the exporter-heavy index of the former benefitting from Yen weakness and the latter benefitting from its disproportionately high exposure to the technology sector. Disappointing Chinese activity data dragged down emerging markets and Asia Pacific ex-Japan. The UK was the worst performing region, as the basic materials and energy sectors underperformed amid commodity price declines and global manufacturing weakness.

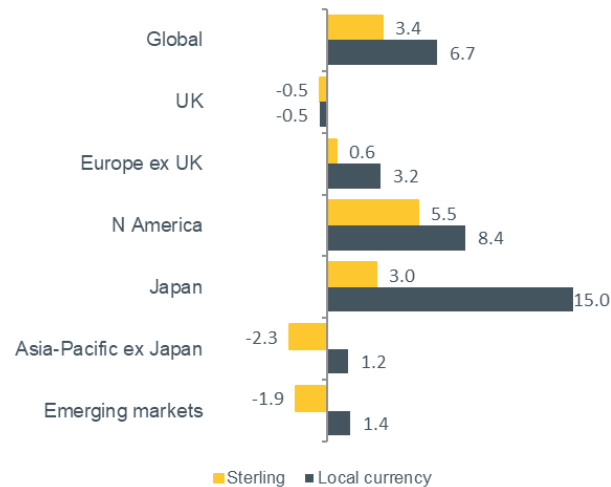
Sterling rose over 4.0% in trade-weighted terms as interest rate expectations soared. Meanwhile, equivalent US and euro measures rose 0.8% and 2.1%, respectively, while the yen measure fell more than 5%. The S&P GSCI Commodity Spot Price Index fell 5.8% in Q2, driven by declines in energy and industrial metal price.

UK commercial property values, as measured by the MSCI UK Property Index, had fallen by over 21% in the 12 months to end-June. Capital values have somewhat stabilised in recent months, though office values continued to decline in June. Alongside income, this led to a modest positive total return from the market over the quarter.

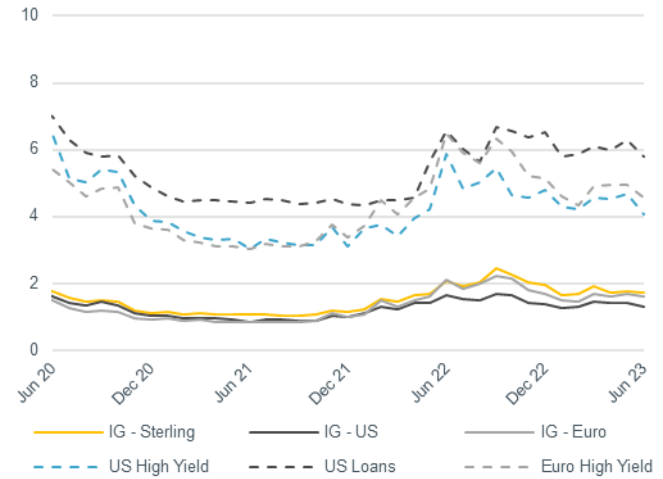
Gilt yields chart (% p.a.)



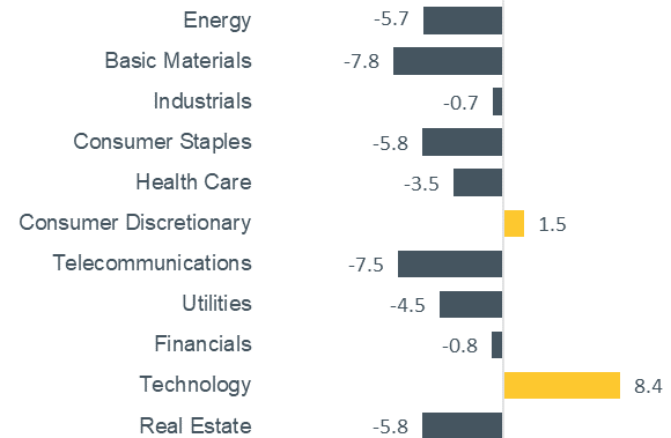
Regional equity returns [1]



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



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.

Hymans Robertson LLP and our group companies have a wide range of clients some of which are fund managers, who may be parties in our recommendations to you in various circumstances including but not limited to manager selection, moving money to or from a manager or supporting retention of or disinvestment from a manager. We have a research team that advises on shortlisting fund managers in manager selection exercises and forming views on managers, which is separate from our client and other relationships with fund managers and therefore we do not believe there will be a conflict that would influence the advice given.

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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.

Hymans Rating

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible Investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.



Pension Fund Committee AGENDA ITEM 9

2 November 2023

Title	Investment Strategy and Manager Appointments
Date of meeting	2 November 2023
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	All
Status	Public with Exempt enclosure (Appendix 2) 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)).
Urgent	No
Appendices	Appendix 1- Summary of Outstanding Transactions Appendix 2- Hymans Recommendation on the London Collective Investment Vehicle Long Duration Buy and Maintained Credit Fund (Exempt) Appendix 3- Updated Investment Strategy Statement
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Summary

This report provides a summary of the investment transactions made in the 4 months from June 2023 to September 2023, and an overview of the planned investment transactions in 2023.

Recommendations

1. The Pension Fund Committee note other investment transactions that have occurred in the four months from June to September 2023, and the further planned transactions for 2023.
2. Approve the proposed move of assets in the Schroders Corporate Bond Fund to the LCIV Long Duration Buy and Maintained Credit Fund (pending Hymans Suitability Report)
3. Approve the updates to the Investment Strategy Statement

1. Reasons for the Recommendations

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 that have occurred in June 2023 to September 2023
- The planned further investment transactions in 2023
- Proposal to move the assets in the Schroders Corporate Bond fund, to the LCIV Long Duration Buy and Maintained Credit Fund
- Updated Investment Strategy Statement (ISS) for committee approval.

Investment Transactions from June 2023 to September 2023

1.3 Below is a summary of the investments made by the Pension Fund from June 2023 to September 2023:

Fund Name	Amount Invested (£m)
Schroders Corporate Bonds	£112.000
LCIV Global Bonds	£225.000
LCIV Private Debt	£0.410
LCIV Renewable Infrastructure	£0.148
Adams Street 2019	£1.994
Adams Street Secondaries	£2.673
Allianz Trade Finance	£7.5000

Pemberton Trade Finance	£7.5000
Total	£357.225

1.4 Below is a summary of the disinvestments the Pension Fund made from June 2023 to September 2023:

Fund Name	Amount Disinvested (£m)
LGIM RAFI	£111.000
LGIM Future Worlds (Unhedged)	£97.000
LGIM Future Worlds (Hedged)	£120.000
LCIV Emerging Markets	£21.000
Partners MAC 2015	£0.324
Partners MAC 2017	£1.629
Partners MAC 2019	£1.280
Fiera Real Estate	£0.776
Alcentra European Direct Lending	£1.644
Total	£354.653

Planned Investment Transactions for 2023

- 1.5 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 and 2024.
- 1.6 The Pension Fund is also asking the committee for an investment into the new LCIV Long Duration Buy and Maintained Credit Fund, planned to replace the current allocation to Schroders Corporate Bonds.
- 1.7 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 and 2024.

- 1.8 Appendix 1 shows a summary of these outstanding transactions, with expected timings, methods, drivers, and funding sources (under the current 30% equity / 70% growth allocation).

Proposal to move assets in Schroders Corporate Bond Fund to LCIV Long Duration Buy and Maintained Credit Fund

Background

- 1.9 At the 4 July 2023 Pension Fund Committee meeting it was agreed to switch 20% of Pension Fund assets from listed equity towards investment grade credit. The purpose of this was to stabilise and protect our funding position (Hymans' analysis suggested the Pension Fund was 115% funded at 31 March 2023 and that by making this switch we would reduce risk substantially).
- 1.10 As set out in this report, officers implemented this change very swiftly after the July meeting by switching out of our LGIM passively managed and LCIV equity funds towards our two Investment Grade credit funds, namely our LCIV Global Bond Fund and our Schroders Sterling Credit Bond Fund. We implemented this quickly because we wanted to reduce our equity risk immediately.

"Locking in" returns over a longer period

- 1.11 Our investment grade credit funds are "all duration", this means that the investment manager is required to purchase bonds of various time periods and the average period of investment within these funds is typically 3 – 6 years. When we were considering stabilisation strategies to lock in the surplus we believe we could further stabilise the Pension Fund position by investing in longer duration credit funds that take advantage of the relatively high interest rates we are seeing over 10 years or more (in this context a potential problem with an "all duration" fund is that if interest rates fall, then so does the expected return of the Fund).
- 1.12 Given the high-level of interest rates seen generally we think it is a good point to "lock in" to the higher long-term interest rates (10 year yields on Investment Grade Bonds were 6.15% p.a. at 29 September 2023). If long-term yields reduce then the Fund would have missed an opportunity to further stabilise the Fund. For this reason Officers are keen to make the switch before the year-end.

Working with London CIV to create a longer-duration Bond Fund

- 1.13 We have had extensive discussions with Hymans and LCIV about how we could achieve this and the result is that LCIV have developed a fund known as a "buy and maintain" credit fund. The idea of this fund is that the investment manager picks good quality (investment grade) long-term bond assets with a view to holding them for the longer term (say 10 years or more), only selling if there are credit concerns. In this way we would be able to lock in investment returns over a longer period.

Hymans Recommendation

- 1.14 Hymans have considered the impact of moving to the proposed LCIV Buy and Maintain fund and, subject to them completing their suitability report on the underlying manager delivering the LCIV mandate, recommend the Fund switches from Schroders Sterling Bond Fund to the LCIV Buy and Maintain mandate. Hymans report (exempt) is included as Appendix B.
- 1.15 The Hymans report notes the following benefits:

- Significantly progresses the Fund’s pooling ambitions by pooling a further 15% of assets directly invested with the London CIV, taking the total proportion of Fund assets pooled to c.47% (c.65% after allowing for passive LGIM investments)
- Helps stabilise the funding position by better aligning the interest rate risk (duration) of the assets to the liabilities.
- Does not impair the Committee’s Net Zero ambitions.
- Has no material impact on the expected return.
- Reduces the overall management fees.

1.16 Hymans Recommendation is included in this paper as appendix 2.

Impact on ISS

1.17 The change would also require a change to our Investment Strategy Statement, replacing the Benchmark for 15% of our allocation from:

Current Benchmark	New Benchmark
BAML Non-Gilts (Gross Total Return) Index	iBoxx Sterling Collateralized & Corporates Index 10+ years

1.18 Officers are requesting Pension Fund Committee approval for this switch.

Update to Investment Strategy Statement

1.19 Pension Fund officers have updated the fund’s Investment Strategy Statement, this can be found in Appendix 3.

1.20 Below is a summary of the changes:

Change Introduced	Date PFC approval made	Version Effective
Introduces the Fund’s Cash Management Strategy	31 January 2023	Vs1.1
Introduces delegation protocols for re-balancing and urgent situations	31 January 2023	Vs1.1
Updates the strategic allocation to reflect a 20% shift in assets from liquid equity to investment grade credit*	4 July 2023	Vs1.1
Re-format template into Barnet headed paper	n/a	Vs1.1
Added principles around NetZero	31 January 2023	Vs1.1
Adds section numbers and other minor wording adjustments	n/a	Vs1.1
Update references to dates / allocations to reflect the position in 2023	n/a	Vs1.1

1.21 Officers are requesting approval from the Pension Fund Committee to publish the updated ISS.

2. Alternative Options Considered and Not Recommended

2.1 None

3. Post Decision Implementation

3.1 None

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

4.1 The current corporate plan (Barnet Plan 2023-2026) was adopted in February 2023. To ensure that the Pension Fund is being invested prudently and to the best advantage in order to achieve the required funding level. Effective monitoring of the Pension Fund will ensure that long term investment targeted returns are achieved and will provide support towards the Council's corporate priorities.

Corporate Performance / Outcome Measures

4.2 This report allows the committee to have oversight of the investment transactions of the Pension Fund.

Sustainability

4.3 Not applicable in the context of this report

Corporate Parenting

4.4 Not applicable in the context of this report.

Risk Management

4.5 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.

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

Insight

4.7 Not applicable in the context of this report

Social Value

4.8 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.

4.9 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.

4.10 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.

4.11 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. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)
5.1 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.
6. Legal Implications and Constitution References
6.1 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.
6.2 The Council's Constitution – Part 2B- The Pension Fund Committee has responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including, but not limited to the following: <ul style="list-style-type: none"> • To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice. • To consider approval and act in accordance with statutory Pension Fund documents: <ul style="list-style-type: none"> • Investment Strategy Statement • Funding Strategy Statement • Governance Policy Statement • Pension Administration Strategy • Communication Policy Statement.
7. Consultation
7.1 Not required
8. Equalities and Diversity
8.1 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.
9. Background Papers
9.1 None

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Fund	Dis-investment*	Investment*	Timing	Method	Primary Driver	Source of Funding
Schroders Corporate Bonds*	227		Nov-Dec 2023	Manual	Strategy	
LCIV Buy-and-Maintain*		227	Nov-Dec 2023	Manual	Strategy	Schroders Corporate Bonds
Barings - Special Credit		3	Expect by end of January 2023	Manual - when called	Strategy	Cash
Adams Street - Private Eq		44	Expect by end of January 2024	Over next 18-months	Strategy	Cash
LCIV - Renewable Inf		23	Expect by end of January 2024	Manual - when called	Strategy	Cash
LCIV - Private debt		20	Expect by end of January 2024	Manual	Strategy	Cash
Total	-	90				
Shortfall (disinvestments less investments)						- 90
Cash at bank						80
Balance (i.e. unfunded transitions)						-9.59
*Pending Committee Approval						

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London Borough of Barnet Pension Fund Investment Strategy Statement

1. Introduction and background

- 1.1 This is the Investment Strategy Statement (“ISS”) of the London Borough of Barnet Pension Fund (“the Fund”), which is administered by Barnet Council, (“the Administering Authority”). The ISS is made in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016.
- 1.2 The ISS has been prepared by the Fund’s Pension Committee (“the Committee”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.
- 1.3 The ISS, which was approved by the Committee on [2 November 2023], is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.
- 1.4 The last Investment Strategy Statement was approved on 24 February 2021. Appendix C sets out changes made relative to 24 February 2021 ISS.
- 1.5 The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund (however, note Cash Management Strategy under paragraphs 3.2 to 3.4).
- 1.6 The ISS should be read in conjunction with the Fund’s Funding Strategy Statement dated March 2023.

2. The suitability of particular investments and types of investments

- 2.1. The primary investment objective of the Fund is to ensure that the assets are invested to secure the benefits of the Fund's members under the Local Government Pension Scheme. Against this background, the Fund's approach to investing is to:
- Optimise the return consistent with a prudent level of risk;
 - Ensure that there are sufficient resources to meet the liabilities; and
 - Ensure the suitability of assets in relation to the needs of the Fund.
- 2.2 The Fund's funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.
- 2.3 The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
- 2.4 The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.
- 2.5 It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is as follows:
- Every three years following the actuarial valuation, the Fund undertakes an asset liability modelling exercise. This exercise focuses on key risk metrics of probability of success (how likely is the Fund to be fully funded over the agreed funding period) and downside risk (how poor could the funding position become in the worst economic outcomes).
 - Within each major market the Fund's investment managers will maintain a diversified portfolio of securities through direct investment or via pooled vehicles. An Investment Management Agreement is in place for each
 - investment manager, which sets out the relevant benchmark, performance target and asset allocation ranges, together with further restrictions.
 - This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).
- 2.6 In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:
- Suitability given the Fund's level of funding and liability profile
 - The level of expected risk
 - Outlook for asset returns

2.7 The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation. Officers may bring proposals to the Pension Fund Committee to rebalance asset allocation – discussions around the Fund's approach to rebalancing were had at the [December 2022] Pension Fund Committee meeting.

Investment of money in a wide variety of investments Asset classes

- 2.8 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.
- 2.9 The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.
- 2.10 The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).

Table 1 - Fund asset allocation

Asset class	Benchmark	Benchmark Proportion
Equity		30%
Listed equity	Solactive L&G ESG Global Markets Net	13%
	RAFI Global Reduced Carbon Pathway 3.5%- GBP Hdgd	6%
	MSCI Emerging Market Index (TR) Net	3%
	MSCI World Index Net (Total Return)	3%
Private Equity	MSCI ACWI TR Index +4% p.a.	5%
Property		6%
	FT British Govt All Stocks Index +2%	2%
	9%-11% p.a. over 3 year rolling period	2%
-	12%-15% p.a.	2%
Infrastructure		8%
	8%-12% p.a.	5%
	Net IRR of 7%-10% p.a.	3%
Corporate Bonds		30%
	Merrill Lynch Sterling Non-Gilts All Stocks Index	15%
	Bloomberg Global Aggregate Credit Index – GBP Hedged	15%
Illiquid Credit		7.5%
	SONIA +4%-6% p.a.	5.5%
	15%-20% p.a.	2%
Multi Credit		7%
	SONIA (30 day compounded) +4.5%	3.5%
	3 Month SOFR +5% p.a. hedged to GBP	3.5%
Alternative Credit		11.5%
	SONIA +4% p.a.	6%
	Net IRR of 6%-8% p.a.	4%
	7%-12% p.a. net IRR	1.5%
Total		100%

Consideration of the Fund’s risks, including the approach to mitigating risks, is provided in the following section.

3. Protocols for managing assets outside Pension Fund Committee cycle

3.1. Protocols for managing assets outside the Pension Fund Committee cycle are described below. The protocols cover:

- Cash Management
- Re-balancing
- Urgent situations

Cash Management Strategy

3.2. The Fund does not have a strategic allocation to cash. This is because, in general, cash is a low yielding asset class and not suitable for a pension fund looking to maximise return subject to an acceptable level of risk. However, there are occasions where the level of cash held by the Fund is materially high. This could happen for a number of reasons:

- Distributions from managers, particularly Private Market managers, can be lumpy and there may be some time before another manager is selected and the distribution can be re-invested;
- A shift in strategy may necessitate a temporary holding in cash;
- The Fund may need to disinvest from a specific manager or asset class due to particular market factors;
- The timing of contributions does not equal benefit payments – an issue where there is any prepayment of employer contributions, as what happened following the 2019 Valuation.

3.3. To drive better performance from the Fund's cash assets the Barnet Pension Fund employers a Cash Management Strategy that was considered and agreed at the 31 January 2023 Pension Fund Committee meeting. The Cash Management Strategy involves utilising Money Market Funds and Trade Finance Funds. To manager overall risk, the Cash Management Strategy employs two Trade Finance managers for diversification reasons and limits total exposure to each Manager to £30m.

