

**MEETING**

**PENSION FUND COMMITTEE**

**DATE AND TIME**

**THURSDAY 11TH JANUARY, 2024**

**AT 7.00 PM**

**VENUE**

**HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4AX**

**TO: MEMBERS OF PENSION FUND COMMITTEE (Quorum 4)**

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 8 January 2024 at 10AM. Requests must be submitted to Georgina Wills Principal Governance Officer

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

Governance Services contact: Georgina Wills, Principal Governance Officer  
Email: [Georgina.wills@barnet.gov.uk](mailto:Georgina.wills@barnet.gov.uk)  
Media Relations Contact: Tristan Garrick 020 8359 2454

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## ORDER OF BUSINESS

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3.	Disclosable Pecuniary interests and Non Pecuniary interests	
4.	Public Question and Comments (if any)	
5.	Report of the Monitoring Officer (if any)	
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17.	Motion to exclude press and public	

18.	Any item(s) that the Chairman decides is urgent	
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## Decisions of the Pension Fund Committee

29 November 2023

Members Present:

AGENDA ITEM 1

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

Councillor Andreas Ioannidis  
Councillor Peter Zinkin (substituting for Cllr Elliot Simberg)  
Councillor Nick Mearing-Smith (substituting for Cllr Mark Shooter)

Councillor Woodcock-Velleman

Apologies for Absence

Councillor Mark Shooter  
Councillor Elliot Simberg

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

**RESOLVED** that the minutes of the meeting held on 2 November 2023 be agreed as a correct record.

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

There were none.

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

Salar Rida, Governance Manager, Assurance, declared a non-pecuniary interest by virtue of the fact that he was a member of the Local Pensions Board. Mr Rida advised that he was attending the Committee in his capacity as the Governance Officer.

Councillor Peter Zinkin declared a non-pecuniary interest by virtue of the fact that he had investments in Pensions which may be discussed by the Committee as part of the Investment strategy. The same declarations were made by all Members of the Committee.

Councillor Simon Radford declared an ongoing interest in that his employer receives donations from many financial firms which may be relevant to the scheme, however he does not work in a business development role.

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

There were none.

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

There were none.

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

There were none.

## **7. CONTRIBUTION REVIEW (Agenda Item 7):**

The Head of Pensions and Treasury presented his report which set out a recommended response to the request from the Council to review pension contributions. The Committee was informed that advice had been sought from the Actuaries and specialist legal advice, including advice from leading Counsel, had also been commissioned. There were also consultations with stakeholders and the Committee.

The Committee were advised that following legal advice, Officers believed that:

1. The policy introduced in 2021 imposed greater restrictions on the ability to take forward a request than required by regulations.
2. The policy does not appear to have considered the possibility of a request coming from the Council when it was drafted.

With regards to bullet 1., the Committee felt the purpose of the restrictions were important to protect the Pension Fund but have asked Officers to review the restrictions in light of Counsel's opinion.

With regards to bullet 2. this has created difficulty for Officers when considering its recommendation to Committee. The Committee therefore asked Officers to refresh the Policy to better accommodate a scenario where the request is made from the Council.

Officers agreed to review the policy and consult with relevant stakeholders and convene a further extra-ordinary meeting in the New Year to reconsider the request.

The Head of Paid Services relayed that the Council would need to consult on a new Budget for 24/25 and that this would be presented to the Council's Cabinet in December. The Head of Paid Services therefore asked, notwithstanding the procedural work that would need to be done to progress the review, whether the Committee had any concerns over the recommendation made by the Head of Pensions and Treasury to reduce contributions in line with his report. Members agreed that the request to review the Pension Deficit contributions levels was a reasonable one.

The Chair thanked the Committee for their contributions and feedback on the Officers Report and noted that there had been joint cross-party involvement in the drafting of the document and noted this had been done collegially. The Head of Pensions and Treasury was also thanked for his report and preparations involved with drafting the report.

### **RESOLVED**

1. The Committee agreed that the Contribution Review Policy be reviewed and that the consultation with all relevant stakeholders be held before it is adopted.
2. That the Committee be provided updated actuarial advice when requested to consider the ease of Pension Deficit contributions.
3. That the Committee reconvene in February to review the revised pensions contribution policy, the consultation response and request to ease Pension Deficit contributions.

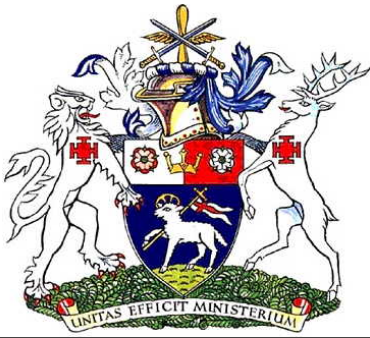
## **8. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT (Agenda Item 8):**

There were none.

The meeting finished at 7.44 pm

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## Pension Fund Committee AGENDA ITEM 7

**11 January 2024**

<b>Title</b>	Investment Strategy
<b>Date of meeting</b>	11 January 2024
<b>Report of</b>	Executive Director of Strategy and Resources (S151 officer)
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	Appendix 1- Summary of Outstanding Transactions
<b>Officer Contact Details</b>	Adam McPhail, Finance Manager, 0208 359 7639 adam.mcphail@barnet.gov.uk

### Summary

This report provides a summary of the investment transactions made in the 3 months from October 2023 to December 2023, and an overview of the planned investment transactions in 2024.

### Recommendations

**The Pension Fund Committee note the investment transactions that have occurred in the four months from 1st October to 31<sup>st</sup> December 2023, and the further planned transactions for 2024.**

#### 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 October 2023 to December 2023
  - The planned further investment transactions in 2024

### Investment Transactions from October 2023 to December 2023

- 1.3 Below is a summary of the investments made by the Pension Fund from October 2023 to December 2023:

<b>Fund Name</b>	<b>Amount Invested (£m)</b>
LCIV Long Term Buy and Maintain Credit Fund	£75.000
LCIV Renewable Infrastructure	£0.295
Adams Street 2019	£1.218
Adams Street Secondaries	£4.382
<b>Total</b>	<b>£80.895</b>

- 1.4 Below is a summary of the disinvestments the Pension Fund made from October 2023 to December 2023:

<b>Fund Name</b>	<b>Amount Disinvested (£m)</b>
Schroders Corporate Bonds	£75.000
Partners 2017	£0.426
Partners 2019	£1.202
Alcentra	£0.098
<b>Total</b>	<b>£76.726</b>

The disinvestments from both Partners and Alcentra are distributions from the fund managers as each fund is currently winding down.

### Planned Investment Transactions for 2024

- 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 2024.

1.6 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 2024.

1.7 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).

## **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. Ensuring that the Pension Fund is being invested prudently and to the best advantage in order to achieve the required funding level, and 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.

<p>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.</p> <p>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.</p> <p>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.</p>
<p><b>5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)</b></p>
<p>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.</p>
<p><b>6. Legal Implications and Constitution References</b></p>
<p>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.</p> <p>6.2 The Council's Constitution – Part 2B section 15.1 includes within the responsibilities of the Pension Fund Committee, namely, 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:</p> <ul style="list-style-type: none"> <li>• to ensure compliance with all Local Government Pension Scheme statutes, regulations, and best practice.</li> <li>• to consider approval and act in accordance with the Investment Strategy Statement and</li> <li>• to review the Investment Strategy Statement at least triennially, or more frequently if advised by the Chief Finance Officer of the need to do so and if so required.</li> <li>• to appoint and monitor Investment advisors and Pension Fund investment managers.</li> </ul>
<p><b>7. Consultation</b></p>
<p>7.1 Not required</p>
<p><b>8. Equalities and Diversity</b></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 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.</p>

## 9. Background Papers

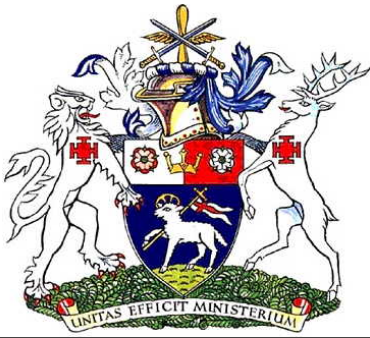
9.1 None



Fund	Dis-investment*	Investment*	Timing	Method	Primary Driver	Source of Funding
Schroders Corporate Bonds*	152		Occuring in January 2024	Manual	Strategy	
LCIV Buy-and-Maintain*		152	Occuring in January 2024	Manual	Strategy	Schroders Corporate Bonds
Adams Street - Private Eq		37	Expect by end of 2024	Over next 18-months Manual - when	Strategy	Cash
LCIV - Renewable Inf		23	Expect by end of 2024	called	Strategy	Cash
LCIV - Private debt		20	Expect by end of 2024	Manual	Strategy	Cash
<b>Total</b>	<b>-</b>	<b>80</b>				
Shortfall (disinvestments less investments)			-	80		
Cash at bank				84		
Balance (i.e. unfunded transitions)				4		
*Pending Committee Approval						

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## Pension Fund Committee AGENDA ITEM 8

**11 January 2023**

<b>Title</b>	External Audit and Accounts Update
<b>Date of meeting</b>	11 January 2023
<b>Report of</b>	Executive Director of Strategy and Resources (S151 officer)
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	Appendix 1- 2021/22 Draft Annual Report
<b>Officer Contact Details</b>	Adam McPhail, Finance Manager, 0208 359 7639 adam.mcphail@barnet.gov.uk

### Summary

BDO are the Pension Fund's appointed external auditors for the 2020/21 and 2021/22 financial years. In line with International Standard on Auditing 260 (ISA 260) the Pension Fund's external auditors, BDO, should be provided with access to those charged with governance. This report is to update the Pension Fund Committee on the 2020/21 audit, and on the plan for the 2021/22 and 2022/23 audit.