3.4. Officers may invest transient cash in line with the following principles:

Strategy		Number of BPF Funds
Tier 1 (Current Account)	Minimise allocation to manage day-to-day cash flow.	N/A
Tier 2 MMF (Primary)	<p>Invest balance between Tier 1 and Tier 3.</p> <p>This will be the Fund’s primary destination for cash balances unless the Fund is expected to hold significant levels of cash for a sustained period.</p> <p>To manage exposure to one manager, cash will be allocated broadly equally between each MMF.</p>	2 (LGIM / Aberdeen)
Tier 3 Higher yield (Secondary)	<p>Officer discretion to invest up to £30m for each Tier 3.</p> <p>Investment in Tier 3 will be subject to managing appropriate liquidity through cashflow forecasting.</p>	2 Allianz / Pemberton

Re-Balancing and urgent situations

- 3.5. re-balancing protocols allows Officers to more easily maintain the strategic allocation determined by Pension Fund Committee.
- 3.6. In addition, whilst there are broader 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 therefore feel having a well-defined protocol for an urgent situation is a matter of good governance.
- 3.7. The table on the next page sets out protocols for managing re-balancing and urgent situations:

Delegation Type	Protocol	Rationale
Re-Balancing	<p>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>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, the Executive Director of Strategy and Resources 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>	<p>This will allow Officers to maintain the strategic allocation determined by Pension Fund Committee</p>
Urgent Situation	<p>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</p>	<p>This protocol will protect the Pension Fund by allowing Officers to be more responsive to urgent situations.</p>

Delegation Type	Protocol	Rationale
	<p>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>	

4. Managers

- 4.1 The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.
- 4.2 The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.
- 4.3 The approach to risk, including the ways in which risks are to be measured and managed.
- 4.4 The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.
- 4.5 The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

Funding Risk	Description
Financial mismatch	The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
Changing demographics	The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
Systemic risk	The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measure and manage funding risks as follows.

- 4.6 The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. This analysis was last conducted in July 2023. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee

also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

- 4.7 The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.
- 4.8 The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

Asset Risk	Description
Concentration	The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
Illiquidity	The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
Currency risk	The risk that the currency of the Fund’s assets underperforms relative to sterling (i.e. the currency of the liabilities).
Environmental, social and governance (“ESG”)	The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns.
Manager under-performance	The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

- 4.9 The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes. Protocols for managing any re-balancing are described within this statement. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as liquid diversified growth funds, the Committee has recognised the need for access to liquidity in the short term.
- 4.10 The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund’s currency risk during their risk analysis. Currently the Committee hedges 50% of its exposure to currency risk within its quoted equity allocation.
- 4.11 Details of the Fund’s approach to managing ESG risks is set out later in this document.

4.12 The Committee has considered the risk of underperformance by any single investment manager and has attempted to reduce this risk by appointing more than one manager and having a significant proportion of the Scheme’s assets managed on a passive basis. The Committee assess the Fund’s managers’ performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

Other provider risk

Asset Risk	Description
Transition risk	The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
Custody risk	The risk of losing economic rights to Fund assets, when held in custody or when being traded.
Credit default	The possibility of default of a counterparty in meeting its obligations.
Stock-lending	The possibility of default and loss of economic rights to Fund assets.

4.13 The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

4.14 The Pension Fund Committee reviews its risk register annually with emerging risks reported to Pension Fund Committee as they arise.

4.15 A more comprehensive breakdown of the risks to which the Fund is exposed and the approach to managing these risks is set out in appendix A. A separate schedule of risks that the Fund monitors is set out in the Fund’s Draft Funding Strategy Statement.

5. The approach to pooling investments, including the use of collective investment vehicles and shared services.

- 5.1 The Fund's intention is to invest its assets through the London CIV as and when suitable pool investment solutions become available. An indicative timetable for investing through the pool was set out in the July 2016 submission to Government. The key criteria for assessment of pool solutions will be as follows:
- 5.2 That the pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
- 5.3 That there is a clear financial benefit to the Fund in investing in the solution offered by the pool, should a change of provider be necessary.
- 5.4 Any assets not currently invested in the London CIV will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money.
- 5.5 The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning liquid assets across to the London CIV as soon as there are suitable sub-funds to meet the Fund's investment strategy requirements.
- 5.6 The Fund holds 19% of its assets in life funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.
- 5.7 In addition the Fund has already transitioned other assets into the London CIV with a value of 32% of the assets and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.
- 5.8 The Fund holds c.8% of its assets in illiquid strategies (private market credit and direct lending) and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

Structure and governance of the London CIV

- 5.9 The July 2016 submission to Government of the London CIV provided a statement addressing the structure and governance of the pool, the mechanisms by which the Fund can hold the pool to account and the services that will be shared or jointly procured.

6. Responsible Investment

- 6.1 How Responsible Investment (social, environmental and corporate governance considerations and stewardship) are taken into account in the selection, non-selection, retention and realisation of investments.
- 6.2 In this section responsible investment (RI) refers to investment practices that integrate the consideration of environmental, social and governance (ESG) factors into investment management processes and ownership practices recognising that these factors can have a material impact on financial performance. Stewardship and governance refer to acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

Beliefs

6.3 The Pension Fund Committee (The Fund) has reviewed its responsible Investment beliefs with the assistance of a workshop facilitate by its investment advisor and external speakers. This was followed up with a survey of members of both the Pension Fund Committee and Local Pension Board. As a consequence the Committee has expressed the following beliefs with regards to Responsible Investment:

- Incorporating a regard for ESG into investment decision making will help mitigate risk such as climate change.
- Well run companies will generate better long-term returns.
- The change to a low carbon economy offers both opportunities and risks (stranded assets).
- The Fund should avoid/limit exposure to securities where environmental, social or governance aspects will be financially detrimental to the portfolio.
- Engagement, particularly in collaboration with other investors, is a better approach than disinvestment, although the latter may be appropriate when engagement will not achieve the desired outcomes.
- Obtaining the best long-term financial outcomes remains the primary objective of investment policy and ESG is a factor, but not the only factor in choosing investments.

6.4 The Committee has set the following guiding principles for formulating the Fund's Net Zero strategy:

- **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
- **Ambitious and measurable:** our target should be evidence based, credible, measurable and ambitious
- **Risk and return focused:** We should not compromise risk or return potential in targeting a Net Zero strategy
- **Wider Council alignment:** We should echo the wider targets set by the Council

6.5 These beliefs will be reviewed annually and will be taken into consideration when making investment decisions both in relation to setting and implementing investment strategy.

6.6 The Fund is committed to be a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition training is taken on a regular basis and this will include matters of social, environmental and corporate governance.

Implementation of Beliefs

- 6.7 The Fund has agreed that investment sustainability and pooling should be enhanced. In doing so the following actions will be / have been taken:
- The majority of passive quoted equities are currently invested in line with either market capitalisation or a value based index. Consideration will be given to changing the indices to one's that incorporate ESG factors into the selection of investment particularly with the aim of reducing exposure to climate changing emissions and preferring companies with good social and governance practices.
 - Consideration of moving assets from passive equities to pooled active equities that have a strong sustainability approach to the selection of investments.
 - Consideration of investing into other products offered by the London CIV that focus on opportunities with sustainability characteristics e.g. renewables.
 - Monitor through regular dialogue and reporting that appointed investment managers, including the London CIV (1) integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments, and (2) use their influence, including through collaboration where appropriate, to promote good practice in the investee companies and markets to which the Fund is exposed.
 - Periodic qualitative and quantitative reviews of the ESG risks within the portfolio and consideration of alternatives.

Social Investment

6.8 The Fund is consistent in the application of risk and returns requirements when evaluating all investment opportunities, including those that address societal challenges. The Fund would invest in opportunities that address societal challenges but generate competitive financial returns. Seeking such opportunities is generally delegated to our external fund managers but will be a factor in selecting managers and investee funds.

Reporting of Responsible Investment Outcomes

6.9 It is expected that the Fund will be required to manage and monitor its exposure to climate change using the framework developed by the Taskforce on Climate-related Financial Disclosures. The Fund will develop its approach to compliance with the framework during 2021 & 2022. Where possible, reporting will also incorporate the social and governance aspects to RI. In doing so, the Fund will take a long-term view on RI, including the direction of travel as well as the current implementation.

6.10 The exercise of rights (including voting rights) attaching to investments

Voting rights

6.11 The Committee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitor the voting decisions made by all its investment managers on a regular basis.

Stewardship

- 6.12 The Fund fully endorses the principles embedded in the Stewardship Code. The Fund will be reviewing this position during 2024-25 and will consider becoming a signatory to the Code as part of this review.
- 6.13 In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.
- 6.14 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.
- 6.15 The Committee expects both the London CIV and all directly appointed fund managers to also comply with the Stewardship Code and this will be monitored on an annual basis.
- 6.16 The Fund is a member of the Local Authority Pension Fund Forum and Pension and Lifetime Savings Association and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners.
- 6.17 The Chartered Institute of Public Finance ("CIPFA") Pensions Panel Principles for Investment Decision Making set out the six principles of good investment practice issued by Government (Myners principles). The extent to which the Fund complies is set out in Appendix B.

Approved by:

London Borough of Barnet Pension Fund Committee 24 February 2021

Appendix A – Approach to Risk

Investment invariably involves an element of risk. The Committee, in recognition of this, has adopted a number of strategies to mitigate the impact of unavoidable risks on the Fund. The Fund is subject to the following risks:

Funding risk: Asset values may not increase at the same rate as liabilities, resulting in an adverse impact on the funding position. The Committee monitors the funding position by considering the Fund's investment strategy and performance relative to the liabilities as part of the Fund's quarterly performance monitoring exercise.

Financial mismatch risk: The Committee recognises that assets and liabilities have different sensitivities to changes in financial factors. To mitigate this risk, the investment strategy is set such that it provides exposure to real assets (which provide some form of inflation-hedging) as well as income generating assets that, to some extent, match the Fund's liabilities.

Liquidity/Cashflow risk: Investments are held until such time as they are required to fund payment of pensions. It is anticipated that the contributions due will start to exceed the net payments from the fund to pensioners. However, the liquidity risk is being closely monitored. The Committee manages its cashflows and investment strategy to ensure that all future payments can be met and that sufficient assets are held in liquid investments to enable short term cash requirements to be met.

Manager risk: Fund managers could fail to achieve the investment targets specified in their mandates. This is considered by the Committee when fund managers are selected and their performance is reviewed regularly by the Committee as part of the manager monitoring process.

Concentration risk: This relates to the risk that the performance of a single asset class, investment or manager has a disproportionate influence on the Fund's performance. The Committee attempts to mitigate this risk by establishing a well-diversified strategic asset allocation, reviewing the investment strategy regularly, and following a regular fund manager review process.

Demographic risk: This relates to the uncertainty around longevity. The Committee recognises there are effectively no viable options to mitigate these risks and assesses the impact of these factors through the Funding Strategy Statement and formal triennial actuarial valuations.

Counterparty risk: This risk relates to the counterparty in a financial transaction failing to meet its obligations to the Fund. The Committee has set guidelines with its fund managers and its custodian to limit its exposure to counterparty risk by specifying minimum credit ratings and credit limits. It has similarly applied this strict criteria within its stock lending agreements to mitigate counterparty risk in these transactions.

Currency risk: The strategic asset allocation adopted by the Committee provides for an overseas allocation to enhance diversification via exposure to different economies. Such investments are, however, subject to fluctuations in exchange rates with an associated impact on performance. As such, the Committee has opted to hedge 50% of the Fund's currency risk (based on overseas exposure of the passive global equity allocation). This is considered to strike a suitable balance between dampening the volatility associated with currency fluctuations and the cost associated with currency hedging.

Environmental, Social, and Governance Issues risk: The Committee recognises that environmental, social and ethical issues have the potential to impact on the long-term financial

viability of an organisation. The Committee encourages managers to exercise votes in line with their stated ESG objectives.

Appendix B – CIPFA Compliance

The statements below state the extent to which the Fund complies with the principles of investment practice originally issued by the Government in October 2001 in response to the recommendations of the Review of Institutional Investment undertaken by Lord Myners.

Principle 1: Effective decision-making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they received, and manage conflicts of interest.

Compliant. The Council, as the administering authority, appoints the Pension Fund Committee, specifically for the purpose of taking decisions concerning the management of the Fund's Investments. The Committee is supported by the actuary, independent advisors and officers.

Principle 2: Clear Objectives

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant, and clearly communicate these to advisers and investment managers.

Compliant. The Fund's investment objective and attitude to risk are reviewed and adjusted where necessary, on the basis of the outcomes of asset liability studies.

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Compliant. The investment strategy is reviewed annually and updated to take account of the latest actuarial information. Risk of sponsor or fund default is irrelevant as the London Borough of Barnet Pension Fund benefits are guaranteed by law.

Principle 4: Performance Assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.

Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Part Compliant. The performance of the Fund's investments is monitored on a quarterly basis by officers and also the adviser, Hymans Robertson. The Committee is looking into how to assess the performance of decisions taken.

Principle 5: Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt the Institutional Shareholder's Committee Statement of Principles on the responsibilities of shareholders and agents.

A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.

Trustees should report periodically to members on the discharge of such responsibilities.

Compliant. Investment managers employed by the fund have clear corporate governance policies. The Pension Fund Committee has an approved voting policy.

Principle 6: Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

Trustees should provide regular communication to members in the form they consider most appropriate.

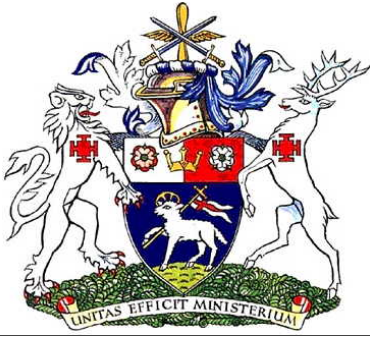
Compliant. The Committee publishes documents including the Investment Strategy Statement, Funding Strategy Statement, Corporate Governance policy and committee meeting minutes on the London Borough of Barnet website. Annual reports and accounts are also published on the website.

Appendix C – Version History

A summary of changes to the Investment Strategy Statement is summarised below (changes noted from statement approved on 24 February 2021 (vs1.0))

Change Introduced	Date PFC approval made	Version Effective
Introduces the Fund's Cash Management Strategy	31 January 2023	Vs1.1
Introduces delegation protocols for re-balancing and urgent situations	31 January 2023	Vs1.1
Updates the strategic allocation to reflect a 20% shift in assets from liquid equity to investment grade credit*	4 July 2023	Vs1.1
Re-format template into Barnet headed paper	n/a	Vs1.1
Added principles around NetZero	31 January 2023	Vs1.1
Adds section numbers and other minor wording adjustments	n/a	Vs1.1
Update references to dates / allocations to reflect the position in 2023	n/a	Vs1.1

*Note, there appears to be some discrepancy between the target allocation set out in vs1.0 compared to the target allocation set within PFC meetings and summarised in various monitoring reports. The Fund's advisors have confirmed the allocation set out in the various monitoring reports reflects the strategy set by the Pension Fund Committee



Pension Fund Committee

Title	Risk Management Review
Date of meeting	2 November 2023
Report of	Executive Director of Strategy & Resources (S151 Officer)
Wards	All
Status	Public
Urgent	No
Appendices	Appendix A – London Borough of Barnet Pension Fund – Pensions Administration Risk Register – November2023
Officer Contact Details	Mark Fox, Pensions Manager – 0208 359 3341 – mark.fox@barnet.gov.uk

Summary

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

Recommendations

1. That the Pension Fund Committee note the most recent administration risk register and provide feedback on the updated format.
2. That the Pensions Fund Committee note that the non-administration risk register is currently being updated into the new format and will be reported on at the next Committee meeting.

1. Reasons for the Recommendations

- 1.1 It is important that the Council maintain Pension Fund Risk Registers to help protect employers and members of the Local Government Pension Scheme (LGPS). The purpose of risk management is to identify potential problems before they occur, so that risk handling activities can be planned and invoked as required to mitigate adverse impacts.
- 1.2 The London Borough of Barnet Pensions Team (the “Pensions Team”) have undertaken a review of the pension fund administration risk register, to ensure that this document can be more useful to the Pensions Team and both Pension Fund Committee and Local Pensions Board member (who review the register at each meeting) from an operational perspective.
- 1.3 The updated Pensions Administration Risk Register can be found in Appendix A. The Pensions Team would welcome feedback from the Committee on the revised format, which has also been presented to the Local Pensions Board.
- 1.4 The non-administration Risk Register will also be updated in the same format, and this will be presented to the Committee at the next meeting.
- 1.5 Following the review of the pension administration risk register, the risk scores are now based on a four-point scale on the likelihood of the risk occurring and the impact caused should the risk occur. The risk score is calculated as likelihood multiplied by impact.
- 1.6 Once the risk score is calculated, and the risk evaluated, there are plotted on risk matrix (page 2 of the pensions administration risk register).
- 1.7 Prompt action will be taken on those risks that fall into the red zone. Action will also be considered for “yellow” risks, while “green” risks are regarded as acceptable, with sufficient mitigation in place.
- 1.8 Administration risks are measured against likelihood of a risk occurring and the impact on members, employers or the Fund. Although an administration failure may have minimal financial impact on the fund, incorrect payments to members or poor data that will have a reputational impact for the Fund.
- 1.9 Since the last review by the Committee, only one new risk has been identified. This is risk ADM18 - Failure to produce compliant annual report and accounts within deadline. Although the 2020/21 pension fund accounts have not yet been finalised (due to a nationwide issue), the Pensions Team have prepared all working papers so that when the audit commences on the accounts for 2022/23 and 2023/24, the process is more efficient. The Pensions Team are also in regular contact with the auditors.
- 1.10 The Pension Administration Risk Register will be reviewed bimonthly by the Pensions Team and updates will be reported to the Board at each meeting.

2. Alternative Options Considered and Not Recommended

- 2.1 Not applicable in the context of this report.

3. Post Decision Implementation

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

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

- 4.1 The Pension Fund Committee supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund.
- 4.2 By monitoring the risk registers 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 Corporate Plan.

Corporate Performance / Outcome Measures

- 4.3 Not applicable in the context of this report.

Sustainability

- 4.4 Not applicable in the context of this report.

Corporate Parenting

- 4.5 Not applicable in the context of this report.

Risk Management

- 4.6 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.

Insight

- 4.7 Not applicable in the context of this report.

Social Value

- 4.8 Not applicable in the context of this report.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

- 5.1 Risks that are not mitigated or managed can have a financial penalty to the Scheme.

6. Legal Implications and Constitution References

- 6.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is London Borough of Barnet. The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 inserts regulation 106 into the Local Government Pension Scheme Regulations 2013 which requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.
- 6.2 The Risk Register is a tool that assists the Board in ensuring that the Scheme has a mechanism in place to identify and review at least annually, the pension scheme administration risks.
- 6.3 Under the Council's Constitution Part 2B, the terms of reference of the Pension Fund Committee including
- To have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including, but not limited to the following
 - To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice.

7. Consultation

- 7.1 Not applicable in the context of this report.

8. Equalities and Diversity

- 8.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.
- 8.2 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.