This paper also asks for Committee approval to publish the 2021/22 and seeking views on whether it is appropriate to publish the 2022/23 Draft Annual Report based on current audit status.

### Recommendations

1. That the Pension Fund Committee note the update on the 2020/21 audit, and the plan for the 2021/22 and 2022/23 audit, and to identify matters that the Committee wish to bring to the attention of the auditor.
2. That the Pension Fund Committee approve the 2021/22 Draft Annual Report to be published.

#### 1. Reasons for the Recommendations

##### 2020/21 External Audit Update

- 1.1 In 2021 BDO presented their audit plan for the pension fund which gave an approximate audit end date of October 2021. However, to date the 2020/21 audit report is still outstanding.

- 1.2 BDO have provided several updates at previous Local Pension Board and at Pension Fund Committees.
- 1.3 To date officers have still not received the completed audit report.
- 1.4 BDO have advised that the Pension Fund committee in the July 2023 meeting that Pension Fund Accounts are ready to sign off, when the Council Accounts are ready to be signed off.
- 1.5 BDO have provided an update to the Governance, Audit, Risk Management and Standards Committee on 27th November 2023. As part of the Audit Status Report (item 9) presented at that meeting, BDO provided a progress and timeline report. This can be found here- Appendix A - BDO Audit Progress Timelines Report LB Barnet.pdf (modern.gov.co.uk)
- 1.6 BDO have advised in this report that a few outstanding reviews and issues remain with the Council's Accounts, and have stated that these should be completed in January 2024, with the audit opinion report being published in February 2024.

#### **2021/22 External Audit Plan**

- 1.7 Due to the delays in completing the 2020/21 audit, BDO have advised that an audit plan report is not yet available.
- 1.8 The draft 2021/22 accounts have been published. The deadline for the publication of the accounts was 30th September 2022.
- 1.9 BDO advised at the March 2023 Pension Fund Committee that a draft plan for the 2021/22 accounts audit had been presented to Senior Officers, but not agreed.

#### **2022/23 Accounts**

- 1.10 The Draft 2022/23 Pension Fund accounts were published with the Main Council accounts before the statutory deadline on 31st May 2023.
- 1.11 Officers do not expect any audit plan to be presented until the completion of the 2021/22 audit.

#### **Draft Annual Reports**

##### **Background**

- 1.12 Section 57 of the LGPS Regulations 2013 requires each LGPS Fund to prepare an Annual Report. The report must be published by 1 December following the year to which it relates. The report must contain:
  - a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
  - b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
  - c) a report of the arrangements made during the year for the administration of each of those funds;
  - d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
  - e) the current version of the statement under regulation 55 (governance compliance statement);
  - f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
  - g) an annual report dealing with—
    - i. the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and
    - ii. such other matters arising from a pension administration strategy as it considers appropriate;

- h) the current version of the statement referred to in regulation 58 (funding strategy statement);
- i) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
- k) any other material which the authority considers appropriate.

### **Publishing the Annual Report**

**1.13** Individual Fund Annual Reports are published on the Scheme Advisory Boards website LGPSBoard.org ([LGPS Board - Fund Annual Reports 2023 \(lgpsboard.org\)](http://LGPSBoard.org)) and Barnet Pension Fund’s website ([Local Government Pension Scheme | Barnet Council](http://Local Government Pension Scheme | Barnet Council)). Note that the Annual Report is not the same as our Pension Fund Accounts (although the Annual Report includes a Statement of Accounts). Pension Fund accounts form part of the Council’s Full Accounts.

**1.14** The cycle of preparing reports has been complicated by the audit situation impacting Local Authority more generally. The current situation in terms of publishing reports for the Barnet Pension Fund is as follows:

	<b>SAB</b>	<b>Barnet Pension Fund website</b>	<b>Comment</b>
2019/20	Audited and signed	Audited and signed	Compliant
2020/21	Draft Annual Report (based on unaudited Statement of Accounts)	Draft Annual Report (based on unaudited Statement of Accounts)	Non-compliant
2021/22	Unaudited Council Accounts (which includes Pension Fund Accounts)	None	Non-compliant
2022/23	None	None	Non-compliant

**1.15** Officers summarise actions in order move the position forward for the Barnet Pension Fund below.

#### **2020/21**

**1.16** At the 22<sup>nd</sup> February 2022 meeting the Pension Fund Committee agreed to publish the 2020/21 Annual Report and Accounts, and to delegate the signing of the Report and Accounts to the Chairman of the Committee and the Director of Resources and S151 Officer.

**1.17** We have therefore published an updated draft 2020/21 Annual Report reflecting unaudited Statement of Accounts on the SAB website and the Barnet Pension Fund website. The status of the unaudited Statement of Accounts for 2021/22 is such that we are not expecting material changes relative to the unaudited numbers disclosed. Once full Council Accounts have been audited, we will re-publish the full annual report on both the SAB and Barnet Pension Fund websites.

## **2021/22**

- 1.18** We do not currently have authority from the Pension Fund Committee to publish a draft unaudited Annual Report for 2021/22. Field work from the auditors has not begun for the 2021/22 period and so it is unclear whether the draft Pension Fund numbers disclosed within the 2021/22 Full Council Accounts will change materially.
- 1.19** However, the Council has published its Full Accounts, which include draft Pension Fund accounts, and these have been linked on the SAB website and so there is a public record of draft Pension Fund accounts. Officers are therefore suggesting that a draft Annual Report is published on both the SAB and Barnet Pension Fund website to include unaudited Statement of Accounts numbers. A draft copy of the report is attached as Appendix 1 for consideration in this context.

## **2022/23**

- 1.20** No Annual Report document has been published on either the SAB website or the Barnet Pension Fund website. Draft Pension Fund Accounts for 2022/23 have been published within the Full Council accounts. The status of these accounts is less certain as both opening and closing numbers have not been subject to any fieldwork from the Council's auditors.
- 1.21** Officers are therefore seeking views from the Committee on whether it would be appropriate to publish a draft (unaudited) Annual Report for 2022/23. If the Committee feel it would be appropriate, then Officers will bring a draft report for approval for the Committee at the 1 February 2024 extra-ordinary meeting.

## **2. Alternative Options Considered and Not Recommended**

- 2.1** None

## **3. Post Decision Implementation**

- 3.1** None- The external auditor will report to the Board following the conclusion of the audit.

## **4. Corporate Priorities, Performance and Other Considerations**

### **Corporate Plan**

- 4.1** In its original request the Council stated that the request 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** Not applicable in the context of this report.

### **Risk Management**

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

**Insight**

**4.6** Not applicable in the context of this report

**Social Value**

**4.7** Arrangements for proper administration of financial affairs and contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

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

**5.1** This report sets out the framework for the assessment of the Pension Fund’s financial reporting and management as well as value for money.

**5.2** The external audit fees for 2021/22 are £35,789 (£36,170 for 2020/21).

**5.3** In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council’s accounts and Pension Fund accounts.

**5.4** The ISA 260 report must be considered by “those charged with governance” before the external auditor can sign the accounts”.

**6. Legal Implications and Constitution References**

**6.1** The efficient governance and administration Section 151 of the Local Government Act 1972 requires that “...every local authority shall make arrangements for the proper administration of their financial affairs”.

**6.2** The Council is a public authority that is subject to the audit of its annual accounts by an external auditor. The Local Audit and Accountability Act 2014, Part 5 specifies the conduct of local audit.

**6.3** Part 3, regulation 9 of the Accounts and Audit Regulations 2015 requires that the statement of accounts must be considered by a committee or full council and approved by a resolution of that body. The accounts must then be signed by the person presiding at the meeting. The Section 151 officer must then reconfirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority and its income and expenditure for that year.

**6.4** The 2015 Regulations require that the final approved accounts are published not later than 30th September of the financial year immediately following the end of the financial year to which the statement relates. The audit did not commence until September 2021 and it was therefore not possible for it to be concluded in line with the statutory deadline. Part 2B - Terms of Reference & Delegation of Duties to Committees and Sub-Committees of the Council Constitution, Para 15.1.9 states that the Pension Fund Committee has responsibility to review and consider approval of the Pension Fund’s Annual Report and Statement of Accounts, together with recommendations from external and internal auditors

**7. Consultation**

<b>7.1</b>	Not required
<b>8.</b>	<b>Equalities and Diversity</b>
<b>8.1</b>	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.
<b>8.2</b>	Ensuring the long-term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met.
<b>9.</b>	<b>Background Papers</b>
<b>9.1</b>	None



**PENSION FUND**

# **ANNUAL REPORT**

**2021/22**

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## 1. Trustee's Report

### 1.1 Local Government Pension Scheme Regulations

The London Borough of Barnet Pension Fund is part of the national Local Government Pension Scheme (LGPS). It is a contributory defined benefit pension scheme established under statute, which provides for the payment of pension benefits to employees and former employees of the London Borough of Barnet and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions that employees and employers pay into the Fund to meet the cost of paying pensions at a later date. The Fund builds up assets at the same time as paying out pensions. Employer contributions are set by the Fund's actuary at the actuarial valuation which is done every three years. The last actuarial valuation was completed as at 31 March 2019 with the next, as at 31 March 2022, currently in progress. The Actuary determines the level of contributions payable by employers that together with other income are expected to enable the fund to acquire sufficient assets to pay benefits as they fall due for payment.