9. Background Papers

- 9.1 None

London Borough of Barnet Pension Fund Pension Administration Risk Register

Updated by: Mark Fox, Pensions Manager, London Borough of Barnet

Date Updated: November 2023

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Evaluating risks and Risk Matrix

The LBB Pension Fund evaluates the pension administration risks on a four-point scale on the likelihood of the risk occurring and the impact caused should the risk occur. Risks are evaluated with their controls in place. Risks are plotted on a risk matrix (see below) and prompt action will be taken on those risks that fall into the red zone. Action is considered for “yellow” risk, while “green” risks are regarded as acceptable.

Likelihood	4 – Almost Certain				
	3 - Likely		<u>18</u>		
	2 - Unlikely		<u>5, 6, 10, 14</u>	<u>2, 8, 11, 12, 13, 16, 17</u>	<u>15</u>
	1 - Rare		<u>4, 7, 9</u>	<u>1, 3</u>	
		1 - Trivial	2 - Medium	3 - Major	4 - Catastrophic
		Impact			

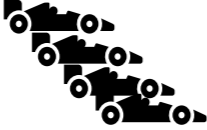


Risks

1. Operational disaster
2. Incomplete or inaccurate data
3. Maladministration
4. Excessive charges by suppliers
5. Failure to pay contributions
6. Failure of non-public sector employers
7. Failure to interpret rules correctly
8. Appropriate personnel in key roles
9. Conflicts of interest
10. Admission agreements not in place
11. Commercial viability of suppliers
12. Non-compliance with GDPR
13. Negative media exposure
14. Impact of staffing issues on admin
15. Cyber security breach
16. Risk of fraud
17. Effect of new pensions regulations
18. Failure to produce annual report and accounts within deadline

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Risk Velocity

Risk Velocity is defined as the time to impact (i.e., an estimate of the timeframe within which a risk may occur). The Pensions Team use a traffic light system to classify how risk velocity measured:

1 , 12 , 13 , 15		- very rapid; within a couple of days
2 , 3 , 8 , 14 , 16		- risk may occur within a few days up to a couple of months
4 , 5 , 6 , 7 , 9 , 10 , 11 , 17 , 18		- a slow impact that may occur over several months or more

Risks

1. Operational disaster
2. Incomplete or inaccurate data
3. Maladministration
4. Excessive charges by suppliers
5. Failure to pay contributions
6. Failure of non-public sector employers
7. Failure to interpret rules correctly
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14. Impact of staffing issues on admin
15. Cyber security breach
16. Risk of fraud
17. Effect of new pensions regulations
18. Failure to produce annual report and accounts within deadline






Risk Scores

The risk scores are calculated as Likelihood x Impact.

As the Impact tends to be fixed, it is the Likelihood that requires risk management.






London Borough of Barnet Pension Fund – Pension Administration Risk Register

Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
ADM01 Operational disaster (Fire / flood etc)	An event occurs that would impact the ability to deliver all / parts of the pension service.	3	3		WYPF	August 2017
ADM02 Incomplete or inaccurate member data	To fulfil legal obligations, the pension service is dependent on receiving accurate information and data from scheme employers, and for the administrator to maintain member records.	6	3		WYPF	August 2017
ADM03 Administration process failure/maladministration	Administration of the pension scheme should be in line with the Local Government Pension Scheme (LGPS) rules.	3	3		WYPF	August 2017
ADM04 Excessive charges by suppliers	The cost of running the pension scheme should not exceed the agreed budget.	2	2		David Spreckley	August 2017
ADM05 Employer's failing to pay contributions to the fund	If the fund does not receive the correct contributions from employers to fund pension liabilities, this could lead to a scheme deficit.	4	2		Adam McPhail	August 2017





London Borough of Barnet Pension Fund – Pension Administration Risk Register

Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
ADM06 Failure of non-public sector employers	Should admitted bodies default on payments, the fund is left with additional pension liabilities.	4	2		Mark Fox	August 2017
ADM07 Failure to interpret rules or legislation correctly	The Board does not have the level of pension knowledge to perform their role effectively.	2	2		Jim Nokku	August 2017
ADM08 Appropriate personnel in place to perform in designated and key roles	WYPF does not comply with statutory obligations and is unable to evidence appropriate governance.	6	3		WYPF	August 2017
ADM09 Conflicts of interest	Decisions made may be influenced by other factors and may be subject to challenge.	2	2		Mark Fox	August 2017
ADM10 Admission agreements & bonds not arranged in good time	If a new employer is not admitted to the Fund in a timely manner, then employees will not be able to have access to their benefits.	4	2		Mark Fox	January 2019

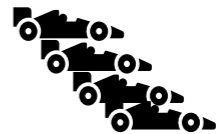



London Borough of Barnet Pension Fund – Pension Administration Risk Register

Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
ADM11 Commercial viability of strategic suppliers	If the commercial viability of a strategic supplier declines this could lead to operational failings resulting in service disruption / reduction, failure to complete statutory duties and financial costs.	6	4		David Spreckley	March 2019
ADM12 Non-compliance with GDPR	Failure to adhere to GDPR may lead to the breach of GDPR regulations (e.g. breach of personal information), which will result in enforcement action from TPR and the ICO, resulting in financial and reputational impact on the Council.	6	2		Mark Fox	March 2019
ADM13 Negative media exposure and member experience	Negative media attention may lead to ineffective media management impacting on the reputation of the Council and impacting on staff morale.	6	2		Mark Fox	March 2019
ADM14 Impact of staffing issues on pensions administration	WYPF staff absence (due to both illness and leave) should be managed to ensure that the service levels are maintained so there is no detrimental effect on the payment of members benefits and general service levels.	4	2		Mark Fox	April 2020

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Summary of Risks

Risk	Description	Current Risk Score	Lowest Possible Risk Score	Risk Velocity	Risk Owner	Date Risk Identified
ADM15 Cyber security breach	The Fund holds large amounts of personal data which can make them a target for fraudsters and criminals. Steps need to be taken to protect members which includes protecting them against the 'cyber risk'.	8	4		David Spreckley	March 2019
ADM16 Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements	The Fund should evaluate the various forms of fraud in relation to pensions administration and then arrange for the implementation of appropriate controls that are both proportionate and pragmatic.	6	3		Mark Fox	March 2019
ADM17 Effect of new pensions legislation and LGPS regulations	New pensions legislation or updates to the LGPS regulations can affect members pension benefits within the Fund.	6	3		Mark Fox	March 2019
ADM18 Failure to produce compliant annual report and accounts within deadline	The Accounts and Audit Regulations 2015 (2022 amendment) require audited accounts to be published on the 30 September after the year end. The risk of the Pension Fund Accounts not being published is that the Council Accounts will not be complete.	6	2		Mark Fox	April 2020

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
ADM01 Operational disaster (Fire / flood etc)	Business Continuity	<ul style="list-style-type: none"> WYPF has Business Continuity Procedures and Disaster Recover Plans in place, which are reviewed and tested regularly. 	<ul style="list-style-type: none"> WYPF have advised that two further tests will take place in the summer of 2023. The LBB Pensions Team will review the reports when available. 	WYPF LBB	Oct 2023 Dec 2023
ADM02 Incomplete or inaccurate member data	Governance	<ul style="list-style-type: none"> Common and Conditional data analysis provided monthly by WYPF. Regular updates provided by WYPF on the Data Improvement Plan. 	<ul style="list-style-type: none"> WYPF to update the LBB Pensions Team when employers are not providing the relevant information, so appropriate action can be taken. The LBB Pensions Team continue to work with employers who still have unprocessed leavers. Regular updates provided by WYPF on progress on the data improvement plan. Employers to be reminded of their responsibilities at each employer forum meeting. Process for rectification historical records Documented 	WYPF Jim Nokku WYPF Mark Fox Mark Fox	Ongoing - Monthly March 2023 Sept 2023 Nov 2023 Sept 2023

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
ADM03 Administration process failure / maladministration	Statutory Duty	<ul style="list-style-type: none"> Formal agreement in place with WYPF, including agreed SLA's. WYPF authority levels agreed with clear definition of delegated authorities and individual approval authorities. Scheme Event Calendar in place to ensure regulatory deadlines are achieved. WYPF staff training plans in place to ensure processing in accordance with LGPS requirements. Monthly reports by WYPF provided to LBB Pensions Manager. 	<ul style="list-style-type: none"> The LBB Pensions Team to review the latest WYPF ISO9001 and ISO27001 reports , when available, which details the controls in place at WYPF. WYPF to update the LBB Pensions Team on any errors or issues in the monthly report, or earlier, if deemed appropriate. 	LBB WYPF	Nov 2023 Ongoing - Monthly
ADM04 Excessive charges by suppliers	Finance	<ul style="list-style-type: none"> Pension scheme budget agreed annually. Periodic review of suppliers. 	<ul style="list-style-type: none"> LBB Pensions Team to review supplier charges – looking at budgets and value for money 	David Spreckley	Dec 2023

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
ADM05 Employer's failing to pay contributions to the fund	Financial	<ul style="list-style-type: none"> Monthly reconciliation of contribution payments received by both the LBB Pensions Team and WYPF. Revised procedures have been implemented to improve the collection of strain cost invoices. 	<ul style="list-style-type: none"> The LBB Pensions Team check monthly that employers pay the correct contributions rates. New Admitted Bodies are asked to commence paying contributions(at a temporary rate) prior to the Admission Agreement being to avoid delays in payment. 	Adam McPhail Mark Fox	Ongoing – Monthly Ongoing – when applicable
ADM06 Failure of non-public sector employers	Financial	<ul style="list-style-type: none"> The LBB Pension Team monitor employer covenant and business strength. The LBB Pensions Team have access to a Hymans modeller, enabling the employer contribution rate to be calculated quicker. 	<ul style="list-style-type: none"> The LBB Pensions Team to ensure all admitted bodies have an appropriate bond/guarantee is in place. 	Mark Fox	Ongoing – when applicable

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
ADM07 Failure to interpret rules or legislation correctly	Compliance	<ul style="list-style-type: none"> Up to date training log in place for Local Pensions Board to show completion of training undertaken. Training is a standing item at Local Pensions Board meetings, where training is reviewed, and further training needs can be identified. 	<ul style="list-style-type: none"> The LBB Pensions Team to update the training for undertaken by Board members monthly. The LBB Pensions Team to facilitate training requests received from Board members (either external or internal training). 	<p>Jim Nokku</p> <p>Jim Nokku</p>	<p>Ongoing – Monthly</p> <p>Ongoing – when applicable</p>
ADM08 Appropriate personnel in place to perform in designated and key roles	Compliance	<ul style="list-style-type: none"> WYPF ensure that the personnel in key roles in relation to the administration of the Fund are suitably experienced and qualified to perform in their roles and have the appropriate authorities. 	<ul style="list-style-type: none"> WYPF review the roles and responsibilities of relevant individuals to ensure they hold appropriate authorities, by annual appraisal reviews and setting of objectives LBB Pensions Team to obtain confirmation that WYPF staff in key positions have the appropriate experience and authority. 	<p>WYPF</p> <p>Mark Fox</p>	<p>Ongoing – at least annually</p> <p>Ongoing – at least annually</p>

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
ADM09 Conflicts of interest	Compliance	<ul style="list-style-type: none"> All Pension Board members to declare any conflicts and potential conflicts before each meeting and recorded in the conflict-of-interest register. All pension board members to complete and renew relevant educational material. 	<ul style="list-style-type: none"> No further actions required; risk has reached its target score and is being tolerated with the existing controls and mitigations in place. 	Mark Fox	N/A
ADM10 Admission agreements & bonds not arranged in good time	Governance	<ul style="list-style-type: none"> The LBB Pensions Team now have access to a Hymans modeller, enabling calculation of the employer's contribution rate, thus speeding up the admission process. 	<ul style="list-style-type: none"> LBB Pensions Team to review and update the Admissions, Bonds and Cessations process to make it less labour intensive and more efficient. 	Mark Fox	Ongoing - Monthly

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
ADM11 Commercial viability of strategic suppliers	Business Continuity	<ul style="list-style-type: none"> Contract monitoring takes place monthly with quarterly reporting to Financial Performance and Contracts Committee. Contract register kept under review with checks on financial status of strategic suppliers. Contract management arrangements in place, including indicators to identify financial stress. 	<ul style="list-style-type: none"> In the unlikely event that WYPF go out of business and cease to provide third party admin services, the LBB Pensions Team will be able to tender for a new provider by using the This can be done by using the National LGPS Framework. 	David Spreckley	Ongoing – when applicable
ADM12 Non-compliance with GDPR	Statutory Duty	<ul style="list-style-type: none"> The LBB Pensions Team are required to undertake regular training on GDPR regulations and information security. WYPF staff must also complete GDPR awareness training. 	<ul style="list-style-type: none"> WYPF to confirm that staff have completed their GDPR training. WYPF to update LBB on any data breaches and actions taken to mitigate breach. The LBB Pensions Team to report any data breaches to the Council’s Data Protection Team. 	WYPF WYPF WYPF	Dec 2023 Ongoing – Monthly Ongoing – when applicable

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
ADM13 Negative media exposure and member experience	Governance	<ul style="list-style-type: none"> External Communications team to liaise with S151 Officer should a media enquiry arises. WYPF to refer any media enquiries to the LBB Pensions Team for action. 	<ul style="list-style-type: none"> Press releases to be shared with Local Pension Board and Pension Fund Committee members prior to publication (if possible). Member experience to be measured by quarterly satisfaction surveys and feedback by WYPF. The LBB Pensions Team are reviewing engagement strategy to improve both member and employer communications. 	Mark Fox WYPF Mark Fox	Ongoing – when applicable Ongoing – Quarterly Nov 2023
ADM14 Impact of staffing issues on pensions administration	Business Continuity	<ul style="list-style-type: none"> WYPF have developed their own Business Continuity plan which considers staff absence. The LBB Pensions Team monitor service levels through regular reports and calls with WYPF. This information is also reported to the Local Pension Board. 	<ul style="list-style-type: none"> The LBB Pensions Team to continue to regularly monitor WYPF performance levels, complaints and resourcing levels. Should there be any issues, these will be raised with senior management at WYPF and Commercial Team at the LBB. 	Mark Fox Mark Fox	Ongoing – Monthly Ongoing - quarterly

London Borough of Barnet Pension Fund – Pension Administration Risk Register

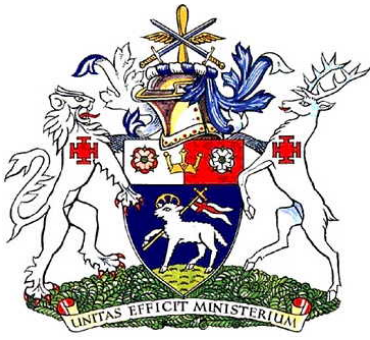
Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
ADM15 Cyber security breach	Compliance	<ul style="list-style-type: none"> WYPF, as part of its Information Governance Toolkit, has adopted a Cyber Security policy which outlines how the Fund protects members' data from incidents of Cyber Crime and risk of hacking together with outlining the Fund's control mechanisms for its pension administration software system. 	<ul style="list-style-type: none"> The LBB Pensions Team to the updated WYPF Cyber Security Report when available. The LBB Pensions Team to check whether the WYPF policy is updated in line with the TPR cyber security principles. 	Mark Fox Mark Fox	Dec 2023 Dec 2023
ADM16 Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements	Governance	<ul style="list-style-type: none"> WYPF run annual pensioner existence exercises. Pension transfer documentation includes the "pension scam" literature from TPR. WYPF administration processes to ensure proper checks on the receiving arrangement before making payment. 	<ul style="list-style-type: none"> WYPF to regularly update the LBB Pensions Team the results of the pensioner existence exercise. The LBB Pensions Team to review all transfer payments every six months. WYPF have confirmed that they will be signing up to TPR Pensions Pledge, which is a new initiative to raise awareness of the risks of scams. 	WYPF Mark Fox WYPF	Ongoing – monthly Ongoing – Biannually Nov 2023

London Borough of Barnet Pension Fund – Pension Administration Risk Register

Risk Details

Risk	Nature of Risk	Controls in Place	Actions to mitigate risk	Action Owner	Action Completion Date
ADM17 Effect of new pensions legislation and LGPS regulations	Statutory Duty	<ul style="list-style-type: none"> The LBB Pensions Team to monitor and review updates to pensions legislation to determine the impact on members benefits. The LBB will work with other stakeholders and bodies ensure relevant communication is sent to appropriate parties. 	<ul style="list-style-type: none"> WYPF to provide updates of any new relevant regulations that will affect the Barnet Fund through monthly reports and regular meetings. The LBB Pensions Team to attend quarterly meetings of the London Pension Officers Group (LPOG) to share best practice on LGPS regulations. 	WYPF Mark Fox	Ongoing – when applicable Ongoing - Quarterly
ADM18 Failure to produce compliant annual report and accounts within deadline	Statutory Duty	<ul style="list-style-type: none"> The LBB Pensions Team will ensure all working papers and data is in place when preparing the accounts, so that when the audit commences, the process is more efficient. The LBB Pensions Team to agree an audit program with the Auditors and ensure that this is adhered to. 	<ul style="list-style-type: none"> The Auditors and the LBB Pensions Team to maintain regular communication throughout the audit. Ensure that the Auditors are employing suitably qualified staff to undertake the audit. 	Adam McPhail Adam McPhail	Ongoing – when applicable Ongoing – when applicable



Pension Fund Committee

2 November 2023

Title	Pooling Update
Date of meeting	2 November 2023
Report of	Executive Director of Strategy & Resources (S151 Officer)
Wards	All
Status	Public
Urgent	No
Appendices	Appendix – Barnet’s Consultation Response
Officer Contact Details	David Spreckley, Head of Pensions and Treasury – 020 8359 6264 – david.spreckley@barnet.gov.uk

Summary

This report provides an update on pooling, namely the Government’s Pooling Consultation (together with Barnet’s response) and awareness of a new investment fund developed with London Collective Investment Vehicle (CIV) considered further within the Investment Strategy paper.

A more comprehensive pooling update was provided at the 4 July 2023 Pension Fund Committee meeting.

Recommendations

1. That the Pension Fund Committee notes the importance of pooling and the update provided by Officers.
2. That the Pension Fund Committee note Barnet’s Consultation Response as set out in Appendix 1.

1. Reasons for the Recommendations

1.1 This report updates the Pension Fund Committee on two developments relating to pooling since the 4 July 2023 Pooling paper was considered:

- **Pooling Consultation:** Shortly after the 4 July 2023 meeting (11 July) the government issued a consultation on LGPS Investments (including pooling). A summary of this consultation and Barnet's response is described within paragraphs 1.3 to 1.7 below.
- **Buy and Maintain Fund:** In order to further stabilise the Pension Fund's surplus position, Barnet officers have worked with London CIV and our advisors to develop a Buy and Maintain Bond Fund (A proposal to move into this fund, once FCA Authorisation has been completed and Hymans have prepared their suitability report, is set out in the Investment Strategy Paper)

1.2 A comprehensive, more general, Pooling Update was provided at the 4 July 2023 meeting, details of this can be found within the following [link](#).

Pooling Consultation

1.3 On 11 July 2023 the Government released an important consultation about Local Government Pension Scheme (LGPS) investment. This consultation is likely to steer how both the (centralised) pooling and local agendas evolve for the LGPS over the next decade or so. The consultation covered:

- Pooling
- Local Investment
- Investment towards Private Equity

1.4 The full consultation can be viewed here: [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](#)

1.5 The consultation was open for 12-weeks and closed on 2 October 2023. Barnet Council responded to this consultation. Details of our draft response was shared with the Committee for comment on 25 September 2023.

1.6 The key themes underpinning our response were as follows:

key principles:

- We believe sustainable outperformance (relative to market) can be achieved through scale and also through looking at emerging smaller opportunities.
- The constituent we owe our primary Fiduciary Duty to is the people of Barnet.
- There is a "levelling up" dividend which may flow through in the immediate area where levelling up investment is made.

Our six recommendations were:

1. Regulations modified to encourage greater collaborations between the Pools and Funds so the big opportunities and best assets can be accessed – we think this will increase the overall level of pooled assets.
2. The ability to allow for a ‘Levelling Up’ dividend in decision making where Local Taxpayers and / or employers benefit from the investment collaterally – we think this will increase and accelerate investment towards Levelling Up initiatives.
3. Encourage investment in smaller Private opportunities as well as large – Funds are adept in discovering high value Private Assets locally. Encouraging and utilising this network of expertise, in collaboration with pools where possible, will help drive value for our taxpayers and increase investments towards Private Assets overall.
4. Made explicit that Funds can rely on the Pools’ due diligence – this will reduce our overall governance expense and help us build a closer relationship with our Pool. We would further recommend that Pool’s obtain their own independent due diligence.
5. Government commission a review on the potential for concentration risk from greater consolidation to fewer Fund managers - with greater concentration comes potential risk, we think this needs to be properly explored and understood as it may inform the extent of ultimate pooling
6. That the governance burden is supported by investment in centralised reporting tools (which could be co-ordinated by a Pool) – this will transform governance within Funds and allow clearer comparison between funds

1.7 Our final response is included as Appendix 1.

Buy and Maintain Fund

- 1.8. Barnet officers have had extensive discussions with Hymans and LCIV about how we could further stabilise our Funding Position. The result of this discussion is that LCIV have developed a fund known as a “buy and maintain” Bond fund.
- 1.9. The objective of this fund is for the investment manager to pick good quality (investment grade) long-term bond assets with a view to holding them for the longer term (say 10 years or more), only selling if there are credit concerns. In this way we would be able to lock in investment returns over a longer period.
- 1.10. We are pleased with how London CIV listened to our needs and showed flexibility and expedience in developing a new product that met our requirements. Several other London Boroughs will also make commitments to the this new Fund.

2. Alternative Options Considered and Not Recommended
2.1 Not applicable in the context of this report.
3. Post Decision Implementation
3.1 None
4. Corporate Priorities, Performance and Other Considerations
<p>Corporate Plan</p> <p>4.1 The Local Pension Board supports the delivery of the Council’s strategic objectives and priorities as expressed through the Corporate Plan, by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund. Awareness of changes to LGPS investment legislation and regulations is therefore essential for the Board.</p> <p>Corporate Performance / Outcome Measures</p> <p>4.2 Not applicable in the context of this report.</p> <p>Sustainability</p> <p>4.3 Not applicable in the context of this report.</p> <p>Corporate Parenting</p> <p>4.4 Not applicable in the context of this report.</p> <p>Risk Management</p> <p>4.5 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.</p> <p>4.6 The regulatory framework around LGPS investment is key to overall risk management.</p> <p>Insight</p> <p>4.7 Not applicable in the context of this report.</p> <p>Social Value</p> <p>4.8 Not applicable in the context of this report.</p>
5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)
5.1 Effective investment management is key to the sustainability of the Pension Fund.
6. Legal Implications and Constitution References
6.1 Government Guidance around the pooling requirements is linked in the body of this report.
6.2 The Council’s Constitution – Part 2B section 15 includes within the responsibilities of the Pension Fund Committee.

6.3	The terms of reference for the committee includes: “To have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including, but not limited to the following: To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice.
7. Consultation	
7.1	Not applicable in the context of this report.
8. Equalities and Diversity	
8.1	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.
8.2	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.
9. Background Papers	
9.1	Pension Fund Committee – Pooling Update – 4 July 2023 - A more comprehensive update on pooling was provided at the 4 July 2023 Pension Fund Committee meeting (papers linked here)

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LGPS Investment Consultation

Our consultation response can be summarised through six specific recommendations which we set out within this document. The three underlying principles that have driven these recommendations are set out on the next page.

We provide more detailed explanation within specific answers to each questions

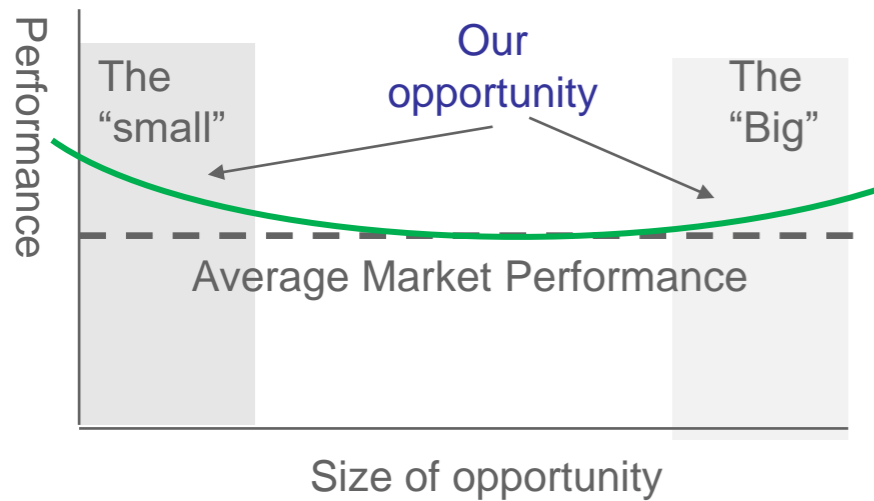
If you would like to discuss any aspect of our consultation response please contact:

david.spreckley@barnet.gov.uk (Head of Pensions and Treasury)

cllr.s.radford@barnet.gov.uk (Chair of Barnet's Pension Fund Committee)

The principles underpinning our thinking

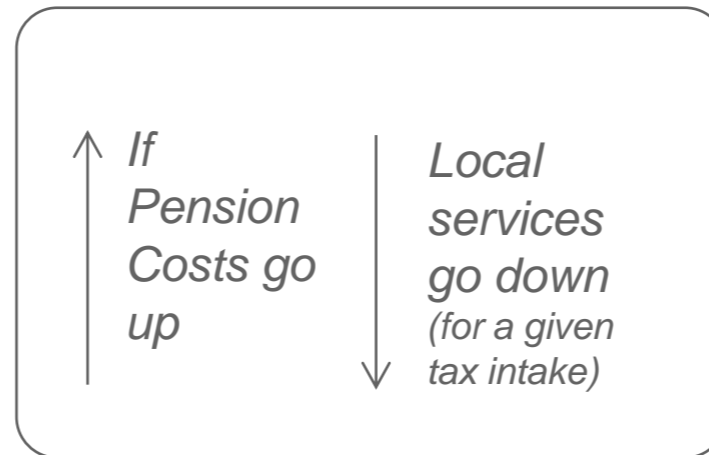
Outperformance achieved from both large and small-scale private opportunities



We believe sustainable outperformance against market can be achieved through both large-scale private investments (e.g. Large Infrastructure) and small-scale private investments (e.g. Venture)

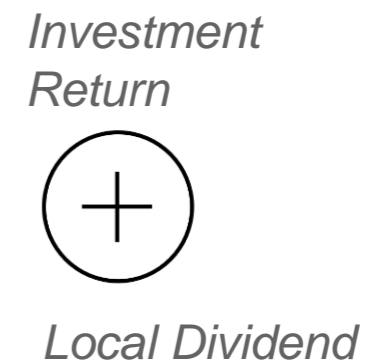
*note a Fund may allocate a large proportion of assets to “small” scale investments

Our primary Fiduciary Duty is to Local Residents



The constituent who stands to benefit / suffer the most from out / under performance of the Fund are local taxpayers and users of local services. This is therefore the group we believe we owe our primary Fiduciary Duty towards – but we feel this position is unclear in law.

There is a Local “Dividend” received through local infrastructure investment



Local investment may create a return (financial or non-financial) that benefits the local community in addition to the financial return made by the initial investors

Caring for people, our places and the planet

Evolving the LGPS Investment Framework to improve outcomes



Regulations modified to encourage greater collaborations between the Pools and Funds so the big opportunities and best assets can be accessed – we think this will increase the overall level of pooled assets



The ability to allow for a ‘Levelling Up’ dividend in decision making where Local Taxpayers and / or employers benefit from the investment collaterally – we think this will increase and accelerate investment towards Levelling Up initiatives



Encourage investment in smaller Private opportunities as well as large – Funds are adept at discovering high value Private Assets locally. Encouraging and utilising this network of expertise, in collaboration with pools where possible, will help drive value for our taxpayers and increase investments towards Private Assets overall

Suggested actions to improve governance



Made explicit that Funds can rely on the Pools' due diligence – this will reduce our overall governance expense and help us build a closer relationship with our Pool. We would further recommend that Pool's obtain their own independent due diligence



Government commission a review on the potential for concentration risk from greater consolidation to fewer Fund managers - with greater concentration comes potential risk, we think this needs to be properly explored and understood as it may inform the extent of ultimate pooling



That the governance burden is supported by investment in centralised reporting tools (which could be co-ordinated by a Pool) – this will transform governance within Funds and allow clearer comparison between funds

Consultation Response - Pooling

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

Regulation and guidance should be amended to encourage and facilitate greater collaboration between Pools so Funds can access the big opportunities and best assets – we think this will increase the overall level of pooled assets

It is currently unclear whether Funds can explicitly allow for the wider impact on communities when making investment decisions – regulations and / or guidance should give clarity on this point so Committees can be confident they are making robust investment decisions towards Local Investments – we think clarity on this will increase Levelling Up investment and expand on this point within questions 7 and 9.

Funds are adept at discovering high value Private Assets locally. Encouraging and utilising this network of expertise, in collaboration with pools where possible, will help drive value for our taxpayers and increase investments towards Private Assets overall – we acknowledge that this may drive activity away from pools and so would suggest a cap is placed on the allocation that could be sourced locally – say 10% of assets.

Guidance and regulation should make it explicit that Funds can rely on Pool's due diligence when investing into pooled funds if they so want. To support this, we suggest it should be a requirement that Pool's obtain independent due diligence on their Funds and that information can be shared with Pool shareholders.

We have a concern that as the proportion of pooled assets increases, so does the Concentration Risk (which may include governance risk) - we would like to understand what analysis the Government has undertaken to quantify this risk.

If no analysis has been undertaken, we believe it would be appropriate to commission a review of concentration risk of consolidating pools further (where risks relating to concentration could be wide ranging – e.g. concentration of governance / control / exposure to a particular asset class or manager).

Answer continued on next page

Consultation Response - Pooling

Question 1: (cont.)

There are 18,000 different LGPS employers, each with their own liability profiles and ability to absorb risk. For example, Barnet has a significant Post 92 university within our Fund with a much shorter liability profile and a narrower band to absorb risk than the Council – not all employers within the LGPS can absorb the same level of risk or have the same risk appetite.

Recognising this, and also noting that the responsibility for setting overall strategic allocation sits with Funds, the structure of Pooling should be flexible enough to allow tailoring towards each employer's specific risk appetite and financial position. e.g. around duration, cash flow matching and hedging. If the Pool is unable to provide this flexibility then Funds must be able to seek alternative solutions, otherwise it may not be possible to meet their Fiduciary duty - consolidation is a potential barrier to this if it creates too much homogeneity or the unit of investment becomes larger.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Given our progress towards Pooling so far, we believe this timescale is achievable and reasonable and agree it will create momentum for Pooling more generally and so are supportive.

We think that there may be inevitable costs of transition for some funds who are not so progressed with Pooling, but this needs to be balanced with the wider benefits that Pooling brings to offset these costs.

One caveat, we currently hold around 20% of assets with LGIM using a passive index tracking approach. We presume that these assets would not be counted as requiring a switch to “pooled” assets.

Consultation Response - Pooling

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

Yes. Regulation and guidance should be amended to encourage and facilitate greater collaboration between Pools so that Funds can access assets with greater scale.

Some additional comments:

Some employers within a Fund have very different covenant profiles (tax raising / non-tax raising) and timeframes (some employers are mature, others are immature) and so capabilities within pools need to reflect this. For example, Barnet has a significant Post 92 university within its Fund and it is likely we will adopt a notional portfolio for the University that is different to other employers within the Fund to reflect their maturation profile and risk appetite.

Investment markets can change rapidly which can, in turn, impact on the shape of strategic allocation a fund may wish to employ. For example, Barnet has taken a recent decision to reduce its listed equity allocation and invest towards listed credit to help consolidate and stabilise its surplus position. Pool governance should allow client funds to react swiftly to changes to strategic allocations if applicable

Pools should be flexible enough to allow for specific liability requirements, e.g. around duration, cash flow matching and hedging. If the Pool is unable to provide this flexibility then Funds must be able to seek alternative solutions, otherwise it may not be possible to meet their Fiduciary duty.

Softer, non-investment, factors such as achieving Net Zero and / or wider ESG considerations would also need to be reflected in fund choice, with the ability of Administering Authorities to influence these outcomes within the pooling framework.

We believe that the flexibility for Funds to retain some autonomy for a proportion of their asset allocation at a local level will lead to better investment outcomes and greater allocation to Private Assets as expressed under question 1. and expanded within questions 11.

Consultation Response - Pooling

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Yes.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Yes. The inefficiency in analysing LGPS data is largely due to the inconsistency and manual nature of record-keeping across client Funds.

We believe that the Sector has the scale and opportunity to invest in world class, centralised, automated and online systems, utilising AI where all asset information across all LGPS Funds can be stored to allow broad analysis.

This investment could be funded through a one-off levy on Funds.

This system could enable users to generate relevant reports based on various metrics, such as specific funds or asset classes, risk analysis, climate reporting etc.. Additionally, the system should be capable of generating template reports that comply with CIPFA's requirements and broader reporting standards and support increasing FOI requests in relation to asset data.

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Yes.

Consultation Response – Levelling-up

Question 7: Do you agree with the proposed definition of levelling up investments?

Yes, however, we think a lack of clarity on what constituents LGPS funds owe their primary Fiduciary Duty will mean decision making when considering Levelling Up investment may be difficult.

This is because levelling up opportunities (which funds may view as complex with an unclear payback and, therefore, high risk) are likely to look unattractive relative to alternative (perhaps simpler) investment opportunities that generate a higher return for a given level of risk. In general, infrastructure investments that support economic regeneration are supported by underpins, guarantees or other incentives provided from government – e.g. in the Renewable Energy market.

We believe a way of allowing Pension Fund Committees to make a more complete case for Levelling Up investments is for it to be made explicit that any wider community benefits (economic or otherwise) can be (but don't have to be) considered within the overall business case for the decision.

We would articulate this as allowing funds to recognise a “Levelling Up Dividend” when making investment decisions. We would argue that this is consistent with a fund’s Fiduciary Duty where the benefits of the dividend flow through to local residents and / or users of local services, either directly or indirectly.

There may be governance challenges in applying this approach and we would only advocate this approach for ‘up to 5%’ of assets suggested within the consultation.

We would suggest that the framework for considering this is consistent with a council’s broader policies around considering investments which generate wider social value.

Consultation Response – Levelling up

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Yes, we believe regulations and guidance should be modified to encourage greater collaborations between the Pools and Funds so the big opportunities and best assets can be accessed – we think this will increase the overall level of pooled assets.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

Yes, but we would be clear that unless guidance is clarified as to whom we owe our primary Fiduciary Duty towards, our Pension Fund Committee may find it challenging to take into consideration any wider community benefits when making Levelling Up investment decisions. In practice, this may mean finding Levelling Up investment opportunities challenging from a risk / return perspective (when considered relative to other investable opportunities).

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

Yes, but we would ask that investment is made centrally to develop tools to support reporting being automated (as far as possible) and consistent across Funds.

Consultation Response – Private assets

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

Yes, subject to a fund's liquidity requirements and not compromising a fund's overall Fiduciary Duty around risk / return appetite, which should reflect employer's risk appetite (e.g. a 'closed non-tax raising employer approaching cessation may not be comfortable with the risk exposure implied by a Private Equity holding).

Many LGPS Funds have significantly increased their holdings towards private assets and we have some concern that sourcing opportunities solely through a pooling structure may inhibit access to smaller early stage opportunities. We believe sustainable outperformance through private investment is possible through large scale and small scale opportunities. Funds are adept at discovering high value Private Assets locally, which have typically been smaller in scale. Encouraging and utilising this network of expertise, in collaboration with pools where possible, will help drive value for our taxpayers and increase investments towards Private Assets overall.

Pools should be encouraged to expand their skill set to be able to provide oversight and governance services to monitor and manage Private Assets sourced locally.

Funds should be encouraged to work with pools to transfer Private Assets sourced locally towards its pool.

Consultation Response – General

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank’s expertise?

No comment.

Question 13: *Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?*

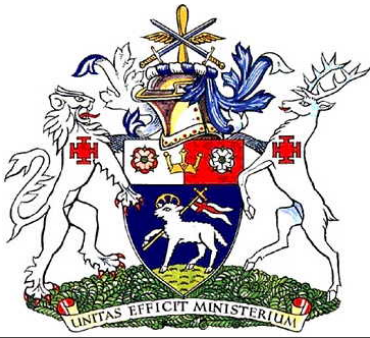
No comment.

Question 14: Do you agree with the proposed amendment to the definition of investments?

No comment.

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

We do not believe there are any particular groups with protected characteristics that would be disadvantaged or benefit from the proposals.



Pension Fund Committee

Title	Administration Performance Report and update on other administration and legislative matters
Date of meeting	2 November 2023
Report of	Executive Director of Strategy & Resources (S151 officer)
Wards	All
Status	Public
Urgent	No
Appendices	None
Officer Contact Details	Mark Fox, Pensions Manager – 0208 359 3341 – mark.fox@barnet.gov.uk

Summary

This paper provides the Pension Fund Committee with an update on the current administration performance by West Yorkshire Pension Fund (WYPF), along with updates on other administration and legislative matters.

Recommendations

That the Pension Fund Committee note the current performance levels by WYPF and updates on other administration and legislative matters.

1. Reasons for the Recommendations

- 1.1 The efficient delivery of benefits is reliant upon effective administrative procedures being in place, along with the presence of quality data.