As a statutory pension scheme, it is secure because its benefits are set by law and paid out of a fund which is managed professionally. Should there be insufficient assets, the Council and other participating employers are responsible for making up the shortfall. Membership of the pension fund is available to employees of the local authority and other eligible organisations. However, as the benefits are guaranteed by law, and the employees' contribution is fixed, the employers' contribution rates will vary as the Actuary calculates the required level of assets and expectations of future investment income and this can have an adverse effect on the overall employers' budgets.

In the public sector, the individual legal provisions covering many pension schemes were brought together under one Act of Parliament (The Superannuation Act 1972). The regulations appoint major authorities, such as the London Borough of Barnet, to the role of "administering authorities" to manage the scheme at a local level.

The LGPS as introduced in 1972 remained unchanged until 2008 when changes were made to the scheme. More significant changes were introduced in a new look LGPS effective from 1 April 2014. One of the main changes is that a scheme member's pension entitlement for service after 1 April 2014 is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Benefits built up in the scheme before 1 April 2014 are protected and will continue to be based on the scheme member's final year's pay. The revised benefits payable from the Fund are set out in the Local Government Pension Scheme regulations and in summary are:

- A pension based on career average earnings (revalued in line with the Consumer Prices Index)
- Pensionable pay to include non-contractual overtime and additional hours
- Flexibility for a member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health

Some members received protections following the 2014 change in benefit structure to ensure that they were no worse off as a consequence and following a court case known as 'McCloud' these protections are likely to be extended to a wider group of members. The Fund is governed by the Public Services Pensions Act 2013 and the LGPS Regulations 2013 (as amended), the LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016.

The Pension Fund is a shareholder in the London Local Government Pension Scheme Collective Investment Vehicle (LCIV). The Pension Fund Committee approved the investment of £150,000 as

regulatory capital in 2015. The Fund's investments with Legal and General, LCIV Sustainable Equities, Emerging Market Equities, Private Debt and Renewables Infrastructure (51% of investments) are either invested with the LCIV or monitored by them. This has delivered considerable savings in fees. It is also consistent with the Government's LGPS pooling ambitions that require local government pension scheme administering authorities to set out their proposals to invest their assets through one of the approved LGPS investment pools.

The content and detail in the pension fund annual report is prescribed by the LGPS Regulations 2013. In publishing this report, the Council as administering authority, sets out the standard of governance and supervision of the fund. It also brings together a number of separate reporting strands into one document to show how the Fund is managed and how it is performing.

To help people save more for their retirement, the Government requires employers to enrol their workers into a workplace pension scheme. This legislation is separate from the Local Government Pension Scheme (LGPS) Regulations and applies to those employees that are not members of the Local Government Pension Scheme, including those who have previously opted out. The automatic enrolment of the Council's workforce into the LGPS came into effect from 1 June 2013. The dates for other participating employers varied. The impact has been a growth in scheme membership.

The Local Pension Board, a requirement introduced by the Public Services Pensions Act 2013, has been established as a Council committee to oversee pension fund governance and administration.

## **1.2 Governance Arrangements**

The London Borough of Barnet is the administering authority and scheme manager for the Pension Fund. The Council has delegated responsibility for pension matters to the Pension Fund Committee (the Committee). In doing so, the Committee is assisted by the Local Pension Board, particularly in relation to the of monitoring the performance of West Yorkshire Pension Fund in providing pension administration service.

### **Pension Fund Committee (the Committee)**

The Committee is responsible for discharging the Council's leadership and strategic management responsibilities regarding the Pension Fund. The Committee is responsible for the governance and administration of the Pension Fund including:

- Complying with regulations and best practice
- Establishing sound systems of control over all the Fund's activities
- Approving and updating the statutory statements that form the appendices to these accounts
- Developing funding and investment policies that will safeguard the interest of scheme members and employers, and
- Appointing and monitoring service providers.

Membership of the Committee is determined by Council and restricted to elected councillors. The Committee considers advice from the Section 151 officer, other Council officers, the Scheme Actuary, investment advisor, administrator and fund managers. Membership of the Committee is shown below. The Committee meet five times during the year. Three members collectively missed six meetings. . In person meetings resumed from July 2021.

The Governance Compliance statement (appendix A) details the Committee's governance arrangements.

### **Local Pension Board**

The Council established a local pension board (the Board) in compliance with the requirements of the Public Service Pensions Act. The purpose of the Board is to assist the Council to:

- Secure compliance with LGPS Government regulations and any other legislation relating to the governance and administration of the LGPS,
- secure compliance with the requirements imposed by the Pensions Regulator,
- such other matters as the LGPS regulations may specify, and
- ensure the effective and efficient governance and administration of the Pension Fund.

The Board activities during the year included monitoring the quality of the pension administration services, the Fund's compliance with legislation and regulations and reviewing the management of risk. The Board meet four times during the year. There were no recorded absences although following a resignation there was a vacancy for two meetings. The Members of the Board are appointed by Council.

The terms of reference of both the Pension Fund Committee and Local Pension Board form part of the Council Constitution and are published at:

<https://barnet.moderngov.co.uk/uucoverpage.aspx>

### Conflicts of interest

Members of both the Pension Fund Committee and Local Pension Board follow the Code of Conduct for elected members, which sets out how any conflict of interest should be addressed. Declarations of interest are made at each meeting.

### Knowledge and Understanding

Regular training is undertaken by members of the Pension Fund Committee, Local Pension Board and Officers. Training and development needs are identified through a self-assessment questionnaire that was developed using the Pension Regulator's Toolkit. Feedback is used to develop both collective and individual training plans. Local Pension Board members are required to assess their overall level of knowledge and understanding on an annual basis. Self-assessment by Members of the Pension Fund Committee and officers is undertaken for new Committee members and officers.

## 1.3 Management Structure

### Administrating Authority

London Borough of Barnet

### Pension Fund Committee Members 2021/22

Chairman: Councillor Mark Shooter

Vice-Chairman Councillor Elliot Simberg

Members: Councillor Anthony Finn (died February 2022)  
Councillor Anne Hutton  
Councillor Peter Zinkin  
Councillor Arjun Mittra  
Councillor Kathy Levine

Substitutes  
(who attended): Councillor Melvin Cohen

Observers: James Kennedy Middlesex University

### Local Pension Board

Employer Representatives: Professor Geoffrey Alderman (Chairman)  
Councillor Daniel Thomas  
Deepani de Silva (appointed 6 December 2021)

Employee Representatives: Hem Savla (Vice-Chairman)  
Salar Rida  
David Woodcock

Independent: Stephen Ross

Substitute Member: Alice Leach  
Councillor Helene Richman

### **Officers**

#### **LB Barnet**

Anisa Darr	Executive Director of Resources and S151 Officer
David Spreckley	Head of Pensions
Mark Fox	Pensions Manager
Adam McPhail	Finance Manager

#### **Actuary**

Hymans Robertson LLP

#### **Investment Advisors**

Hymans Robertson LLP

#### **Auditor**

BDO LLP

#### **Legal Advisors**

HB Law

#### **Performance Monitoring**

Hymans Robertson  
PIRC

#### **Banks**

NatWest

#### **Custodians**

JP Morgan

#### **Pensions Administration Manager**

West Yorkshire Pension Fund

### **1.4 Risk Management**

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Local Pension Board's terms of reference included oversight of risk management processes.

In order to manage risks, a risk register is maintained and reviewed by both the Committee and Board.

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay the promised benefits to members leading to contribution increases for employers. The investment and funding policies have been developed in conjunction with the actuary and investment advisor to provide a reasonable probability of achieving full funding and offering stability of contributions to employers.

## 1.5 Financial Performance

The Fund asset value increased by £107.027 million in the year to £1,501.627 million. There was an inflow of £2.044 million from dealings with members, expenses of £13.349 million were incurred and a return from investments of £118.333 million.

The table below summarises the change in the fund value over the last five years:

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
<b>Dealing with members</b>					
Contributions	-60,265	-61,950	-65,257	-83,049	-71,238
Pensions, lump sums and transfers out	54,447	59,746	65,058	62,351	69,194
<b>Net (additions) from dealings with members</b>	<b>-5,818</b>	<b>-2,204</b>	<b>-199</b>	<b>-20,698</b>	<b>-2,044</b>
Management expenses	5,870	8,073	9,536	11,305	13,349
Investment income	-2,405	-4,989	-8,598	-5,954	-9,023
Change in market value	-42,058	-56,448	71,964	-299,820	-109,310
<b>Net (increase) in the Fund</b>	<b>-44,411</b>	<b>-55,568</b>	<b>72,703</b>	<b>-315,167</b>	<b>-107,027</b>

A revised schedule of contributions was introduced from April 2020 following the 2019 triennial valuation. Most of the decrease in contributions in the last year is due to a prior year £20.477 million pre-payment of deficit contributions by LB Barnet for the three years to 31 March 2023.