WYPF Performance

- 1.2 In August, WYPF processed **1,026** cases with **92.2%** cases being completed within the agreed Key Performance Indicators (KPIs) targets. WYPF performance continues to improve from the beginning of the year, as the recently recruited staff are now fully trained and integrated within WYPF.
- 1.3 The LBB Pensions Team (“the Pensions Team”) monitor WYPF performance monthly. Whilst it is hoped that their performance level will increase to around 95% over the next few months, the commencement of work resulting from the McCloud judgement will increase their workloads and may have a short-term effect on the KPI results.
- 1.4 WYPF work in progress levels remain high; at the end of August, there were around 2,100 outstanding items of work. This will increase as the work following the McCloud judgement starts.
- 1.5 The Local Pensions Board were updated on administration performance at their meeting on 26 September 2023.
- 1.6 The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received remains very low. There is currently one stage 1 IDRP case in progress and no stage 2 cases. A complaint from The Pensions Ombudsman (TPO) has recently been received by the Pensions Team and this has been responded to.
- 1.7 The Pension Fund has not offered compensation to any fund members since the last Committee meeting. Compensation is offered where the Pensions Team decides that a member has suffered “distress and inconvenience” in relation to their pension. The amounts of compensation are determined in line the Pension Ombudsman’s “Redress for non-financial injustice” document, which suggest the compensation that should be offered depending on the level of distress and inconvenience suffered by the member.
- 1.8 A Member Newsletter for active fund members was issued in August. An autumn newsletter for all fund members will be issued in the next couple of months.
- 1.9 The Administration Strategy document for the Fund outlines the processes and procedures agreed between West Yorkshire Pension Fund (WYPF) and Fund. Its aim is for WYPF and employers to work collaboratively together in a cost-effective way to administer the Fund whilst maintaining an excellent level of service to members.
- 1.10 Included in the Administration Strategy is an appendix that details how the Pensions Team will monitor the performance of WYPF against several criteria, to ensure that the service they provide to the Fund is satisfactory.
- 1.11 WYPF have now been the administrators for the Fund for three years (which is half the period of their contract). As such, the Pensions Team will now conduct a review of the performance against the criteria in the Administration Strategy. An update will be provided to both the Committee and Board at their respective meetings in early 2024.
- 1.12 In addition, the Pensions Team is reviewing the WYPF fee (which is the largest fee of any Fund supplier) as they have increased significantly over the last couple of years. We will update the Committee when this review is complete.

Annual Benefit Statements (ABS's)

- 1.13 The 2023 Annual Benefit Statements (ABSs) for active members and Deferred Benefit Statements (DBSs) for deferred members had a deadline for being produced and issued of 31 August 2023. At this date, **98.4%** of ABSs had been produced and **100%** of DBSs.
- 1.14 This meant that there were 99 ABSs not issued by the deadline. This is split between 16 members where WYPF were waiting for the employer to respond to a pay or service query and 83 members where WYPF were working on linking their pension records.
- 1.15 This is an improvement from 2022, when 97.1% of ABSs were issued by the 31 August deadline.
- 1.16 WYPF continue to work to get the remaining statements issued and as of 11 October, 99% of ABSs had been issued with 52 members still to receive a statement.

Data Improvement Plan

- 1.17 WYPF continue to provide monthly data quality update reports to the Pensions Team showing progress in updating data issues.
- 1.18 Initially, there were **c28,500** data items that needed to be reviewed and updated. As of 2 June, this number had reduced to **c6,750**.
- 1.19 WYPF had previously identified ten areas of data with the largest number of issues that need correcting, and it was agreed with the Pensions Team which of these areas would be worked on first. Two of the ten areas of data have been completed.
- 1.20 WYPF do not anticipate that the next area of work will be completed until the end of August with the fourth data area starting towards the end of the year. These two data areas account for c3,000 of the remaining data items that need correcting.
- 1.21 WYPF also provide updates on both common and conditional data scores. These figures show the presence of data held on members' records. Common data points are needed so that a member can be uniquely identified, such as date of birth and address. Conditional data is used to calculate the member benefits, such as salary and service information.
- 1.22 These data scores are a method for measuring quantity of data and are reported to The Pensions Regulator (TPR) in the Scheme Return. The TPR has targets for common data but not for conditional data.
- 1.23 The common data score for May 2023 was **96.58%** which is above the TPR target. For conditional data, the score was **86.94%**, which has increased significantly since the beginning of the year due to the two areas of data being completed. The target is to get this number to 90% or above by the end of next March at the latest, which is why the Pensions Team and WYPF are focussing on correcting the data issues still outstanding.
- 1.24 At the last Committee meeting, the Pensions team advised that their investigations into the £50million data experience issue identified by the Fund Actuary in the 2022 valuation report had not identified a reason for this. The Pensions Team are looking at possibly using a third-party provider to investigate this issue further. An update will be provided to the Committee at the meeting.

Historical Leavers

- 1.25 WYPF initially inherited **c1,500** “historic leavers”. Following the work undertaken by WYPF in the 2021 Annual Benefit Statement (ABS) process, this number increased to **c1,950**.
- 1.26 As of 2 June, this number had reduced to **452**, of which **241** are leavers who left before 1 November 2020 when WYPF took over the administration of the Fund.
- 1.27 The Pensions Team have recently contacted employers and their payroll providers again where historic leaver forms are still outstanding. This is having some effect, but we have warned both employers and their payroll providers that if any historic leavers are still outstanding by the end of June, we will start to issue fines for non-compliance with the Administration Strategy and will also submit a report to TPR.
- 1.28 The Pensions Team continue to work with the council’s payroll provider to get the Council’s historic leavers processed. The number has now reduced to **185** but these leavers tend to be more complex and are spending more time checking salary and service data before the forms can be submitted to WYPF.

Pensions Dashboard

- 1.29 The Department for Work and Pensions (DWP) announced a delay to the Pensions Dashboard Programme in March, which was described as a “reset”.
- 1.30 The Government has set an ultimate deadline of 31 October 2026, although it is hoped that dashboards will be accessible to the public earlier than this.
- 1.31 There have been no further updates since the last Committee meeting. The Pensions Team will continue to monitor and report back to the Committee at future meetings with any updates.

“McCloud” ruling

- 1.32 The McCloud remedy regulations, that would extend the Local Government Pension Scheme (LGPS) statutory underpin protection to younger members of the Fund, were published by the Government on 17 August 2023, which came into force on 1 October.
- 1.33 WYPF had ensured that the calculations have been programmed and were ready for the “live” date. WYPF have reported that there have been no issues reported since 1 October, but as mentioned in paragraphs 1.3 and 1.4, the volume of work may increase in the short term, as they must recalculate members benefits.

Finance Update

- 1.34 Between April and September 2023, the Fund has received **£28.7m** of contribution payments.
- 1.35 For the contributions split is as follows:
 - Employer Contributions – £21.9m
 - Employee Contributions - £5.68m
 - Employee Additional Contributions - £0.02m
 - Employer Deficit Contributions - £1.1m

Pension Fund Engagement Strategy

- 1.36 The Pensions Team is continuing the review of the pension fund’s engagement strategy which will also include an update of the Fund’s Communication Policy.
- 1.37 The review is looking at ways of improving engagement with the pension fund for both members, employers and other stakeholders. (i.e., councillors and members).
- 1.38 The Pensions Team are arranging a “Pensions Myth Busting” session for Council staff on 13 November, where we will be presenting on pensions-related topics requested by members. The Pensions Team may run further sessions in the future, both to Council staff and staff of other employers as well.
- 1.39 After this session, we will also be offering staff individual 1-2-1 sessions, where we can assist on any personal pension issues or questions they may have.
- 1.40 The Pensions Team have also produced a video explaining the 2023 Annual Benefit Statement for staff.
- 1.41 The 1 October celebrated the international day of the older person, and the Council ran a “Silver Week” (up to 7 October) with activities and opportunities to showcase what Barnet has to offer and to celebrate older residents and staff. The Pensions Team presented at a couple of sessions during this week aimed at staff nearing or thinking of retirement and again also offered 1-2-1 sessions with any staff who wished to discuss their retirement issues and options.
- 1.42 The Pensions Team have also sent questionnaires to all Fund employers as we are keen to hear what they would like in terms of engagement. A few forms have been returned and we will shortly review the responses and use this to improve our engagement strategy and to update our Communication Policy.
- 1.43 We will continue to update the Board on progress at future meetings and we will also provide the Committee with the updated Communication Policy.

2. Alternative Options Considered and Not Recommended

- 2.1 Not applicable in the context of this report.

3. Post Decision Implementation

- 3.1 Not applicable in the context of this report.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

- 4.1 The Pension Fund Committee supports the delivery of the Council’s strategic objectives and priorities as expressed through the Corporate Plan, by careful monitoring of the Pension Fund activities with a view to ensuring the overall sustainability of the Pension Fund.
- 4.2 Sustainability of the Pension Fund is a crucial pillar in allowing the council to fulfil its wider objectives.

4.3 The Pension Fund is also developing its NetZero and Stewardship policies which feed into the wider objectives around Planet, Places and People.

Corporate Performance / Outcome Measures

4.4 Not applicable in the context of this report.

Sustainability

4.5 Not applicable in the context of this report.

Corporate Parenting

4.6 Not applicable in the context of this report.

Risk Management

4.7 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.

Insight

4.8 Not applicable in the context of this report.

Social Value

4.9 Not applicable in the context of this report.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

5.1 Risks that are not mitigated or managed can have a financial penalty to the Fund.

6. Legal Implications and Constitution References

6.1 Government Guidance around the pooling requirements is linked in the body of this report.

6.2 Under the Council's Constitution Part 2b the terms of reference for the Pension Fund Committee, the Committee is to have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including:-

- To ensure compliance with all Local Government Pension Scheme statutes, regulations, and best practice.
- To monitor the administration of the Pension Fund.
- To approve admissions agreements with any admission body.
- To consider recommendations from the Local Pension Board.
- To determine how the various administering authority
- To consider recommendations from the Local Pension Board.

7. Consultation

7.1 Not applicable in the context of this report.

8. Equalities and Diversity

8.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

8.2 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.

9. Background Papers

9.1 None

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Pension Fund Committee 2 November 2023



Title	Responsible Investment Update
Date of meeting	2 November 2023
Report of	Executive Director of Strategy & Resources (S151 Officer)
Wards	All
Status	Public
Urgent	No
Appendices	Appendix A – Model Portfolio 2030 Story Board
Officer Contact Details	David Spreckley, Head of Pensions and Treasury – 020 8359 6264 – david.spreckley@barnet.gov.uk

Summary

This report provides an update on the Framework we have developed to progress our NetZero strategy.

The Framework seeks to create a 'Model NetZero' portfolio optimised on the priority of meeting a NetZero position by 2030 but in turn also generating a suitable risk /return profile. Our aim is for the actual strategy to converge towards this model portfolio once the risk / return metrics are appropriate.

This Model Portfolio approach will allow us to identify gaps and opportunities. It will also provide a means of engaging with key stakeholders as well as making robust data-driven decisions.

Recommendations

The Committee is asked to note the contents of this report and the progress made towards developing our NetZero Model Portfolio and the actions this generates for 2024.

1. Why This Report is Needed

Context

- 1.1 To help Barnet Council achieve its ambitious climate change goals, the Barnet Pension Fund has devised a strategic plan known as the 'BarNetZero 2030 Model Portfolio'. This plan outlines how the pension fund could, align its investments with climate-friendly objectives and work towards achieving a nearly zero carbon footprint by the year 2030. Initial explanation of this was provided in the Responsible Investment Paper considered at the 4 July 2023 Pension Fund Committee meeting.
- 1.2 The primary purpose of this Model Portfolio is to guide our investment decisions and understand areas where we can converge towards a 2030 strategy and areas where more work or innovation may be needed. We will use our Model Portfolio to engage with key stakeholders, such as our members, industry experts and the broader community.

A “Difficult reality”

- 1.3 It is a difficult reality that striving for a 'NetZero' pension fund strategy by 2030 presents some significant challenges:
 - **Balancing Returns and Emissions Reduction:** Pension funds, like ours, must ensure that the investments they make yield competitive returns while managing associated risks. The process of rapidly reducing carbon emissions, as necessary to achieve a NetZero status, can complicate the task of optimizing returns.
 - **Limited Investment Options:** The pool of companies expected to reach complete carbon neutrality by 2030 is relatively small (only around 20% of large companies are expected to be in the position based on analysis undertaken by a large Investment Manager). This limitation restricts our investment choices, which can potentially increase investment risks due to a lack of diversification.

Addressing these challenges

- 1.4 To gain a better understanding of these challenges and explore potential solutions, the Barnet Pension Fund commissioned its advisors to create a theoretical Model NetZero 2030 Investment Portfolio. This Model Portfolio serves as a blueprint, illustrating how we might attain NetZero by 2030, while also providing insights into the associated risks and potential returns of such a portfolio. Our objective was to identify areas where we can make changes without compromising financial stability and to pinpoint areas where we must work together with stakeholders to find viable solutions.

Key findings

- 1.5 Here are some key findings from our Model Portfolio analysis:
 - **Significant Portfolio Transformation Needed:** To achieve NetZero by 2030, we must make substantial changes to our current investment portfolio. Based on our advisors' analysis, our current investments alone would not come close to reaching NetZero by 2050, let alone 2030.
 - **Exploring Offsetting Assets:** Our advisors have suggested one potential solution for reaching NetZero by 2030 is by investing in 'offsetting' assets. These are investments that inherently contribute to carbon reduction. Examples include investments in Timberland (which is an asset class where you grow trees and sustainably farm those trees for building materials) or technologies that reduce reliance on fossil fuels.

- 1.6 Our Model Portfolio combines an approach which would first reduce the carbon footprint in our core investments (i.e. our equities, bonds and property), aligning them with the goals set by the 2015 Paris Agreement*. We believe this can be achieved without taking on excessive risks. It then subsequently sets an approach where we would allocate a portion of our investments to 'offsetting' assets to neutralize any remaining carbon emissions generated by our portfolio.

What Does This Mean in Practice?

- 1.7 To translate these ideas into practical terms, we need to assess our current carbon emissions and determine what changes are required in both our core investments and offsetting assets to achieve a NetZero position.
- 1.8 Our advisors estimate that our current investments are responsible for approximately 325,000 tons of CO2 emissions. At the current rate, these emissions would not reach zero by 2050. However, if we allocate 80% of our core assets to 'Paris Aligned' funds*, which are expected to emit a reduced amount of 100, 000 to 150,000 tons of CO2 by 2030, we could then invest the remaining 20% in assets that actively reduce emissions to offset this (note data is approximate to give a sense of magnitude)0.
- 1.9 This approach would, in theory, allow us to achieve a net carbon position of zero – there's more work to be done on this, for example, the Fund does not currently invest in 'offsetting assets' and so the Pension Fund Committee would need to get very comfortable about its risk and return characteristic towards making an investment towards such assets.
- 1.10 Given the above, we will be exploring opportunities to move to Paris Aligned Funds and Offsetting Asset Funds through 2024.
- 1.11 Officers can share underlying reports provided by Hymans to Pension Fund Committee members for information on request.
- 1.12 The Appendix provides a "Story Board" setting out our broad strategy for considering Climate Change within the Pension Fund, which we will use to engage stakeholders.

Summary

- 1.13 In summary, we are actively working on how we can reshape our investment portfolio to combat climate change. We have identified ways to do so without unduly jeopardizing our financial stability and will continue to engage with stakeholders to refine our approach.
- 1.14 Our current portfolio and Model Portfolio are set out on the next page. We will share these with people within the Industry so they can challenge us and offer solutions which may make the Model Portfolio work better. We will look to review the Model Portfolio annually and will provide an annual update on progress toward converging towards the portfolio, and if we can't converge, the reasons why.
- 1.15 This paper will be developed into a broader article / thought piece to share with interested stakeholders.

Model Portfolio

1.16 A summary of our Current and NetZero Model Portfolio is provided in the table below.

	Current	Model
Core - Growth	30%	0%
Core - Growth Paris Aligned	0%	24%
Core - Income	70%	0%
Core - Income Paris Aligned	0%	56%
Offsetting	0%	20%
Expected Return (20 years relative to cash)	3.7% p.a.	3.7% p.a.
Variance (1 year)	12.10%	12.80%
Emissions (2030)**	225 KtCO2	0 (NetZero)
Emissions (2050)**	100 KtCO2	-33 KtCO2

**The Paris Agreement is an international treaty adopted in 2015 at the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC). Its primary goal is to combat climate change by limiting global warming to well below 2 degrees Celsius (3.6 degrees Fahrenheit) above pre-industrial levels, with an ambition to limit it to 1.5 degrees Celsius.*

Each participating country submits a Nationally Determined Contribution (NDC) outlining their emissions reduction targets and strategies. Transparency and reporting mechanisms are in place to track progress and hold nations accountable.

The agreement emphasizes adaptation to climate change impacts, particularly for vulnerable regions, and encourages developed nations to provide financial support to developing countries for mitigation and adaptation efforts.

***Note that data is indicative and approximate to give sense of scale and likely trajectory*

2. Alternative Options Considered and Not Recommended

2.1 Taking no action means that the Pension Fund's NetZero position would not be aligned to the Council's wider ambitions around NetZero and would mean that the Pension Fund would not be on track to be in a NetZero position by 2050.

3. Post Decision Implementation

3.1 Broad Next Steps are summarised below:

Current	Next Step	Target convergence date
Equity	Explore RAFI and LCIV alternatives	2024
Fixed Income	Review current portfolio	2024
Securitised Assets	Consider redeployment as current assets mature	Rolling to 2030 as asset classes mature
Property	Defer consideration to 2025	TBD (likely 2025 plus)
Infrastructure	Explore Timberland as asset class (decision on allocation 2024) Explore Expanding RI Explore Green Tech	Partial Transition 2024

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

- 4.1 The Pension Fund Committee supports the delivery of the Council’s strategic objectives and priorities as expressed through the Corporate Plan, by careful monitoring of the Pension Fund activities with a view to ensuring the overall sustainability of the Pension Fund.
- 4.2 Sustainability of the Pension Fund is a crucial pillar in allowing the council to fulfil its wider objectives.
- 4.3 The Pension Fund is also developing its NetZero and Stewardship policies which feed into the wider objectives around Planet, Places and People.

Corporate Performance / Outcome Measures

- 4.4 Not applicable in the context of this report.

Sustainability

- 4.5 Model Portfolio supports the Council’s wider objectives around reaching a NetZero position by 2030.

Corporate Parenting

- 4.6 Not applicable in the context of this report.

Risk Management

- 4.7 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.

Insight

- 4.8 This work has been supported by advice from Hymans who have supported forecasts on Carbon Emissions and means of reducing and offsetting this in a sustainable way.

Social Value

- 4.9 Not applicable in the context of this report.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

- 5.1 Risks that are not mitigated or managed can have a financial penalty to the Fund.

6. Legal Implications and Constitution References

- 6.1 The Council's Constitution – Part 2B section 15 includes within the responsibilities of the Pension Fund Committee.

- 6.2 The terms of reference for the committee includes:

- "To have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including, but not limited to the following:
- To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice."

7. Consultation

- 7.1 Not applicable in the context of this report.

8. Equalities and Diversity

- 8.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

8.2 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.

9. Background Papers

9.1 Further discussion on the Fund's Responsible Investment approach can be accessed from the following links:

Pension Fund Committee – 31 January 2023 – Developing the Fund's Responsible Investment Strategy - update

[Developing the Funds Responsible Investment strategy - update.pdf \(modern.gov.co.uk\)](#)

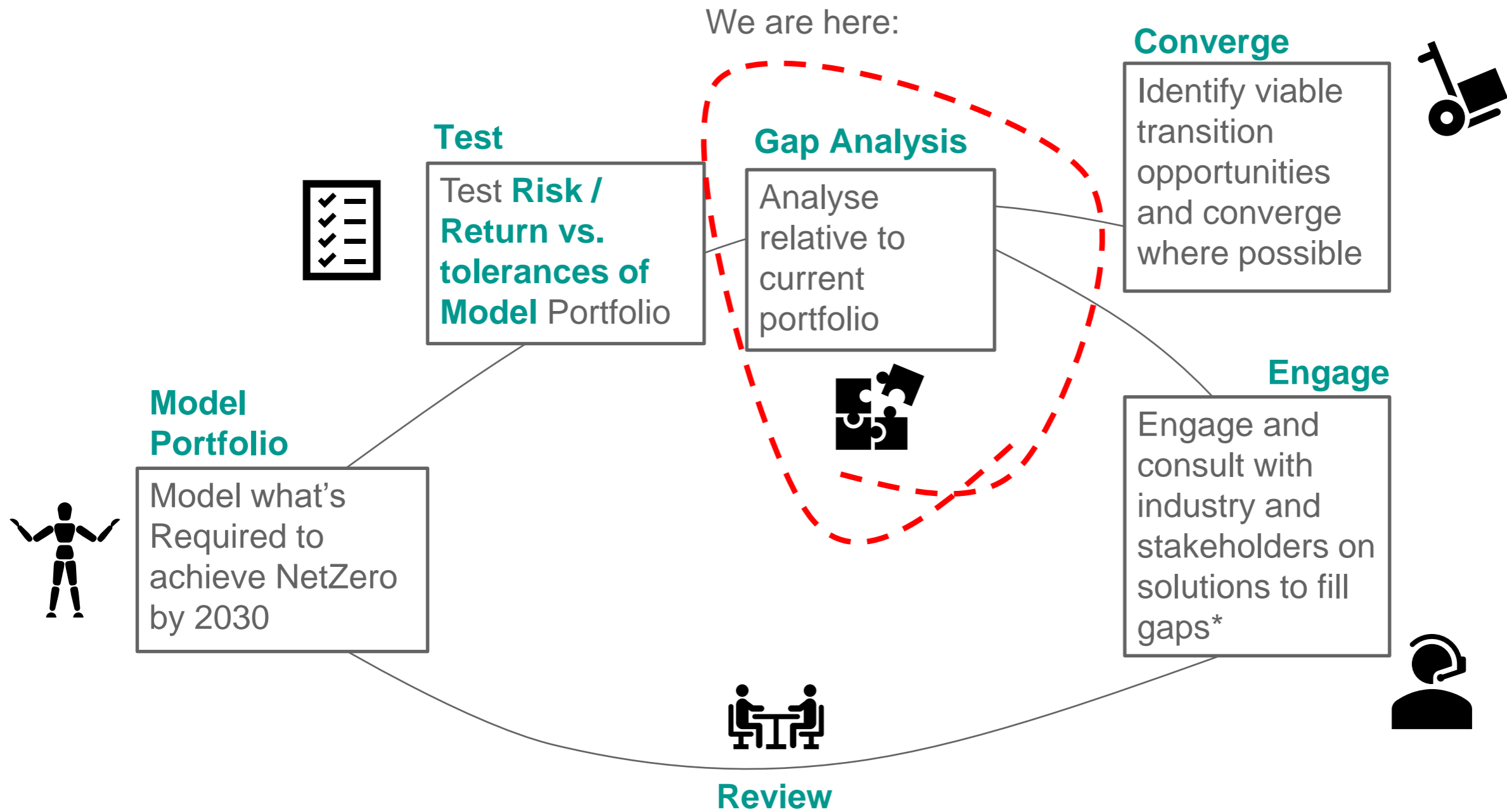
Pension Fund Committee – 4 July 2023 – Responsible Investment Update

[230704 Responsible Investment Update - Cleared.pdf \(modern.gov.co.uk\)](#)

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NOTE ALL DATA WITHIN THIS PAPER IS APPROXIMATE TO INDICATE DIRECTION OF TRAVEL AND SCALE – DATA CONFIDENCE WILL BE A KEY FACTOR IN ANY FUTURE DECISION MAKING

Barnet's approach to NetZero



*"Gaps" in this context means investments in the Model Portfolio that would be too risky or generate too low a return to be appropriate

Current Position

+ 300 - 350 KtCO₂

Pension Fund currently “emits”
300 - 350 KtCO₂ (this is
equivalent to the Carbon Output of
c50,000 Londoners
based on 2020 levels)

Fund not projected to be NetZero by 2050

2030 Ambition

+ 100 - 150 KtCO₂
(Core Assets)

- 100 - 150 KtCO₂
(Offsetting)

Model **2030 NetZero** Portfolio

Pathway suggests we aim to reduce emissions for **core** assets to

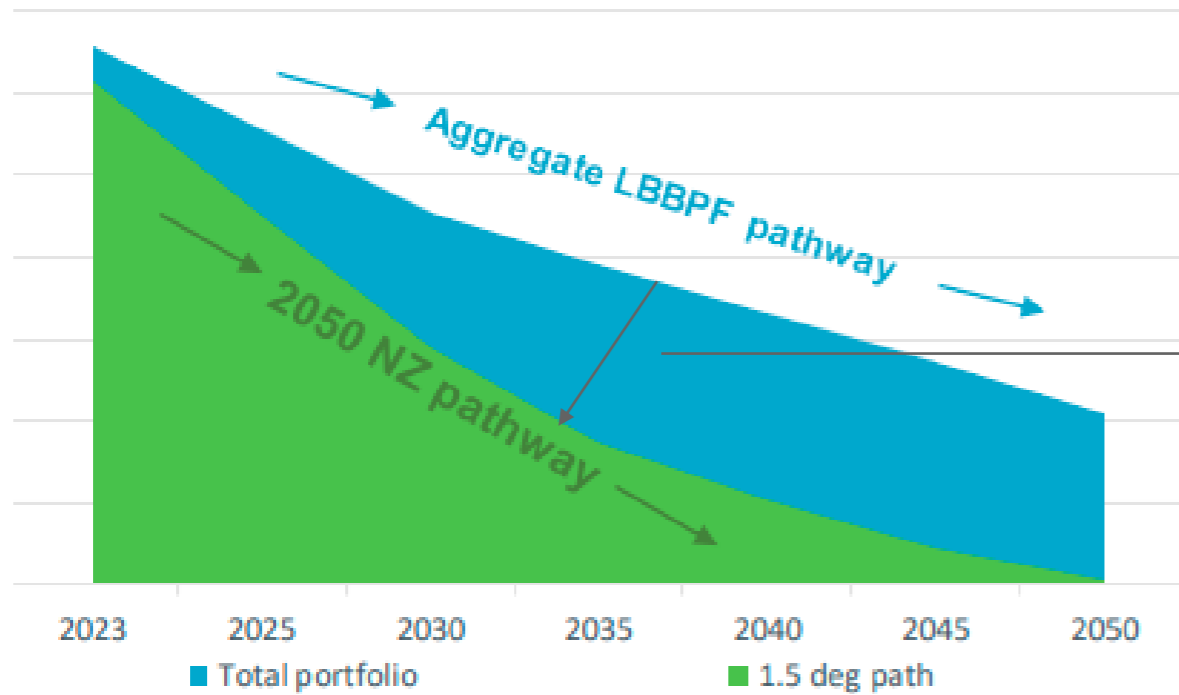
100 - 150 KtCO₂ by 2030

and “**offset**” these emissions through carbon reducing or mitigating assets (Timberland and Renewable Infrastructure)



Part 1 – Reducing Carbon in the Core

Absolute Emissions (KtCO2) to 2050



To target a NetZero position overall requires reducing emissions within the Core along a [Paris Aligned](#) trajectory.

There is a developing market in such funds, with LCIV having Paris Alignment (or better) as a key selection metric

Source: Hymans Analysis

Our Core Assets



Equities

Work underway

Transition 2024
(Private / EM later)



Fixed Income

Review 2024

Transition 2024 - 25



Property

Review 2024

Transition to be determined



Asset Backed

Unlikely to meet criteria - consider Fixed Income alternatives

Part 2 – Investing in “offsetting” assets



Natural Capital / Timberland

Generates income from selling timber as well as capital appreciation from underlying land. An increasing aspect of the return profile will be the Carbon Credit value of the asset.

An unknown asset class for the fund and so requires research etc. before proceeding.

Model NetZero Portfolio suggests significant allocation to this asset class



Renewable Infrastructure

Generates income and capital appreciation from renewable energy and the infrastructure around this.

Asset class includes established tech and / or higher risk / return opportunities from new tech. Typically, creates “avoided” carbon, rather than carbon reduction.

Model NetZero Portfolio suggests significant allocation to this asset class



Carbon Credits

Growing voluntary market in Carbon Credits for entities wishing to offset emissions. Unlikely a pension fund could use Carbon Credits to manage its Net Zero position without explicit employer funding and still meet its Fiduciary Duty.

Unresolved future fiduciary question as to whether credits generated as by-product of assets should be sold.

Our Model NetZero Portfolio gives us the framework to make decisions and engage

[Back to slide one](#)

	Current	Model
Core - Growth	30%	0%
Core - Growth Paris Aligned	0%	24%
Core - Income	70%	0%
Core - Income Paris Aligned	0%	56%
Offsetting	0%	20%
Expected Return (20 years relative to cash)	3.7% p.a.	3.7% p.a.
Variance (1 year)	12.10%	12.80%
Emissions (2030)	225 KtCO2	0 (NetZero)
Emissions (2050)	100 KtCO2	-33 KtCO2

Model Portfolio has similar expected return and variance, but with higher allocation and concentration to real assets

Source: Hymans Analysis

Convergence Steps

Current	Model Portfolio	Transition Ease	Next Step	Target convergence date
Equity	Paris Aligned Equity	Viable	Explore RAFI and LCIV alternatives	2024
Fixed Income	Paris Aligned Fixed Income	Viable – LCIV Funds may already comply but need to test	Review current portfolio	2024
Securitised Assets	Paris Aligned Fixed Income / Renewable Infrastructure	Hard – Securitised Assets not liquid and risk / return impact needs to be understood	Consider redeployment as current assets mature	Rolling to 2030 as asset classes mature
Property	Paris Aligned Property	Medium – no obvious LCIV Fund – needs to be investigated	Defer consideration to 2025	TBD (likely 2025 plus)
Infrastructure	Carbon Offsetting assets	Hard – unknown asset class	Explore Timberland as asset class (decision on allocation 2024) Explore Expanding RI Explore Green Tech	Partial Transition 2024



Pension Fund Committee

Title	Knowledge and understanding
Date of meeting	02 November 2023
Report of	Executive Director of Strategy & Resources (S151 Officer)
Wards	All
Status	Public
Urgent	No
Appendices	Appendix A - Mandatory and Primary training opportunities available to Members of the Local Pensions Board and Pension Fund Committee
Officer Contact Details	Jim Nokku – Senior Pensions Officer - 0208 359 6437 – jim.nokku@barnet.gov.uk

Summary

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

This paper summarises the actions that will be taken by the LBB Pensions Team to keep records of any training that the Board and Committee undertake and provides details of the expectations regarding training.

Recommendations

1. That the Pension Fund Committee note the contents of this report.
2. That the Pension Fund Committee note the training options available as set out in Appendix A.
3. That the Pension Fund Committee note the LBB Pensions Team recommendation that the Committee members complete the LGPS Online Learning Academy (LOLA) training by 31 December 2023.

1. Why This Report is Needed

- 1.1 The London Borough of Barnet Pension Fund is governed by the Pension Fund Committee and scrutinised by the Local Pensions Board with support of the LBB Pensions Team, advisors and outsourced administrators.
- 1.2 The Pension Fund Committee is the decision-making body responsible for the operation of the Pension Fund, ensuring it is governed and administered effectively and is financially sustainable. There is no direct regulatory requirement for the Committee members to undertake training beyond what is required as an elected member.
- 1.3 Whilst the Local Pension Board has no direct decision-making powers, members of the Local Pensions Board do have a regulatory duty to keep their knowledge and understanding up-to-date and to document their training.
- 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 the Pensions Team and advisors.
- 1.5 It is important that both members of the Pension Fund Committee and Local Pension Board 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 - and '*recommended*' training, which will further develop both Committee and Board members' skills.
- 1.7 The mandatory and recommended training opportunities available to Board and Committee members are set out in Appendix A
- 1.8 At the last Committee meeting, the Committee were invited to note the training options available and to endeavour to undertake the recommended training. This will also include substitute members of the Committee. The LBB Pensions Team proposed that all training is logged to demonstrate that the Pension Fund Committee are keeping their pensions knowledge up to date and relevant.
- 1.9 In September, members of the Committee were asked to provide details of any pensions related training undertaken in July and August. If members have not responded (even if it a nil return), we would ask that Committee members confirm this to the LBB Pensions Team.
- 1.10 The LBB Pensions Team will be contacting all members of the Board and the Pension Fund Committee bimonthly, so the training log can be kept up to date and monitored. The next request for details of training undertaken will be sent at the beginning of November for the months of September and October.
- 1.11 Hymans Robertson online training platform "LGPS Online Learning Academy (LOLA)" is available to Committee members to further their pensions knowledge and understanding. LOLA consists of a series of short video presentations with supplemental learning materials and quizzes.
- 1.12 The Pensions Team monitor progress of Committee and Board members with LOLA training. The table on the following page summarises the training undertaken by Committee Members via Hymans' LOLA training platform as at 16 October 2023.

Name	Course Name	Course Enrolment Status	Course First Access Date	Course Last Access Date
Anne Hutton	Module 4 - Funding and Actuarial Matters	Completed	24/10/2022	01/11/2022
Anne Hutton	Module 2 - LGPS Governance & Oversight Bodies	Completed	22/08/2022	22/08/2022
Anne Hutton	Module 1 - An introduction to the LGPS	Completed	15/08/2022	25/10/2022
Anne Hutton	Module 5 - Investments	Completed	02/09/2022	27/01/2023
Anne Hutton	Module 3 - Administration & Fund Management	Completed	18/10/2022	18/10/2022
Anne Hutton	Module 6 - Current Issues	In Progress	25/10/2022	27/01/2023
Andreas Ioannidis	Module 6 - Current Issues	Completed	20/03/2023	20/03/2023
Andreas Ioannidis	Module 4 - Funding and Actuarial Matters	Completed	20/03/2023	20/03/2023
Andreas Ioannidis	Module 3 - Administration & Fund Management	Completed	20/03/2023	20/03/2023
Andreas Ioannidis	Module 5 - Investments	Completed	20/03/2023	20/03/2023
Andreas Ioannidis	Module 2 - LGPS Governance & Oversight Bodies	Completed	01/01/2023	20/03/2023
Andreas Ioannidis	Module 1 - An introduction to the LGPS	Completed	24/12/2022	31/01/2023
Elliot Simberg	Module 4 - Funding and Actuarial Matters	Enrolled		
Elliot Simberg	Module 2 - LGPS Governance & Oversight Bodies	Enrolled		
Elliot Simberg	Module 6 - Current Issues	Enrolled		
Elliot Simberg	Module 5 - Investments	Enrolled		
Elliot Simberg	Module 1 - An introduction to the LGPS	Enrolled		
Elliot Simberg	Module 3 - Administration & Fund Management	Enrolled		
Liron Woodck-Velleman	Module 5 - Investments	Completed	28/09/2023	29/09/2023
Liron Woodck-Velleman	Module 2 - LGPS Governance & Oversight Bodies	Completed	30/07/2023	28/09/2023
Liron Woodck-Velleman	Module 6 - Current Issues	In Progress	29/09/2023	29/09/2023
Liron Woodck-Velleman	Module 3 - Administration & Fund Management	Completed	28/09/2023	28/09/2023
Liron Woodck-Velleman	Module 1 - An introduction to the LGPS	Completed	04/07/2023	04/07/2023
Liron Woodck-Velleman	Module 4 - Funding and Actuarial Matters	Completed	28/09/2023	28/09/2023
Mark Shooter	Module 6 - Current Issues	Enrolled		
Mark Shooter	Module 1 - An introduction to the LGPS	Completed	01/03/2023	02/03/2023
Mark Shooter	Module 5 - Investments	Enrolled		
Mark Shooter	Module 2 - LGPS Governance & Oversight Bodies	Enrolled		
Mark Shooter	Module 3 - Administration & Fund Management	Enrolled		
Mark Shooter	Module 4 - Funding and Actuarial Matters	Enrolled		
Simon Radford	Module 5 - Investments	Completed	25/03/2023	26/03/2023
Simon Radford	Module 4 - Funding and Actuarial Matters	Completed	17/03/2023	17/03/2023
Simon Radford	Module 6 - Current Issues	Completed	28/03/2023	31/03/2023
Simon Radford	Module 3 - Administration & Fund Management	Completed	16/03/2023	17/03/2023
Simon Radford	Module 1 - An introduction to the LGPS	Completed	24/02/2023	28/02/2023
Simon Radford	Module 2 - LGPS Governance & Oversight Bodies	Completed	10/03/2023	16/03/2023

- 1.13 The Pensions Team will all also be undertaking this training and we would recommend that Committee members complete all the LOLA training by **31 December 2023**.

2. Alternative Options Considered and Not Recommended

- 2.1 Not applicable in the context of this report.

3. Post Decision Implementation

- 3.1 That Committee members will update the LBB Pensions Team with any training undertaken and that training requirements will be reviewed annually.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

- 4.1 Good knowledge and understanding of the Pension Fund will improve overall governance and operational effectiveness of the Pension Fund and contributes to the aims of the Council's Corporate Plan.

Corporate Performance / Outcome Measures

4.2 Not applicable in the context of this report.

Sustainability

4.3 Not applicable in the context of this report.

Corporate Parenting

4.4 Not applicable in the context of this report.

Risk Management

4.5 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.

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

Insight

4.7 Not applicable in the context of this report.

Social Value

4.8 Not applicable in the context of this report.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

5.1 Provision of Hymans' LGPS Online Learning Academy (LOLA) portal has a modest annual license fee.

6. Legal Implications and Constitution References

6.1 The Pensions Regulator requires that Local Pensions Board members have a duty to keep their knowledge and understanding up-to-date and to document their training. Monitoring is an essential element of the appointment and re-appointment process.

6.2 Under the Council's Constitution, Part 2B the terms of reference of the Local Pension Board includes the following responsibilities:

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

6.3 The Council's Constitution – Part 2B section 15 includes within it the responsibilities of the Pension Fund Committee, including;

- To have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including, but not limited to the following:
- To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice.