The growth in expenses reflects the inclusion of Barnet's share of costs internal to pooled funds and the receipt of comprehensive reporting of internal fund costs. The appointment of additional fund managers to diversify the portfolio has led to an increase in investment expenses. Further details of expenses are given below. Most investment income is retained within pooled funds and included within the change in market value of investments. The Fund's earned a net return of 7.4% during 2021-22, which is discussed below.

The table below summarises the change in net assets of the fund over the last five years.

Net Asset Statement					
	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Pooled funds	1,074,130	1,127,712	1,067,106	1,345,152	1,456,977
Cash	3,505	14,310	3,698	1,532	25,002
Investment in London CIV	150	150	150	150	150
Current Assets	21,080	11,649	11,713	51,617	69,353
Current Liabilities	-2,297	-1,685	-3,234	-3,851	-49,855
<b>Total Net Assets</b>	<b>1,096,568</b>	<b>1,152,136</b>	<b>1,079,433</b>	<b>1,394,600</b>	<b>1,501,627</b>

The asset value has increased reflecting the strong investment returns during the year. All investments are held in pooled funds. Further details of investments are given in section 2 below. The table below details the scheme expenses in the last four years:

	2017-18		2018-19		2019-20		2020-21		2021-22	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administration		465		627		913		1,041		1,049
Investment Management										
Management Fees	3,425		3,675		4,559		4,876		6,273	
Performance related Fees	387		1,173		1,376		2,024		4,713	
Custody fees	15		15		15		13		15	
Transaction Costs	646		1,563		1,811		2,484		2,136	
		4,473		6,426		7,761		9,397		13,137
Oversight & Governance										
Actuarial	79		150		221		226		125	
Investment Advice	105		115		145		175		206	
Audit	28		26		64		42		36	
Council officers recharge	714		692		399		364		359	
other	6		37		33		60		31	
		932		1,020		862		867		757
<b>Total</b>		<b>5,870</b>		<b>8,073</b>		<b>9,536</b>		<b>11,305</b>		<b>14,942</b>

The above table includes costs incurred via pooled vehicles. Historically most investment fees were billed directly. This is no longer true, with only Legal & General, LCIV and Schroders issuing fee invoices. The other funds charge their costs directly to the value of investments, which for accounting purposes are estimated using information from each fund and included within costs above. The growth in internal fund costs is partly due to changes in best practice on cost disclosure that has increased standardisation and completeness of reporting. Costs have also increased due to the addition of new asset classes such as emerging market equities, private equity, infrastructure and property whose active management is expected to generate improved returns and as a consequence incur higher management charges.

The Pension Fund Committee and officers monitor costs and challenge fund managers. The increased use of investments managed by the London CIV has successfully reduced fees with estimates savings of £605,000 in the year.

Administration costs have increased as resources were devoted to the transition of pension administration services to West Yorkshire Pension Scheme effective from November 2020. From 2020 onwards, the staff costs of LB Barnet staff who work mainly on administration activities have been shown under that heading rather than as oversight costs. Included within administration costs are additional charges for the reconciliation of GMP records with HMRC. In order to ensure that staff and employers receive a good service, resources devoted to administration have increased and we expect these costs to remain at this level in future years. In aggregate costs of £0.954 million were incurred by the Council and recovered from the Pension Fund. These costs are monitored by the Pension Fund Committee and considered to be fair.

The Government produces annual statistics on LGPS expenses. Due to inconsistencies in the quantification of costs, particularly pooled fund costs, comparison can be misleading.

## 1.6 Actuarial Funding Level

The actuary to the Fund for the year was Hymans Robertson. The actuary's role is to place a value on the Fund's accumulated pension promises. A formal valuation of the Fund is required legally every three years; the most recent valuation of the Fund took place as at 31 March 2019.

The funding level at 31 March 2019 was 86%, an increase of 13% from 2016. This corresponds to an improved funding deficit from £339 million in 2016 to £190 million in 2019. Following the 2019 triennial valuation a new schedule of contributions was set by the Actuary. The fund's primary contribution rate

as a whole for 21/22 remained 20.6% of pensionable pay plus a secondary contribution of £12.347million. For 2022/23 the fund as a whole primary contribution rate remains unchanged with secondary funding set at £12.721 million. .

The contribution schedule effective from 1 April 2020 is the aggregate required employer contribution to achieve a 70% probability of returning to a fully funded position over 17 years. The Actuary determines the contribution rate for each employer. The employer with the largest membership and fund share is LB Barnet, whose employer's contribution rate in 2021-22 was 28.9%, an increase of 1% from the previous year. The rate for 2022-23 remains 28.9%. An interim funding update as at 31 March 2021 indicated that the deficit had reduced to £32 million or alternatively that an investment return of 4.4% is required to pay the future benefit payments, which the actuary estimated had a 74% likelihood of being achieved. The next triennial actuarial valuation will be as at 31st March 2022, with a new schedule of contributions effective from 1 April 2023. It is expected that upward pressure will remain on future service rates due to changes in the benefit structure, potentially offset by lower deficit contributions if the funding position as at 31 March 2022 is retained.

## **2. Investment Report**

The Council, through the Pension Fund Committee, is responsible for the investment of the Fund's assets and agreeing the investment policy within the regulations covering local authority pension schemes. The responsibility for the day to day management of the Fund's assets is exercised via the selection of self-managed pooled funds who are regulated by the Financial Conduct Authority. The role of appointing and monitoring of investment funds is shared with the London CIV.

The pooled funds into which the Committee invests appoint investment managers to manage the assets of the fund including buying and selling investments in order to achieve their specific objectives as set out in their governing documentation. In choosing investments, the investment managers must have regard to the overall suitability of investments in accordance with the pooled fund's aims and objectives. This section provides a summary of the current arrangements for investment of the London Borough of Barnet's Pension Fund.

As at 31 March 2022, the value of the Fund's net assets was £1,502 million (31 March 2021: £1,395 million). This represents an increase of £107 million compared with the previous year reflecting the 7.4% return achieved in the year (see table below).

### **Market Background as at 31 March 2022**

The coronavirus outbreak has had a significant impact on the global economy and has done huge economic damage to the UK and economies around the world. This led the Bank of England to take emergency action in March 2020 to cut the Base Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022. Into the first quarter of the 22/23 financial year, we have continued to see steep rate rises with a further 0.25% increase in each of May and June, with current base rate at 1.25% and forecast to continue to rise.

Throughout the coronavirus pandemic, large numbers of businesses were forced to close or to operate at significantly reduced levels due to restrictions and workforce illness. With most of the economy opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation. At the end of March 2022, the 12-month CPI rate was 7% indicating strong inflationary pressures. In the 12 months to May 2022, CPI rose by 9.1% and supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 31<sup>st</sup> March 2022, 1.38%, 2-year yields remain close to their recent 11-year high and 10-year

yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, rises in US Treasury yields drag UK gilt yields higher; there is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax

Despite a pull pack in Q1, 2022 following the physical disruptions and sanctions caused by the Russia-Ukraine conflict that triggered broad commodity price rises, global equity markets returned 13% in the 12-months led by US and UK equities. Emerging markets and Japan generated negative returns. UK gilts and corporate bonds produced annual negative returns of 5% as yields increased due to inflation concerns. Global property had a stellar year returning 24% as lockdown measures were reversed.

## Investment Strategy

The Pension Fund Committee continues to work with Hymans Robertson to improve the expected outcome from the investment strategy and the strategic allocations are based on modelling undertaken by Hymans that considers the expected funding levels for a range of possible strategies and seeks to balance maximising the probability of achieving full funding with avoiding very poor outcomes. Pre the start of the year the Committee and the advisor have agreed to phase out the allocation to diversified growth funds (DGF's) and replace by allocations to three new asset classes; property, private equity and emerging market equities. The performance of DGF's have been below expectations over many years. These investments are being realised when funds are drawn down by the new mandates.

Although the strategic allocation to asset classes remained unchanged during the year, significant changes were made to the 40% allocation to index tracking listed equity, in particular the 20% allocation to market capitalised equities was reduced to nil and the allocation to RAFI index was halved from 20% to 10%. In their place was created an 25% allocation to the Future World index and a 5% allocation to LCIV Sustainable Equity Exclusion Fund. These funds are briefly described below:

Market capitalised equities index is constructed using a company's value to determine its weight in an index, calculated using the market capitalisation of that company (i.e. the number of outstanding shares of that company multiplied by its share price), giving larger weights to larger companies and delivering a very broad-based equity exposure.

RAFI weights constituent companies based on fundamental factors, such as a company's free cash flow, total sales and book equity value. RAFI's approach avoids excessive concentration or over-exposure to a given sector or region, such as Technology or the US. As a result, RAFI has a bias towards 'value' stocks (unloved or undervalued stocks that are 'cheap' relative to book value or tangible assets).

Future World weights companies by their market capitalisation but incorporates ESG tilts via an LGIM-constructed index, scoring companies' ESG and transparency factors using a rules-based approach. The index applies constraints at stock and sector level on how under/overweight it can be compared to a traditional market cap weight to manage expected performance deviation.

LCIV Sustainable Equities exclusion fund is an actively managed fund that only invests in companies it considers by the manager to have sustainable business models, integrating ESG considerations into their fundamental analysis. The manager excludes companies who derive revenue (above a threshold) from certain sectors and excludes companies involved in a range of industries it considers less sustainable. This is concentrated portfolio of normally less than 40 stocks compared with the thousands within a market capitalised portfolio.



These changes will be implemented over a two year period ending March 2023 and by March 2022 £212 million has been transitioning into Future Worlds and LCIV Sustainable Equities. Approximately £281 million of equities will be transitioned in 2022-23.

Other changes to allocations in the table below are:

Infrastrucuture	+3%
Property	+1%
Illiquid credit	+2%
Alternative credit	-1%
Diversified Growth	-5%

The fund's investment strategy as at 31<sup>st</sup> March 2022 is set out in the table below.

Asset class / Investment Manager	Benchmark	Benchmark Proportion	Target
<b>Equity</b>		<b>50%</b>	
LGIM	Future World Global Equity Index	25%	Track within +/- 0.5% p.a. the index for 2 years in every 3
LGIM	FTSE RAFI All World Equity GBP Hedged Index	10%	
LCIV Emerging Mkt Equities	MSCI Emerging Market Index (TR) Net	5%	
LCIV Sustainable Equity Exclusion Fund	MSCI World Index Net (Total Return)	5%	
Adams Street Global Private equity Fund 2019	MSCI ACWI TR Index + 4% p.a.	5%	
<b>Divsified Growth Fund</b>		<b>0%</b>	
Schroder DGF	CPI plus 5% p.a.	0%	To outperform the benchmark over a market cycle (typically 5 years)
<b>Property</b>		<b>6%</b>	
Long lease (manager tbc)	FT British Government All Stocks Index	2.0%	To outform the benchmark by 2% p.a.
CBRE - Global Alpha	Net return of 9-11% in local currency.	2.0%	
Fiera Real Estate Opportunities	12-15% IRR	2.0%	Over the life of the fund
<b>Corporate Bonds</b>		<b>10%</b>	
Schroders All Maturities Corporate Bond Fund	Merrill Lynch Sterling Non-Gilts All Stocks Index	10%	To outperform the benchmark by 0.75% p.a. (gross of fees) over a rolling 3 years
<b>Liquid Multi-Asset Credit</b>		<b>13%</b>	
Alcentra - Clareant Global Multi Credit	3 month LIBOR plus 4% p.a.	3.50%	To outperform the benchmark over a market cycle (typically 5 years)
Baring Global High Yield Credit Strategies	3 month LIBOR plus 5% p.a.	3.50%	To outperform the benchmark over a market cycle (typically 5 years)
Insight - IIFIG Secured Finance	3 month LIBOR plus 4% p.a.	6%	To outperform the benchmark over a market cycle (typically 5 years)
<b>Illiquid Alternatives</b>		<b>21%</b>	
Partners Multi Asset Credit 2015, 2017 & 2019	3 month LIBOR plus 4% to 6% p.a.	11%	Over the life of the fund
Alcentra - Clareant Direct European Lending	7-12% net IRR per annum	included above	Over the life of the fund
LCIV Private Debt Fund	Net IRR of 6 - 8% p.a.	included above	Over the life of the fund
IFM Global Infrastructure	8-10% per annum	5%	Over the life of the fund
LCIV Renewables Infrastructure	7-10% per annum	3%	Over the life of the fund
Barings Global Special Situations Credit	15-20% Gross IRR	2%	Over the life of the fund
		<b>100%</b>	

## Investment Ranges

Prior to the adoption of the first investment strategy statement (ISS) in March 2017 the Pension Fund had to abide by the maximum allocations to asset classes specified in the Local Government Pensions (Management and Investment of Funds) Regulations 2009. On adoption of the ISS these limitations were replaced by those set in the ISS, which are shown below together with the actual and benchmark proportions as at 31 March 2022:

Asset class	Actual Proportion	Benchmark Proportion	Maximum Allocation
<b>Equity</b>	<b><u>51%</u></b>	<b><u>50%</u></b>	<b>50%</b>
Listed equity	<b>48%</b>	45%	
Private equity	<b>3%</b>	5%	
<b>Diversified growth funds</b>	<b>10%</b>	<b>0%</b>	<b>25%</b>
<b>Property</b>	<b>4%</b>	<b>6%</b>	<b>12%</b>
<b>Infrastructure</b>	<b>6%</b>	<b>8%</b>	<b>7%</b>
<b>Corporate bonds</b>	<b>9%</b>	<b>10%</b>	<b>13%</b>
<b>Illiquid credit</b>	<b>7%</b>	<b>13%</b>	<b>23%</b>
<b>Multi-credit</b>	<b>4%</b>	<b>7%</b>	<b>10%</b>
<b>Alternative credit</b>	<b>6%</b>	<b>6%</b>	<b>10%</b>
<b>Cash</b>	<b>2%</b>	<b>0%</b>	<b>n/a</b>
	<b><u>100%</u></b>	<b><u>100%</u></b>	

There were no breaches of these limits during the year.

## Investment Activity

During the year investment purchases were valued at £296.785 Million:

Future Worlds Global Equity index	£111.984 million
LCIV Sustainable Equities	£44.000 million
Insight Secured Finance	£44.000 million
Barings Special Situations Credit	£17.846 million
LCIV Private Debt	£33.985 million
LCIV Renewables Infrastructure	£11.066 million
Adams Street Global Private Equity	£9.794 million
IFM Global Infrastructure	£0.640 million
Standard Life Money Market Funds	£23.470 million

Investment realisations during the year were valued at £260.269 million:

FTSE All World Equities	£93.991 million
FTSE RAFI All World Equities	£39.993 million
Partners Multi Asset Credit	£14.590 million
LCIV Real Return	£45.064 million
M&G Credit Opportunities	£31.220 million
Alcentra Multi Asset Credit	£19.940 million
Alcentra European Direct Lending	£5.183 million
LCIV Private Debt	£9.554 million
IFM Global Infrastructure	£0.640 million
CBRE Property	£0.095 million

Within the financial statements, pooled fund costs of £10.530 million are also shown as disposals.

Commitments made but not drawn as at 31 March 2022 were

Adams Street Global Private Equity	\$40.264 million
Adams Street Secondary Private Equity	\$55.000 million
LCIV Private Debt	£34.650 million
LCIV Renewables Infrastructure	£28.815 million
Barings Special Situation Credit	€19.812 million
Fiera Real Estate Opportunities Fund	£30.000 million

## Benchmark

The prime performance objective of the Fund is to achieve the return required to fund the Scheme's liabilities over the medium to long term, as assumed in the ongoing actuarial valuation. The performance targets for each investment are detailed below.

Performance against this benchmark is measured, from an investment perspective, on a quarterly basis by Hymans Robertson LLP, the Investment Advisor to the Fund.

The Fund also subscribes to an independent investment performance measurement service in order to assess the rate of return achieved and the relative performance against other local authority pension funds that operate under the same regulations. This service is provided by PIRC.

## Pooling

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing an approach to pooling that ensures maximum cost effectiveness both in terms of investment returns and management fees and costs.

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. The LCIV is in the process of opening a range of sub-funds across all the asset classes likely to be of interest to the pension funds of London Boroughs.

As at 31 March 2022 investments managed by LCIV were:

LCIV Emerging Market Equities	£69.142 million
LCIV Sustainable Equities Exclusions	£42.946 million
LCIV Private Debt	£24.414 million
LCIV Renewables Infrastructure	£11.066 million

For both Private Debt and Renewables Infrastructure there are substantial undrawn commitments as highlighted on the previous page. The Pension Fund Committee has also agreed to invest into the following LCIV funds, with drawdowns commencing after 1 April 2021:

LCIV Global Bonds	5% circa £75 million
LCIV Multi Asset Credit	3.5% circa £50 million

The Fund will look to transfer other asset classes to the LCIV as and when there are suitable investment strategies available.

The Fund holds assets in life funds managed by Legal & General Investment Management (LGIM) valued at £603.4 million (40.7% of the fund) as at 31 March 2022. The Fund holds these outside the LCIV in accordance with government guidance on the retention of life funds outside of pools. The LCIV has negotiated fees for the life funds and monitors the performance of the life funds.

The performance of the pooled and non-pooled assets is detailed in section 3.1 below of this report.

### Costs and Savings

The Fund contributed to the costs of the LCIV in the year to 31 March 2022 by way of both fixed charges and additional fund manager fees. The fixed charges comprise an annual service charge of £30,000 (2020/21: £25,000) and a funding development charge of £110,000 (2020/21: £85,000). In addition, fees based on assets being monitored by LCIV were £30,000 (2020/21: £23,623). LCIV has estimated the net fee savings during the year to 31 March 2022 from pooling at £605,000 (2020/21: £435,000).

### **Independent Advisor**

The Pension Fund Committee and Council Officers receive investment advice from the investment advisor to the fund, Hymans Robertson LLP. The role of the advisor is to attend the quarterly and annual meetings of the Committee and to provide advice on the following:

1. Investment strategy
2. Strategic asset allocation
3. Development of investment policy and practices
4. Corporate governance issues, including socially responsible investment and the Council's Investment Strategy Statement
5. Pension fund related legislation
6. Investment management performance monitoring
7. Assistance in the selection of investment managers, custodians and actuaries
8. Review of and advice on alternative benchmarks and setting of performance targets
9. Other ad-hoc advice.