7. Consultation

7.1 Not applicable in the context of this report.

8. Equalities and Diversity

- 8.1 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.
- 8.2 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.

9. Background Papers

- 9.1 None

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APPENDIX A

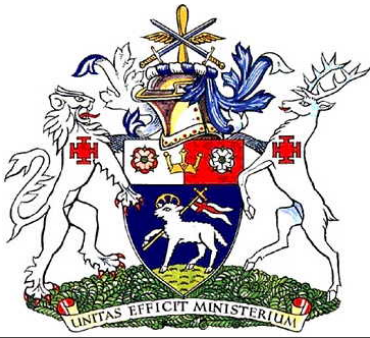
MANDATORY AND PRIMARY TRAINING OPPORTUNITIES AVAILABLE TO MEMBERS OF THE LOCAL PENSIONS FUND AND PENSION FUND COMMITTEE

Training Opportunity	Description	Approx. hours	PFC	LPB
<i>The Pensions Regulator Trustee tool kit</i>	<i>Web based modular training programme with 7x 30-minute modules focused on governance</i>	3.5	<i>Recommended</i>	<i>Mandatory</i>
Hymans' training portal (LOLA)	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 per year	Recommended	Recommended
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 per year	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 per week. (c10 per year.)	Recommended	Recommended
Total			19 hours Mandatory 23.5 hours Recommended	3.5 hours Mandatory 30 hours Recommended

Training Sessions offered to Pensions Fund Committee

- The Sustainable Training Day was held on 1 December 2022.

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Pension Fund Committee

Title	Admissions, Cessations and Bond Status Update
Date of meeting	2 November 2023
Report of	Executive Director of Strategy & Resources (S151 officer)
Wards	All
Status	Public, with exempt appendices Exempt enclosure – appendices E, F, G and H - Not for publication by virtue of paragraphs 3 of Schedule 12A of the Local Government Act 1972 as amended (Information relating to the financial or business affairs of any particular person (including the authority holding that information)).
Urgent	No
Appendices	Appendix A – Update on Admission Agreements Appendix B – Update on Cessations Appendix C – Update on Bond renewals Appendix D – Recommendation from the LBB Pensions Team for new admissions to the Barnet Pension Fund Appendix E – Draft Policy on Admissions and pass-through (Exempt) Appendix F – Update on the admission of Tenon (St Michaels School) to the Barnet Pension Fund. (Exempt) Appendix G – Update on cessation payment to Caterlink (Totteridge Academy) (Exempt) Appendix H - Update on cessation payment Caterlink (Holly Park School) (Exempt)
Officer Contact Details	Mark Fox, Pensions Manager – 0208 359 3341 – mark.fox@barnet.gov.uk

Summary

This report provides the Pension Fund Committee with a status update on the outstanding admissions, cessations and bond agreements/renewals.

The LBB Pensions Team has been working with employers, West Yorkshire Pension Fund (WYPF), Hymans Robertson and HB Public Law to ensure the outstanding admissions and cessations are completed and that bond agreements are put in place.

The report also details the proposal from the LBB Pensions Team for a new admissions policy to the Barnet Pension Fund for approval by the Committee.

The report also includes recommendations for approval by the Committee on one admission and three cessations from the Barnet Pension Fund.

Recommendations

1. That the Pension Fund Committee note the progress on outstanding admissions, cessations and bond agreements/renewals.
2. That the Pension Fund Committee approve the admission into the Barnet Pension Fund of Olive Dining (Holly Park School), Olive Dining (Danegrove School), Nourish Contract Catering Ltd (Whitefield School), LBL After School Club (Manorside School) and Harrison Catering Services (Compton School) as detailed in paragraph 1.5.
3. That the Pension Fund Committee approve the recommendation by the LBB Pensions Team in relation to the admission of Tenon into the Barnet Pension Fund, as detailed in Appendix F.
4. That the Pension Fund Committee approve the recommendation by the LBB Pensions Team in relation to the exit credit payments for Caterlink (Totteridge Academy), and Caterlink (Holly Park School) as detailed in Appendices G and H respectively.
5. That the Pension Fund Committee approve the new draft admissions policy outlined in appendix E with effect from 1 January 2024

1. Reasons for the Recommendations

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

Admission Agreements

- 1.2 An update on the completion of Admission Agreements is attached as **Appendix A**.
- 1.3 There are currently three Admission Agreements with HB Law to arrange signing and sealing on behalf of the Council. A further four Admission Agreements have been drafted and are with the admitted bodies for signing.
- 1.4 The LBB Pensions Team has set target dates for the outstanding work to complete the 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.
- 1.5 There have been five new admitted bodies to the Fund since the last update to the Committee, and we now ask the Committee to approve the admission of following employers into the Fund:
- Olive Dining (Holly Park School)
 - Olive Dining (Danegrove School)

- Nourish Contract Catering Ltd (Whitefield School)
- LBL After School Club (Manorside School)
- Harrison Catering Services (Compton School)

- 1.6 **Tenon** became an admitted body following their contract at St Michaels School in April 2021. To date, the Pensions Team have been unable to get Tenon to sign an admission agreement. Tenon have subsequently requested that their admission to the Barnet Fund be on a pass-through basis.
- 1.7 A pass-through agreement is a way that admission bodies can participate in the Fund with certain risks being shared with the letting authority. Further details are shown in **Appendix D**. This would replace the need for an admission body to provide a bond, which Tenon are unable to do.
- 1.8 The Pensions Team asked Tenon to make representations to the Pensions Fund Committee as to why they would like their admission to be on a pass-through basis. Their representation is attached in **Appendix F**, along with the Pension Team recommendation. The Pensions Team request that the Committee approve their recommendation.
- 1.9 **Sancroft Community Care** became an admitted body in June 2019 and have also not signed their admission agreement. The LBB Pensions Team have been working with Sancroft to get the admission agreement signed with the main issue that Sancroft are unable to provide a bond or guarantee for their one employee in the Fund. The bond value required is £101,000.
- 1.10 The LBB Pensions Team invited Sancroft to make a representation to the Committee to be admitted to the Barnet Fund on a pass-through basis, but to date this has not been received.
- 1.11 The LBB Pensions Team will provide further updates to the Committee at future meetings.

Cessations

- 1.12 When the last active member leaves the Fund or if the contract of an admitted body ends, is terminated or the admitted body ceases trading, the Actuary will calculate a cessation valuation where both the value of the assets and liabilities for the employer are calculated. The result will be either a surplus (or exit credit) or deficit for the ceasing employer.
- 1.13 An update on progress is on cessation valuations is included as **Appendix B**.
- 1.14 Since the last update to the Committee, Optivo have paid the deficit payment due.
- 1.15 The LBB Pensions Team are currently arranging payment of the exit credit agreed at the last Committee meeting for OCS and this should have been by the date of the Committee meeting.
- 1.16 There have been two new cessations since the last update to the Committee – Enigma CCTV Limited and Caterlink (Holly Park School).
- 1.17 Updates of the cessations of Caterlink (Totteridge Academy) and Caterlink (Holly Park School) are shown in **Appendices G and H**.

Bonds and Bond Renewals

- 1.18 An update on Bonds and Bond renewals is provided as **Appendix C**.
- 1.19 There are eight bond renewals due before the end of the year. The LBB Pensions Team have agreed with Hymans Robertson that it would be both more administratively and cost efficient to arrange for the revised bond values to be calculated at the same date. Therefore, for these

eight employers, the bonds will all be calculated as of 1 July 2023. Hymans are currently calculating the updated bond values required and these will be provided to the employers in due course.

1.20 Bonds are put in place for a three period before being recalculated.

1.21 There are six new admissions where we are waiting for the admitted body to provide a bond or guarantee.

Proposal from the LBB Pensions Team for new admissions to the Barnet Pension Fund

1.22 The current admissions process has a high governance burden for Pensions Team, relies on proactive action from third parties and is potentially onerous for employers. All this creates risk around completing the admission process in a timely fashion.

1.23 As an example of this, it is usual for the Pensions Team to be notified at a late stage of new admissions (in most cases after the new employer has started the contract) and getting admission agreements signed and sealed and arranging for bonds to be put in place takes longer than it should, which increases the governance risks to the Fund. A recent example of this are the issues with Signature Dining.

1.24 **Appendix D** sets out the Pensions Team's proposal, together with the new policy, following a review of the admissions process, to improve governance and make this more efficient for admitted bodies, letting authorities and the Pensions Team.

1.25 The proposal is that for all new admissions with an active membership of less than 100 people, they are admitted to Barnet Pension Fund on a 'pass-through' basis. This would be effective for new admissions from 1 January 2024.

1.26 Pass-through is a way that admitted bodies can participate in the Fund with certain risks being shared between the letting authority (e.g. the Council – including where contractors are employed by LEA schools, Middlesex University, Barnet & Southgate College and Academies) and the new contractor.

1.27 Whilst a pass-through basis increases risk for the letting authority, the nature of new admitted bodies means that the number of members (and hence costs involved) are very small. This means that any additional risk is more than likely to be offset against the governance risks to the Pension Fund of not getting admissions and bonds signed off in good time.

1.28 A pass-through agreement will mean that admitted bodies will no longer be required to provide a bond or guarantee. On cessation of the admitted body, any surplus will be retained in the Fund in the letting authorities "pool" and not paid back to the admitted body.

1.29 The proposal will mean that the admitted body will still be liable for additional pension costs resulting from the award of additional pension/augmented benefits, the award of unreduced early retirements (non ill-health) and excessive pay rises awarded by the admitted body.

1.30 The Pensions Team, in collaboration with Hymans have drafted a new Admissions Policy to reflect these new proposals. This policy has been reviewed by Bevan Brittan and is included within Appendix D.

1.31 The Section 151 Officer has agreed to the Pensions Team recommendation and as such, we would ask the Pensions Fund Committee for approval of the new approach.

1.32	If approved, the Pensions Team will communicate this with all employers over the next couple of months.
2. Alternative Options Considered and Not Recommended	
2.1	Not applicable in the context of this report.
3. Post Decision Implementation	
3.1	Not applicable in the context of this report.
4. Corporate Priorities, Performance and Other Considerations	
Corporate Plan	
4.1	The Pension Fund Committee supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, by careful monitoring of the Pension Fund activities with a view to ensuring the overall sustainability of the Pension Fund.
4.2	Sustainability of the Pension Fund is a crucial pillar in allowing the council to fulfil its wider objectives.
4.3	The Pension Fund is also developing its NetZero and Stewardship policies which feed into the wider objectives around Planet, Places and People.
Corporate Performance / Outcome Measures	
4.4	Not applicable in the context of this report.
Sustainability	
4.5	Not applicable in the context of this report.
Corporate Parenting	
4.6	Not applicable in the context of this report.
Risk Management	
4.7	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.
Insight	
4.8	Not applicable in the context of this report.
Social Value	
4.9	Not applicable in the context of this report.
5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)	
5.1	Risks that are not mitigated or managed can have a financial penalty to the Fund.

6. Legal Implications and Constitution References	
6.1	Regulation 2 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.
6.2	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.
6.3	The Council’s Constitution – Part 2B section 16 includes within the responsibilities of the Pension Fund Committee. The Committee has responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund. This specifically includes ‘to approve admissions agreements with any admission body’.
7. Consultation	
7.1	Not applicable in the context of this report.
8. Equalities and Diversity	
8.1	Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant ‘protected characteristic’ and those who do not share it; and fostering good relations between persons who share a relevant ‘protected characteristic’ and persons who do not share it. The ‘protected characteristics’ are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.
8.2	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.
9. Background Papers	
9.1	Not applicable in the context of this report.

Appendix A - Update on Admission Agreements – November 2023

	Employer	Contract Start Date	Update	Action Required by?
1	Olive Dining (St Joseph's School)	01/08/2019	Admission Agreement with HB Law for sealing. Deadline set for 31 October 2023.	HB Law
2	Sancroft Community Care Ltd	01/06/2019	Admission Agreement sent to employer for signing. Employer cannot provide a Bond. Discussions ongoing with LBB Pensions Team on options. An update will be provided to the Committee at the meeting.	Sancroft Community Care Ltd/LBB
3	Innovate (Blessed Dominic School)	01/09/2019	Admission Agreement with HB Law for sealing. Deadline set for 31 October 2023.	HB Law
4	Tenon (St Michaels School)	01/04/2021	Admission Agreement sent to employer for signing. Employer has made a representation for a pass-through agreement – to be discussed at the Committee meeting.	LBB
5	Capita Shared Services Limited	01/11/2022	Waiting for employer to sign and return the Admission Agreement. Deadline set for 31 October 2023.	Capita Shared Services Limited
6	Chequers Cleaning	01/12/2022	Admission Agreement with HB Law for sealing. Deadline set for 31 October 2023.	HB Law
7	Olive Dining (Holly Park School)	01/04/2023	Waiting for employer to sign and return the Admission Agreement. Deadline set for 16 November 2023.	Olive Dining
8	Olive Dining (Danegrove School)	01/05/2023	Waiting for employer to sign and return the Admission Agreement. Deadline set for 16 November 2023.	Olive Dining
9	Nourish Contract Catering Ltd (Whitefield School)	01/08/2023	Pending WYPF to submit data to Hymans Robertson. Deadline set for 31 October 2023.	WYPF
10	LBL After School Club (Manorside School)	01/09/2023	Waiting for employer to sign and return the Admission Agreement. Deadline set for 16 November 2023.	LBL After School Club
11	Harrison Catering Services (The Compton School)	30/10/2023	Pending WYPF to submit data to Hymans Robertson. Deadline set for 30 November 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

Appendix B Update on Cessation Valuations - November 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 continue to work with employer and school to ensure payment is made as soon as possible.	Absolute Catering/St James' School
2	Caterlink (Totteridge Academy)	23/02/2020	£10,000	Cessation valuation completed and sent to employer with a request that Caterlink made a representation to the Committee on why they should receive full payment of the surplus. No representation received. To be discussed at the Committee meeting.	LBB/Pensions Fund Committee
3	Ashlyns (St Andrew's C of E School)	31/07/2022	-£45,000	The LBB Pensions Team have requested payment of the deficit from Ashlyns. The LBB Pensions Team continue to work with employer to ensure payment is made as soon as possible.	Ashlyns
4	Atlas Cleaning (St Michaels)	31/03/2021	n/k	WYPF to provide data to Hymans to calculate cessation valuation. One outstanding member case to be processed.	WYPF

Appendix B Update on Cessation Valuations - November 2023

5	Atlas Cleaning (Claremont)	31/03/2022	n/k	WYPF to submit cessation data to Hymans. Contribution payments query and outstanding member case to be processed.	WYPF
6	City and County Healthcare Group	08/06/2022	£22,000	Cessation valuation completed and sent to employer with a request that City and County Healthcare Group made a representation to the Committee on why they should receive full payment of the surplus. To be discussed at the Committee meeting.	LBB/Pensions Fund Committee
7	Alliance in Partnership (Osidge School)	31/07/2022	-£33,000	Cessation valuation completed and sent to employer with a request for payment. Deadline – 24 October 2023	Alliance in Partnership
8	OCS	31/08/2022	£58,000	Committee approved exit credit payment of £11,600 at the last meeting in July. The LBB Pensions Team are currently arranging payment.	LBB
9	Grasvenor School	31/08/2022	n/k	WYPF to submit cessation data to Hymans. One outstanding member case to be processed.	WYPF
10	Optivo	30/11/2022	-£194,000	Optivo have now paid deficit payment	n/a

Appendix B Update on Cessation Valuations - November 2023

11	Capita Re	31/03/2023	n/k	WYPF to submit cessation data to Hymans. A small number of outstanding member cases to be processed.	WYPF
12	Caterlink (Holly Park School)	31/03/2023	£24,000	Cessation valuation completed and sent to employer with a request that Caterlink made a representation to the Committee on why they should receive full payment of the surplus. No representation received. To be discussed at the Committee meeting.	LBB/Pensions Fund Committee
13	Enigma CCTV Limited	19/07/2023	n/k	WYPF to provide data to Hymans to calculate cessation valuation. One outstanding member case to be processed.	WYPF
14	Caterlink (The Compton School)	29/10/2023		WYPF to provide data to Hymans to calculate cessation valuation.	WYPF

Employers shown in red above are new cessations that have arisen since the last update to the Committee.

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Appendix C Update on Bond Renewals – November 2023

Employer	Expiry Date	Value (<i>italics - previous value - being recalculated</i>)	Current Position
HCL Catering - Copthall School	01/05/2023	£73,000	Hymans Robertson to calculate revised Bond value as of 30 June 2023.
ISS	06/07/2023	£1,539,000	Hymans Robertson to calculate revised Bond value as of 30 June 2023.
Olive Dining (Archer Academy)	06/07/2023	£25,000	Hymans Robertson to calculate revised Bond value as of 30 June 2023.
Caterlink (The Compton School)	28/10/2023	£74,000	Hymans Robertson to calculate revised Bond value as of 30 June 2023.
Barnet Education and Learning Services (BELS)	31/08/2023	£3,204,000	Hymans Robertson to calculate revised Bond value as of 30 June 2023.
Tarmac Kier JV	30/09/2023	£360,000	Hymans Robertson to calculate revised Bond value as of 30 June 2023.
NSL Limited	01/11/2023	£1,037,000	Hymans Robertson to calculate revised Bond value as of 30 June 2023.
Greenwich Leisure Limited	31/12/2023	£162,000	Hymans Robertson to calculate revised Bond value as of 30 June 2023.
Tenon (St Michaels)	01/04/2024	£8,000	To be recalculated nearer expiry date.
Innovate (St James)	22/11/2024	£81,000	To be recalculated nearer expiry date.
Olive Dining (St Joseph's Primary)	23/11/2024	£50,000	To be recalculated nearer expiry date.
BEAT	30/11/2024	£76,000	To be recalculated nearer expiry date.
Sancroft Community Care	09/12/2024	£101,000	To be recalculated nearer expiry date.
Innovate (Blessed Dominic School)	09/12/2024	£61,000	To be recalculated nearer expiry date.
Capita CSG	24/11/2025	£2,779,000	To be recalculated nearer expiry date.
Enigma CCTV Limited	01/09/2025	£30,000	To be recalculated nearer expiry date.
Nourish Contract Catering Ltd (Osidge School)	01/08/2025	£2,000	Pending employer to provide a Bond or Guarantee (following recent admission).

Appendix C Update on Bond Renewals – November 2023

CSSL	01/11/2025	n/a	Bond for employer included within Capita CSG.
Chequers Catering	01/12/2025	£40,000	Pending employer to provide a Bond or Guarantee (following recent admission).
Olive Dining (Holly Park School)	01/04/2026	£23,000	Pending employer to provide a Bond or Guarantee (following recent admission).
Olive Dining (Danegrove School)	01/05/2026	£40,000	Pending employer to provide a Bond or Guarantee (following recent admission).
Nourish Contract Catering Ltd (Whitefield School)	01/08/2026	tbc	Hymans Robertson to calculate revised Bond value as of 1 August 2023.
LBL After School Club (Manorside School)	01/09/2026	£24,000	Pending employer to provide a Bond or Guarantee (following recent admission).