### **Custodian**

When assets are held in segregated portfolios it is necessary to appoint a custodian whose role is to hold title on behalf of the scheme, settle transactions, collect income, vote etc. The Barnet Pension Fund no longer has any segregated mandates, investing only in pooled funds, and as a consequence does not require the services of custodians. JP Morgan is retained to provide limited custody services for the Schroder's managed funds. Each pooled fund will have their own custodian who carry out the duties outlined above and may also act as fund administrator, maintaining the shareholders records for each fund. These custodians are appointed and monitored by either the fund sponsor or fund directors depending on the legal structure.

## Responsible Investing & ESG

The Pension Fund Committee firmly believes that incorporating environmental, social and governance (ESG) factors into investment decision making will help mitigate long-term investment risks such as climate change and safeguard fund assets. The Committee's responsible investment beliefs are set out in the Investment Strategy Statement; appendix C to the Annual Report. 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. 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.

To implement these beliefs, the Committee has decided to move equities representing 30% of the pension fund portfolio into ESG-focussed investments over the next few years, resulting in a significant reduction in the fund's investment in companies with high carbon emissions and fossil fuel reserves together with a preference to invest in companies committed to good social and governance practices.

The Committee has also commenced a process of reviewing the ESG characteristics of the non-equity holdings and will be seeking opportunities to invest where there is a strong sustainability approach to the selection of investments.

Planning is underway to take the steps necessary to become a signatory to the UK Stewardship Code and to meet our anticipated reporting requirements of the Taskforce for Climate Related Financial Disclosures.

## Voting

When investing through funds, voting rights rest with the fund or its appointed fund managers. The committee and officers discuss voting with the fund sponsors but are not able to direct how votes are cast.

### 3. Management and Financial Performance of the Fund for the Year 2020/21

#### 3.1 Fund Performance

Over the 12 months to 31 March 2022, the Fund returned 7.4% (net of fees) versus a combined benchmark return of 6.6%.

The table below prepared by the Fund's investment advisor details the Fund's performance for the 12 months, 3 years and since inception for each investment.

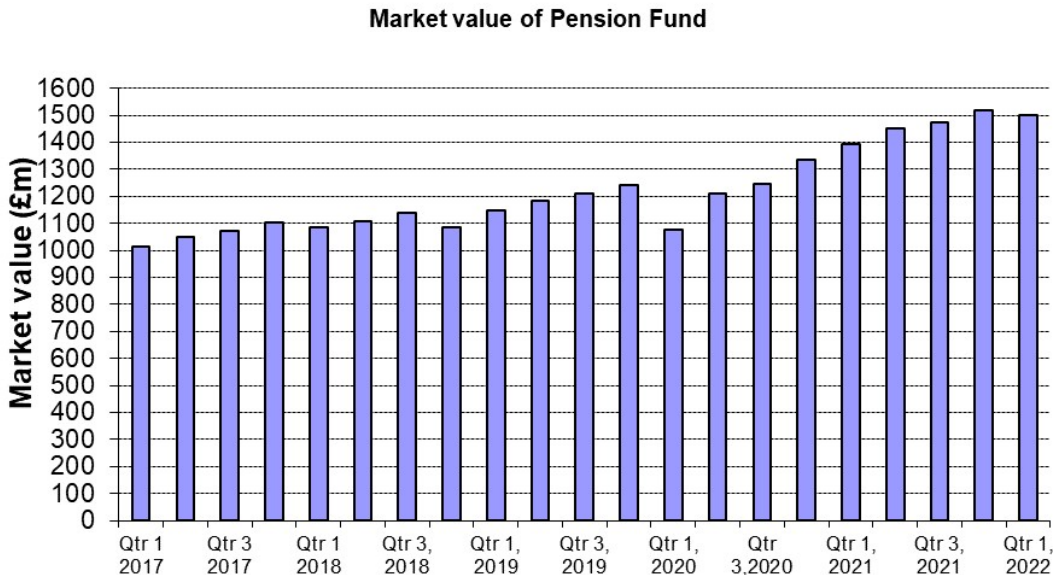
## Performance Summary (Net of fees) – to 31 March 2022

	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
<b>Growth</b>												
LGIM RAFI Carbon Pathway Index GBP Hdgd	0.5	0.3	0.2	11.6	11.3	0.3	11.3	11.2	0.0	9.5	9.5	0.0
LGIM UK Equity	0.5	0.5	0.1	13.2	13.0	0.1	5.4	5.3	0.1	6.4	6.3	0.1
LGIM World ex UK Dev Equity Index	-2.7	-2.7	0.0	14.7	14.7	0.0	15.4	15.4	0.0	13.6	13.6	0.0
LGIM World ex UK Dev Equity Index GBP Hdgd	-4.8	-4.8	0.0	10.8	10.8	0.0	n/a	n/a	n/a	14.1	14.2	-0.1
LGIM World Emerging Markets Equity Index	-2.5	-2.5	0.0	-3.6	-3.5	-0.1	5.5	5.6	-0.1	7.9	8.0	0.0
LGIM Future World Global Equity Index GBP Hdgd	-5.5	-5.5	0.0	9.1	9.0	0.1	n/a	n/a	n/a	9.1	9.0	0.1
LGIM Future World Global Equity Index	-3.8	-3.8	0.0	12.3	12.1	0.2	n/a	n/a	n/a	12.3	12.1	0.2
LCIV Emerging Markets	-6.1	-4.3	-1.9	-10.4	-7.1	-3.5	n/a	n/a	n/a	7.4	5.4	1.9
LCIV Sustainable Exclusion	-9.1	-2.4	-6.8	4.2	10.0	n/a	n/a	n/a	n/a	4.2	10.0	-5.2
Schroder Life Diversified Growth	-2.7	3.0	-5.6	3.1	12.3	-8.3	5.9	8.2	-2.2	4.4	7.7	-3.0
Adams Street 2019 Global	12.8	7.3	5.2	120.9	24.7	77.1	n/a	n/a	n/a	120.1	19.9	83.6
Adams Street Global Secondaries	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Income</b>												
IFM Global Infrastructure	4.3	2.4	1.8	22.0	10.0	11.0	13.5	10.0	3.2	12.7	10.0	2.5
LCIV Renewable Infrastructure	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Standard Life Long Lease Property	2.7	-6.7	10.1	14.0	-3.1	17.6	n/a	n/a	n/a	7.4	1.0	6.4
CBRE Global Alpha	4.0	2.2	1.8	12.1	9.0	2.9	n/a	n/a	n/a	5.8	9.0	-3.0
Alcentra Multi-Credit	-1.4	0.7	-2.0	4.5	3.8	0.7	3.6	4.3	-0.6	4.7	4.4	0.3
Barings Multi-Credit	-3.6	1.2	-4.8	1.1	5.1	-3.9	2.9	5.4	-2.4	4.3	5.5	-1.1
Insight Secured Finance	0.0	1.1	-1.0	2.7	4.1	-1.4	2.9	4.4	-1.4	3.2	4.5	-1.2
M&G ABS Alternative Credit	-0.5	0.3	-0.7	1.0	1.6	-0.6	1.7	2.0	-0.4	2.1	2.2	-0.1
Schroder All Maturities Corporate Bond	-6.4	-6.2	-0.3	-4.6	-5.1	0.6	2.7	1.1	1.6	5.3	4.8	0.5
Alcentra Direct Lending	3.7	2.3	1.3	10.3	9.5	0.7	5.7	9.5	-3.5	6.3	9.5	-2.9
Partners Group MAC 2015	0.8	0.9	-0.1	11.7	4.8	6.6	5.0	5.3	-0.3	6.7	5.0	1.6
Partners Group MAC 2017	0.8	0.9	-0.1	5.0	4.8	0.2	4.3	5.3	-1.0	4.4	5.0	-0.6
Partners Group MAC V	0.7	0.9	-0.2	4.5	4.8	-0.3	n/a	n/a	n/a	5.3	5.0	0.3
LCIV Private Debt	-2.8	1.5	-4.3	n/a	n/a	n/a	n/a	n/a	n/a	0.8	3.0	-2.1
Barings Global Special Situations Credit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total</b>	<b>-1.9</b>	<b>-1.5</b>	<b>-0.5</b>	<b>7.4</b>	<b>6.6</b>	<b>0.7</b>	<b>8.9</b>	<b>8.7</b>	<b>0.3</b>	<b>6.8</b>	<b>7.7</b>	<b>-0.9</b>

The 12-month return of 7.4% is 0.7% above benchmark but below the average LGPS return of 8.6% calculated by PIRC. The three year return of 8.9% p.a. is 0.3% p.a. above the 8.7% benchmark in the table above and also exceeds the PIRC LGPS average of 8.3 %.

### 3.2 Market Value of the Fund

The following chart shows the quarterly movements in the market value of the investments over the last five years to 31 March 2022.



Investment values recorded steady rises throughout most of the above five-year period until the first quarter of 2020, when government actions globally to stop the spread of Covid-19 virus had the impact of reducing economic activity and creating uncertainty in investment markets. Markets have recovered these losses in 2020 and continued their upward path in 2021 as governments start to relax the restrictions on people movement with favourable projections of economic growth. Quarter 1, 2022 witnessed a pull back of equity and bond markets due to inflation concerns.

### 3.3 Scheme Administration

Administration of the Pension Fund up to 31 October 2020 was provided by Capita Employee Benefits. Since this date, the administration has been undertaken by West Yorkshire Pension Fund (WYPF) under a shared arrangement with the City of Bradford Metropolitan Council.

WYPF were appointed following a tender process based on their record of providing high quality pension administration to three LGPS schemes.

The table below shows the range of work undertaken by WYPF since they took over the administration in November 2020 and the achievement of service standards in the period to 31 March 2022.



Type of work	Description	Service Level Agreed (SLA) target	Performance of cases completed against SLA target
Change of Address/ Bank Details	Update member records with new details	85% of cases processed with 5 days	96.95%
Death Grant Nomination Form Received	Update member records with new details	85% of cases processed with 20 days	100.00%
Death in Retirement	Issue initial correspondence to beneficiary following notification of death; Issue details of benefits payable on death; Process payment of death lump sum.	85% of cases processed with 5 days	85.38%
Death in Service	Issue initial correspondence to beneficiary following notification of death; Issue details of benefits payable on death; Process payment of death lump sum.	85% of cases processed with 5 days	100.00%
Death on Deferred	Issue initial correspondence to beneficiary following notification of death; Issue details of benefits payable on death; Process payment of death lump sum.	85% of cases processed with 5 days	100.00%
Deferred Benefits into Payment Actual	Set up pension and arrange payment of any lump sum payable	90% of cases processed with 5 days	99.09%
Deferred Benefits Quotation	Calculate retirement benefits for a deferred member	95% of cases processed with 7 days	100%
Leaver benefits - deferred pension	Calculation of leaver benefits; Send letter to member	85% of cases processed with 10 days	100.00%

Pension Estimate	Calculate retirement benefits for an active member	75% of cases processed with 10 days	98.47%
Refunds of contributions	Provide quote to member and arrange payment	90% of cases processed with 5 days	100.00%
Retirement Set Ups	Set up pension and arrange payment of any lump sum payable	95% of cases processed with 3 days	97.94%
Set Up New Spouse Pension	Set up pension to spouse and/or dependants	90% of cases processed with 10 days	91.11%
Transfer in Quote/Receipt	Obtain details of previous benefits; provide quotation	85% of cases processed with	100.00%

	to member; request payment and update member	35 days	
Transfer Out Quote	Calculate transfer value	85% of cases processed with 20 days	100.00%

In total, for the period from November 2020 to March 2021, WYPF completed 97.86% of cases within agreed Service Levels. In the period April 2020 to October 2020 the average achievement of service levels was 85%.

The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received by WYPF has been low and feedback from both employers and scheme members has been positive with member satisfaction ratings exceeding 90%.

The current administration priority is completion of the data improvement plan prior to commencement of the 2022 triennial valuation.

For enquiries relating to benefit entitlements the administrator can be contacted at:

[pensions@wypf.org.uk](mailto:pensions@wypf.org.uk)

London Borough of Barnet Pension Fund, PO Box 67, Bradford, BD1 1UP

### **Pension Increases**

The amount by which pensions are increased annually each April is based on inflation during the 12 months to the previous September as measures by the Consumer Price Index. The pension increase in 2022 was 3.1% (2021: 0.5%).

### **The Pensions Regulator**

The Fund's registration number with the Pensions Regulator is 10123044.

### **Additional Voluntary Contributions**

The Fund provides for members to pay Additional Voluntary Contributions (AVCs) to increase their benefit entitlement at retirement. Such contributions attract tax relief, subject to HMRC limits, and provide increased benefits. The Committee has selected Prudential to be its AVC provider. Further details are available at:

<https://www.pru.co.uk/rz/localgov/>

### 3.4 Membership of the Pension Fund 2021/22

	31 March 2021	31 March 2020
<b>Number of employers with active members</b>	65	65
<b>Number of employees in scheme</b>		
London Borough of Barnet	3,561	5,029
Other employers	5,221	3,155
<b>Total</b>	8,782	8,184
<b>Number of pensioners</b>		
London Borough of Barnet	5,248	6,416
Other employers	2,868	2,171
<b>Total</b>	8,116	8,587
<b>Deferred pensioners</b>		
London Borough of Barnet	6,153	7,253
Other employers	3,568	2,779
<b>Total</b>	9,721	10,032
<b>Total number of members in pension scheme</b>	<b>26,619</b>	<b>26,803</b>

The figure in the previous year accounts for deferred members of 11,695 includes 1,493 historical leavers that had not been processed. These leavers are currently being processed, but may not all result in a deferred pension (many of these cases are found to only be entitled to a refund of their contributions). As at 31 March 2021 there are 1,401 historical leavers to be processed not included in the table above.

In addition to the numbers reported in the table there are 980 preserved redunds (959 as at 31 March 2020), where members are entitled to a refund of contributions but this has not been paid.

Scheme members with multiple roles will be included more than once in the table as will contractors with more than one contract.

**Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies comprise private contractors undertaking a local authority function following outsourcing:**

Atlas Catering (2)	City and County Healthcare Group	ISS
Barnet Education Arts Trust	Greenwich Leisure	Mi Healthcare
Capita CSG	Hartwig	NSL Ltd
Capita RE	HCL	OCS Group UK Ltd
Caterlink (3)	Hestia	Olive Dining (2)
Churchill Catering	Innovate	Optivo (Viridian Housing)

**Scheduled Bodies – local authorities, academies and similar bodies whose staff are automatically entitled to be members of the Fund:**

Alma Primary School	Copthall Academy	Mill Hill County High School
Alternative Provision (Oak Hill)	Deansbrook Junior Academy	Oak Lodge School
Archer Academy	East Barnet Academy	Parkfield Primary School
Ark Pioneer	ETZ Chaim Jewish Primary	Queen Elizabeth's Boys' School
Ashmole Academy	Grasvenor Avenue Infant	Queen Elizabeth's Girls' School
Barnet Education and Learning	Hasmonean High School	Sacks Morasha
Barnet & Southgate College	Hendon School	Saracens High
Barnet Homes	Henrietta Barnett School	St Andrew the Apostle School
Bishop Douglass School	Hyde School	Summerside School
Broadfields Academy	Independent Jewish Day School	Totteridge Academy
Childs Hill	Kisharon Academy	Whitefield Trust School
Christ College	London Borough of Barnet	Woodhouse College Academy
Claremont Primary School	London Academy	Wren Academy
Compton Academy	Middlesex University	Your Choice Barnet

**4. Statutory Statements**

The Pension Fund Committee has approved the statutory statements required by scheme regulations. Copies are included with the Annual Report and Accounts:

Governance Compliance Statement	appendix A
Funding Strategy Statement	appendix B
Investment Strategy Statement	appendix C
Communications Policy	appendix D
Pension Administration Strategy	appendix E

**Comments**

We welcome and value your comments on the standards of service we provide. If you have any comments please contact us.

[Pensions@barnet.gov.uk](mailto:Pensions@barnet.gov.uk)

Address: London Borough of Barnet Pension Fund, 2 Bristol Avenue, Colindale, London, NW9 4EW

**On behalf of the Pension Fund Committee**

Councillor Ann Hutton  
 Chairman of the Pension Fund Committee  
 London Borough of Barnet



## London Borough of Barnet Pension Fund (“the Fund”) Actuarial Statement for 2021/22

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the London Borough of Barnet Council, Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated February 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 17 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £1,152 million, were sufficient to meet 86% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £190 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund’s funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

#### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.



**Assumptions**

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.4%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	24.0 years
Future Pensioners*	22.9 years	25.7 years

\*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

**Experience over the period since 31 March 2019**

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Steven Scott FFA

19 April 2022

For and on behalf of Hymans Robertson LLP

Audit Report – to be added

Audit Report – to be added







## Statement of Responsibilities

### Pension Fund Responsibilities

The London Borough of Barnet as administering authority of the London Borough of Barnet Pension Fund is required to:

- Make arrangements for the proper administration of the Pension Fund's financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the London Borough of Barnet Pension Fund that officer is the Director of Finance and Section 151 Officer.
- Manage the Pension Funds' affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Director of Finance and S151 Officer Responsibilities

The Director of Finance and Section 151 Officer is responsible for the preparation of the London Borough of Barnet Pension Fund's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this Statement of Accounts, the Director of Finance and Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with The Code.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Director of Finance & S151 Officer Responsibilities

I certify that the Pension Fund's Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Pension Fund at 31 March 2021 (the balance sheet) and its income and expenditure for the year ended 31 March 2021.

**Anisa Darr (CPFA)**  
**Director of Finance and Section 151 Officer**

**Date:**

### Chairman of Pension Fund Committee Certificate

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Pension Fund Committee.