Appendix D

RECOMMENDATION FROM THE LBB PENSIONS TEAM FOR ALL NEW ADMITTED BODIES TO JOIN THE BARNET PENSION FUND ON A 'PASS THROUGH' BASIS

Introduction

- 1.1 The purpose of this paper is to set out the recommendation from the LBB Pensions Team ('the Pensions Team') that for all new admission bodies (i.e. new organisations that join the Fund, such as caterers), with an active membership of less than 100 people, are admitted to the London Borough of Barnet Pension Fund ('the Fund') on a 'pass-through' basis.
- 1.2 Pass-through is a way that admission bodies can participate in the Fund with certain risks being shared between the letting authority (i.e. the Council – including where contractors are employed by LEA schools, Middlesex University, Barnet & Southgate College and Academies) and the new contractor.
- 1.3 The Pensions Team have discussed the recommendation with both the Fund Actuary, Hymans Robertson, and the lawyers, Bevan Brittan.

Context

- 2.1 Under the Fund's current admissions policy for new contractors, the following principles apply:
 - 2.1.1 all past service pension benefits in respect of outsourced members are transferred from the letting authority to the new contractor.
 - 2.1.2 the contractor is set up on a "fully funded" basis using ongoing assumptions.
 - 2.1.3 the starting contribution rate is the cost of future service benefits only.
 - 2.1.4 the contribution rate is reviewed and adjusted at every formal valuation.
 - 2.1.5 any early retirement strains and augmentation costs that arise are met by the contractor via an additional lump sum contribution.
 - 2.1.6 a bond or other form of indemnity is taken out by the contractor.
 - 2.1.7 on cessation, the resulting cessation valuation may lead to the payment of a cessation debt by the employer (or an exit credit by the Fund.)
- 2.2 Following cessation, the contractor makes a "clean break" from the Fund with no further obligations other than paying any cessation debt. The assets and liabilities left behind by the departing contractor revert to the letting authority (as required under the LGPS Regulations).
- 2.3 If the service is then contracted to another supplier then the assets and liabilities for the people who are employed under that contract are transferred to the new employer. As example of this is when ISS transferred services to Signature Education and people transferred their employment from ISS to Signature Education.

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'Pass through' agreements

- 3.1 Under the current "traditional" approach to outsourcings (set out above), all the key pension risks transfer from the letting authority (e.g. the School) to the contractor for the duration of the contract (e.g. ISS).
- 3.2 For many contractors, this pension risk (which is often intangible in nature) may be viewed as an unexpected or undesirable by product, and this leads to additional administrative complexity for the Fund during the contractor's period of participation. In practice, pension considerations are often an afterthought in the commercial contract negotiations.
- 3.3 Similarly, the transfer of pension risks from Academies to contractors dilutes the effect of the Academies Guarantee provided by the Department of Education.
- 3.4 The traditional outsourcing approach leads to a great deal of uncertainty over costs for contractors because market conditions are uncertain e.g. large increases to regular contributions, big cessation debts etc. Bidders for contracts are increasingly aware of these problems and may seek to price them into contracts via additional service charges which can undermine the purpose of the outsourcing.
- 3.5 Under a pass-through arrangement the risks and cost volatility are passed back to the letting authority. This increases risk for the letting authority but simplifies the contractual situation with the contractor. Whilst a pass-through approach increases risk, in practice the letting authority will want to obtain the best price for the outsourced service. Offering contractors pass-through as a means for removing some of the uncertainty of the cost for paying for the outsourced member's pension benefits may be a way of helping to achieve this.
- 3.6 In addition, whether using the standard approach or pass-through, the letting authority still retains long term responsibility for the risks as all the members' accrued benefits transfer back to the letting authority at the end of the contract.
- 3.7 The letting authority also remains the ultimate guarantor for all pension obligations throughout the contract in the event of the contractor becoming insolvent. This is unchanged whether adopting the standard approach or using pass-through.

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RECOMMENDATION FROM THE LBB PENSIONS TEAM FOR ALL NEW ADMITTED BODIES TO JOIN THE BARNET PENSION FUND ON A 'PASS THROUGH' BASIS

Benefits and risks of pass-through

Benefits of pass-through	Risks of pass-through
For the Letting Authority	For the Letting Authority
Letting authority may be able to negotiate better contract terms.	Assets and liabilities remain on accounting balance sheet.
Easier to understand their pension responsibilities.	Loss of a potential cessation debt at the end of contract.
Retains upside potential (i.e. retaining surpluses at end of contract).	Depending on design, the letting authority may be required to meet the cost of changes to LGPS benefits e.g. any strains relating to early retirements and augmentations.
Clearer and more consistent tendering process.	Mispricing the contract (eg if fixed rate was too low, in hindsight)
Avoids exit credits	
For the Contractor	For the Contractor
The contractor bears less pension risk.	Loss of a potential exit credit at the end of contract.
Greater certainty of contributions.	Potential for overpaying pension costs during the contract period.
No potential cessation debt to pay at the end of the contract.	
Reduced administrative costs as no requirement for a market risk bond.	
For the Administering Authority	For the Administering Authority
Ease of administration.	New documentation required, including maintenance of a clear policy on pass-through.
Reduction in time costs monitoring and administering bonds.	If implemented as a 'default' or 'optional' approach – the benefits may not be realised if letting authorities defer to traditional admissions approach.

Employer Statistics

- 4.1 As at the 31 March 2023, there were 70 employers in the Fund, of which 19 were admitted bodies (27%).
- 4.2 The average employer primary contribution rate for these admitted bodies is around 26% (the primary contribution rate for the Council is 19.1%).

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RECOMMENDATION FROM THE LBB PENSIONS TEAM FOR ALL NEW ADMITTED BODIES TO JOIN THE BARNET PENSION FUND ON A 'PASS THROUGH' BASIS

4.3 In 2022/23, the total employer contributions paid was £44,900 million of which £2.25 million was paid by the admitted bodies (0.005%).

Current issues with the current Admissions process

5.1 The Pensions Team are usually informed at a relatively late stage that a new employer wants to apply for admitted body status, and this is usually after the admission has taken place (this increases risk for the Pension Team as we are legally exposed without having any legal agreement in place).

New Admitted Body	Date of Admission	Date Pensions Team notified of admission
Chequers Cleaning	01/12/2022	08/12/2022
Olive Dining (Holly Park School)	01/04/2023	26/04/2023
Olive Dining (Danegrove School)	01/05/2023	21/06/2023

5.2 Contracting is normally done by employer (typically schools) and the process involves the contractor joining the fund via an Admission Agreement (which is sealed).

5.3 Currently, the admission process can take months to complete. This is due to several factors, such as:

5.3.1 Determining the membership of the new admitted body, so data can be sent to the actuary to calculate the employer contribution rate.

5.3.2 Getting the admission agreement signed by the new admitted body, and in some cases, the letting authority. This can involve numerous chasers being sent and a lot of the time, it is the admitted body being unable to provide a bond that delays the agreement being signed.

5.3.3 The admission agreement are currently 'sealed' documents and delays have occurred with HB Law when the Pensions Team are trying to get the admission agreement sealed and finalised.

5.3.4 The issues with Signature Education and London Kosher Catering highlight the recent issues, the Pensions Team have had in getting admissions completed.

5.3.5 The contractor is also required to get a Bond and that process adds to the complexity. In theory, the Fund is protected from risks, but in practice the process is laborious and creates more risk particularly if contractors are unable or unwilling to provide a Bond. This is usually due to cost of obtaining the Bond, The Pension Fund does not have any direct way to enforce employers meet their requirements.

5.3.6 The reason for this is that in most new admissions, this involves between 3-5 staff being employed by the contractor earning relatively modest salaries of around £15k per annum and as such, it is difficult for the employer to obtain a Bond. The table below illustrates when recent new contractors joined the Fund and who have not yet provided a Bond.

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Admitted Body	Date of Admission	Value of Bond
Innovate (St James)	01/08/2019	£81,000
Olive Dining (St Joseph's Primary)	01/08/2019	£50,000
Sancroft Community Care	01/06/2019	£101,000
Tenon (St Michaels)	01/04/2021	£8,000
Nourish Contract Catering Ltd (Osidge School)	01/08/2022	£2,000
CSSL	01/11/2002	tbc
Chequers Catering	01/12/2022	tbc
Olive Dining (Holly Park School)	01/04/2023	tbc
Olive Dining (Danegrove School)	01/05/2023	tbc

- 5.4 In most cases, the contractor does not start to pay both member and employer contributions over to the Fund until the admission agreement has been signed and sealed. However, the Pensions Team have started to ask new contractors to commence paying contributions to the Fund before this date, with the employer rate being set at 25%, with adjustments being made once the admission agreement is finalised.
- 5.5 The contractor will be liable to meet cost of any of their staff who are made redundant and pick up the cost of any ill health retirements.
- 5.6 The contractor is 'on risk' in that they pay a variable employer contribution rate and at the end of the contract they would be for deficit payable to the Fund, or they may be entitled to a return of some or all of the 'exit credit' (surplus). a refund. The last few cessations have all resulted in a surplus being potentially payable to the new employer.

Target Outcome

- 6.1 The LBB Pensions Team would like the recommendation for pass through to be the default arrangement for all new admissions with effect from 1 January 2024.
- 6.2 The default pass-through will apply to contracts let by all types of letting authority but will be limited to employers with under 100 active members.

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- 6.3 The letting authority will retain all risks, with the exception of the award of additional pension/augmented benefits, and the award of unreduced early retirements (non ill-health).
- 6.4 The employer contribution rate may be different from the primary rate of the letting authority to reflect the higher risk to the letting authority from having a pass-through agreement. This is a commercial point which we would discuss with the letting authority. In practice though, if a higher pension cost is charged through the pass-through, the contractor will simply reflect this in their contract price and so the letting authority may wish to keep the contribution consistent with their own rate for simplicity. Another commercial consideration is whether the contractor updates the rate at each triennial valuation and how this gets shared with the contractors. It is worth noting that the Regional Enterprises pension agreement was effectively a pass-through with all changes in costs indemnified by the Council.
- 6.5 There will be no requirement for a bond to be arranged for default pass-through admissions. However, the Actuary will still calculate this figure so the letting authority understands the risks retained. Assets and liabilities will be retained by the letting authority during the period of participation.
- 6.6 For current admitted bodies, when either their contract renews or when their exiting bond expires, they will be considered on a case-by-case basis on whether the pass-through policy will apply to them going forward.
- 6.7 A current issue is the process for getting new Admission Agreements sealed is very time consuming. The Pensions Team is aware of market solutions which largely automate this process and as an extension to amending the approach to a pass-through, we will be bringing a business case which looks to implement an automated admission process. This will reduce risk significantly as timescales for finalising documents will be significantly shorter.
- 6.8 If we proceed with the recommendation the new Admissions policy will be updated to include this new process.

Recommendation

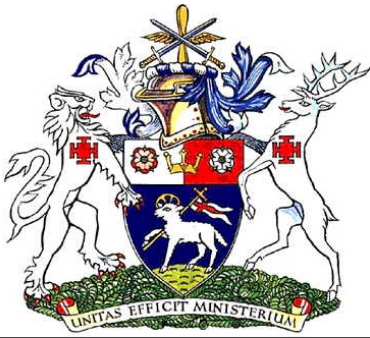
- 7.1 In terms of process, and subject to comments from the Section 151 Officer, we will look notify the Pension Fund Committee of the proposed change of approach at the 2 November 2023 Pension Fund Committee meeting and assuming no objections, we would look to implement a pass-through from 1 January 2024.
- 7.2 If the recommendation is agreed, the Pensions Team will update all employers as soon as possible after the new Admissions policy has been signed off.

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- 7.3 The Local Pensions Board will also be updated on the changes to the new Admissions Policy.

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Pension Fund Committee AGENDA ITEM 16
2 November 2023

Title	Pension Fund Costs and Expenses- 6 Months to September 2023
Date of meeting	2 November 2023
Report of	Executive Director of Strategy and Resources (S151 Officer)
Wards	All
Status	Public with Exempt Appendix A Exempt enclosures - Not for publication by virtue of paragraphs 3 of Schedule 12A of the Local Government Act 1972 as amended. Information relating to the financial or business affairs of any particular person (including the authority holding that information).
Urgent	No
Appendices	Appendix A - Pension scheme costs for 6 months to 30th September 2023 (exempt)
Officer Contact Details	Adam McPhail, Finance Manager- Pensions (adam.mcphail@barnet.gov.uk)

Summary

This report summarises the Pension Fund costs incurred for the 6 months from 1st April 2023 to 30th September 2023, with a comparison to the previous year.

Recommendations

1. That the Committee note the scheme costs incurred for the 6 months to 30th September 2023.

1. Reasons for the Recommendations

1. Why this report is needed

- 1.1 Pension fund investment management fees and administration and governance costs are significant, £14.768 million in total for 2022/23, this report allows committee to assure themselves of its reasonableness. The majority of the in-year costs related to investment management fees. These costs are not included in this report, as they are very difficult to determine, and we rely on end of year reports from fund managers in order to disclose them in our year-end accounts. As a result, only costs invoiced directly to the fund are considered in this report.
- 1.2 Attached to the paper is an appendix detailing the costs directly invoiced to the fund, in the 6 months to 30 September 2023 with a comparison to the directly charged costs in the previous year.
- 1.3 Costs which are invoiced, are reviewed by the Pension team and if necessary, discussed with the Executive Director of Strategy and Resources.
- 1.4 It is estimated that there will be an increase in costs directly charged to the fund by £188k. This is mainly due to:
- 1.5 An expectation that LCIV fees will increase by £83k due to greater investment in LCIV funds, with a further £99k increase in Investment Advisor fees when compared to 2022/23 due to increased consultation regarding re-allocations and our NetZero strategy. It is also expected that the fund will pay an extra £12k to the council as a recharge of staff salaries and other costs.
- 1.6 However, it is estimated that there will be an estimated £382k reduction in fund manager fees charged directly to the pension fund. This is due to a reduction in investments with fund managers who directly charge fees (mainly LGIM), and an increase in investments with fund managers who charge fees to investments. As a result, it is expected that fees charged to investments will increase at the year end.
- 1.7 Internal Audit have recommended that the reporting of costs include reporting of contributions and benefits. The table below summarises contribution income and benefit expenditure in the 6 months to 30th September 2023, compared to the 2022/23 figures, and the 2023/24 budget

	6 months to 30th Sep		
	2023	2022/23	2023/24 Budget
	£000	£000	£000
Employees' Contributions	5,582	14,078	14,700
Employers' Contributions			
Normal Contributions	21,321	44,900	46,700
Deficit Recovery Contributions	1,091	3,897	3,900
Augmentaion Contributions	1,027	4,003	4,000
Total Employers' Contributions	23,439	52,800	54,600
Total Contributions Recievable	29,021	66,878	69,300

Pensions	24,255	53,541	55,700
Commutation and Lump Sum			
Retirement Benefits	4,827	9,584	11,500
Lump Sum Benefits	261	1,788	1,900
Total Benefits Payable	29,343	64,913	69,100

Net Contributions Received	(322)	1,965	200
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Benefits paid exceeded contribution income by £0.322 million in the 6 months to 30th September 2023. It is expected that contribution income will exceed benefit payments in 2023/24. The estimates for 2023/24 are made based on prudence, where the estimates for contribution income and benefit payments are made by allowing 4% for inflation.

2. Alternative Options Considered and Not Recommended

2.1 None.

3. Post Decision Implementation

3.1 N/A

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

4.1 The current corporate plan (Barnet Plan 2023-2026) was adopted in February 2023. To ensure that the Pension Fund is being invested prudently and to the best advantage in order to achieve the required funding level. Effective monitoring of the Pension Fund will ensure that long-term cashflow is managed effectively, and that funding levels are maintained.

Corporate Performance / Outcome Measures

4.2 Effective monitoring of Pension Fund cashflows which leads to efficient management, has a positive effect on wider council finances through potential reduction in contribution payments.

Sustainability

- 4.3 The Pension Fund appoints external fund managers to maximise Pension Fund assets in accordance with the Fund investment strategy, and external consultants to provide advice on the investment strategy. The Pension Fund also appoints external parties to provide actuarial, legal, and audit services, as well as other providers to ensure compliance with LGPS and wider regulations. These providers provide services which promote the long-term sustainability of the fund.

Corporate Parenting

- 4.4 Not applicable in the context of this report.

Risk Management

- 4.5 A Monitoring of expenditure is a key element of protecting the assets of the pension fund.

Insight

- 4.6 Not Applicable

Social Value

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

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

- 5.1 The Pension Fund appoints external fund managers to maximise Pension Fund assets in accordance with the Fund investment strategy, and external consultants to provide advice on the investment strategy. The Pension Fund also appoints external parties to provide actuarial, legal, and audit services, as well as other providers to ensure compliance with LGPS and wider regulations. Effective monitoring of these costs ensures the Pension Fund, and by extension the Council, receives value for money, and that funding levels are maintained preventing increased contribution costs to the Council and employers in the scheme.

6. Legal Implications and Constitution References

- 6.1 The Council's Constitution – Part 2B section 15 includes within the responsibilities of the Pension Fund Committee including:
- To have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including, but not limited to the following:
 - To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice.
- 6.2 Under article 7 one of the responsibilities of the Pension Fund Committee is 'To meet review and consider approval of the Pension Fund Statement of Accounts, income and expenditure and balance sheet or record of payments and receipts. A review of expenses falls within that remit.

7. Consultation

- 7.1 Not Applicable

8. Equalities and Diversity

- 8.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.
- 8.2 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.

9. Background Papers

- 9.1 None.

London Borough of Barnet

Pension Fund Committee Work Programme

May 2023 – January 2024

Title of Report	Overview of decision	Report Of (officer)	Issue Type (Non- key/Key/Urgent)
4 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
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
10 November 2023			
Quarterly investment report to 30 September 2023	Review investment activity and the performance of the fund and investment managers	Chief Financial Officers	Non-key

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent)
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
Communication Policy and Engagement strategy review	To update the Committee on following a review of the Fund's engagement strategy and communication policy.	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
Review of Pension Fund Risk Register	To review the management of pension fund risks.	Chief Financial Officer	Non-key
31 January 2024			
Quarterly investment report to 31 December 2023	Review the investment activity and the performance of the fund and its investment managers.	Chief Financial Officer	Non-Key

Subject	Decision requested	Report Of	Issue Type (Non-key/Key/Urgent)
Responsible Investment	To review the Fund's progress against its Responsible Investment objectives	Chief Financial Officer	Non-key
Policies and Procedures	To update the Committee on status of the Fund's policies and procedures and recent updates/	Chief Financial Officer	Non-key
Knowledge and Understanding	To review Committee training completed and possible further training requirements	Chief Financial Officer	Non-key
Annual Accounts	To update the Committee on the status of the outstanding 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
Administration report	To update the Committee on the performance of the Pension Administrator.	Chief Financial Officer	Non-key