**Councillor Simon Radford,**  
**Chairman, Pension Fund Committee**

**Date:**



## **PENSION FUND**

# **STATEMENT OF ACCOUNTS**

**2021/22**

## MAIN STATEMENTS

### FUND ACCOUNT

		2021/22	2020/21
	Notes	£000	£000
<b>Dealings with members, employers and others directly involved in the fund</b>			
Contributions	6	(61,990)	(78,983)
Transfers in from other pension funds	7	(9,247)	(4,066)
		<b>(71,238)</b>	<b>(83,049)</b>
Benefits	8	63,583	58,933
Payments to and on account of leavers	9	5,611	3,418
		<b>69,194</b>	<b>62,350</b>
<b>Net (additions) from dealings with members</b>		<b>(2,044)</b>	<b>(20,698)</b>
Management expenses	10	14,942	11,305
<b>Net (additions) / withdrawals including fund management expenses</b>		<b>12,899</b>	<b>(9,393)</b>
<b>Returns on investments</b>			
Investment income	11	(9,023)	(5,954)
Profit and losses on disposal of investments and changes in the value of investments	13	(110,902)	(299,820)
<b>Net return on investments</b>		<b>(119,926)</b>	<b>(305,773)</b>
<b>Net (increase) / decrease in the net assets available for benefits during the year</b>		<b>(107,027)</b>	<b>(315,167)</b>
<b>Opening net assets of the scheme</b>		1,394,600	1,079,433
<b>Closing net assets of the scheme</b>		<b>1,501,627</b>	<b>1,394,600</b>

## NET ASSETS STATEMENT

		31 March 2022	31 March 2021
	Notes	£000	£000
Investment assets		1,481,979	1,346,684
Long term investments		150	150
<b>Total net investments</b>	13	<b>1,482,129</b>	<b>1,346,834</b>
Current assets	17	69,353	51,617
Current liabilities	18	(49,855)	(3,851)
<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>1,501,627</b>	<b>1,394,600</b>

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 21.

## NOTES TO THE PENSION FUND ACCOUNTS

### 1. DESCRIPTION OF THE FUND

The London Borough of Barnet Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund is administered by the London Borough of Barnet (LBB) and the Council is the reporting entity for the Fund.

The day to day administration of the Fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Finance Officer (Section 151 Officer) of the Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the *London Borough of Barnet Pension Fund Annual Report 2021/22* and the underlying statutory powers underpinning the scheme.

#### General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the LBB Council to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies.

A government scheme supplies teachers' pensions and as such they are not provided for under these arrangements.

The Fund's accounts provide information on the financial position, investment performance and risk showing the results of the Council's stewardship in managing the resources entrusted to it. The Fund is overseen by the Pension Fund Committee which is specifically set up as a committee of the London Borough of Barnet Council and has authority under the Council's constitution to approve the Pension Fund Annual Report and Pension Fund Statement of Accounts.

#### Membership

Membership of the LGPS is voluntary and employees, including non-teaching staff in schools, are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements (except teachers, who have a separate scheme). Organisations participating in the Fund are classed as admitted and scheduled bodies:

- Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies can include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector
- Scheduled Bodies – local authorities, academies, colleges and similar bodies whose staff are automatically entitled to be members of the Fund

The numbers of members have been extracted from the underlying membership records in the live system as at 31 March 2021, including the comparative figures. An analysis of membership movement in the year is provided in the note below.

The number of employees contributing to the Fund increased during the year from 8,184 to 8,782 at 31 March 2022. During the same period, the number of pensioners increased from 7,605 to 8,116 and the number of deferred pensioners decreased from 11,014 to 9,721.

	31 March 2022	31 March 2021
<b>Number of employers with active members</b>	65	65
<b>Number of employees in scheme</b>		
London Borough of Barnet	3,561	5,029
Other employers	5,221	3,155
<b>Total</b>	8,782	8,184
<b>Number of pensioners</b>		
London Borough of Barnet	5,248	5,638
Other employers	2,868	1,967
<b>Total</b>	8,116	7,605
<b>Deferred pensioners</b>		
London Borough of Barnet	6,153	8,031
Other employers	3,568	2,983
<b>Total</b>	9,721	11,014
<b>Total number of members in pension scheme</b>	<b>26,619</b>	<b>26,803</b>

NB: Scheme members with multiple roles will be included more than once in the table as will contractors with more than one contract.

## Funding

The Fund is financed by contributions from employers, employees and the income from the Fund's investments. The funding policy aims to ensure that the assets held by the scheme in the future are adequate to meet accrued liabilities, allowing for future increases in pay and pensions.

Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2022. Employers also pay contributions and their rates are set based on triennial actuarial funding valuations. Further details of the last actuarial valuation are given in Note 16.

## Benefits

The Fund is operated as a funded, defined benefit occupational pension scheme which provides for the payment of benefits to former employees of LBB and those bodies required to participate or otherwise admitted to the Fund referred to as "members". The benefits include not only retirement pensions, but also widows' pensions, death grants and lump sum payments.



## 2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounts have been prepared on a going concern basis.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Fund account – revenue recognition

#### Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Where the Actuary has agreed to a pre-payment of deficit contributions, the amount paid is allocated to the year in which it was paid and not apportioned between financial years.

Augmentation contributions are accounted for when the contributions are receivable, which is mainly when the relevant benefits are paid.

#### Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

#### Investment income

- **Distributions from pooled funds** are recognised at the date of payment. Should there be a timing delay between the date the net asset value is reduced to reflect the distribution and the date of receipt, the income is disclosed in the net assets statement as a current financial asset.
- **Movement in the net market value of investments** are recognised as income and comprise all realised and unrealised profits/losses during the year.

### 3.2 Fund account – expense items

#### Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

## Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the London Borough of Barnet is the administering authority of the Fund, VAT input tax is recoverable on all Fund activities.

Members are entitled to request the Pension Funds pays their tax liabilities due in respect of annual allowance and life time allowance in exchange for a reduction in pension. Where the Fund pays members tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

## Management expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

- All **administrative expenses** are accounted for on an accruals basis. Associated management, accommodation and other overheads are apportioned to this activity, based on estimated time spent, and charged as expenses to the Fund. A proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.
- All **oversight and governance expenses** are accounted for on an accruals basis. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- All **investment management expenses** are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. These expenses also include performance fees and expenses incurred by the investee funds.

### 3.3 Net assets statement

#### Financial assets

Investment assets are included in the net assets statement on a fair value or cost basis as at the reporting date. Cash held by fund managers, money market fund investments, long-term investments, receivables and own cash are at amortised cost. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). Further details are provided by note 13.

Purchases and sales of investments in foreign currencies have been accounted for at the spot market rate at the date of the transaction. End of year spot market exchange rates are used to value non-sterling denominated investments.

#### Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

### **Financial liabilities**

The Fund recognises financial liabilities at amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

### **Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 26 and relevant actuarial standards.

### **Additional voluntary contributions**

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension Fund. The Fund has appointed Prudential and Aviva as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 19).

### **3.4 Post Balance Sheet Events**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts

### **3.5 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Pension Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Asset Statement but, if material, are disclosed in a note to the accounts.

#### **4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The net pension Fund liability, which is disclosed within note 21 but excluded from the Net Assets Statement, is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 16.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

#### **5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

There is a significant risk of material adjustment in the forthcoming financial year is as follows.

##### **Actuarial present value of promised retirement benefits**

Estimation of the net liability to pay pensions, which is disclosed within note 21 but excluded from the Net Assets Statement, depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. Sensitivity analysis and the effects of changes in individual assumptions on the net pension liability are shown in Note 21.

##### **Fair Value of Unquoted Investments**

The valuation of unquoted investments in infrastructure, property, private equity and distressed debt is made by the relevant fund manager based on net asset values, in most cases derived from valuations provided by the underlying investee companies. Full details of the valuations of these investments is provided in note 13D. These valuations are based on estimates and judgements that cannot be verified. There may be a timing difference between the date of the valuation information and the date of the Fund's financial statements during which the underlying investment values may have increased or decreased by a material amount. Furthermore, because there is no liquid market for these investments, their values may differ from the values that might be achieved had such a market existed. These differences could be material. Sensitivity analysis is also provided in note 13D. The valuation techniques used by fund managers is reviewed for reasonableness using audited accounts and internal controls reporting when available.

## 6. CONTRIBUTIONS RECEIVABLE

### By category

	2021/22	2020/21
	£000	£000
<b>Employees' contributions:</b>	<b>(13,073)</b>	<b>(11,898)</b>
<b>Employers' contributions:</b>		
Normal contributions	(40,759)	(37,083)
Deficit recovery contributions	(4,023)	(25,930)
Augmentation contributions	(4,135)	(4,072)
<b>Total employers' contributions</b>	<b>(48,917)</b>	<b>(67,085)</b>
<b>Total contributions receivable</b>	<b>(61,990)</b>	<b>(78,983)</b>

### By authority

	2021/22	2020/21
	£000	£000
London Borough of Barnet	(35,569)	(52,245)
Scheduled bodies	(22,282)	(22,413)
Admitted bodies	(4,140)	(4,325)
<b>Total contributions receivable</b>	<b>(61,990)</b>	<b>(78,983)</b>

The contributions shown in the table above for the London Borough of Barnet, included the following wholly owned subsidiaries of the Council:

Barnet Homes	£2.265 million (2020/21: £2.465 million)
Your Choice	£0.563 million (2020/21: £0.705 million)
Barnet Education & Learning Services	£0.860 million (2020/21: £0.488 million)

Contributions paid by London Borough of Barnet in 2020/21 included £20.477 million advance payment of deficit contributions due for the period 1 April 2020 to 31 March 2023 of which £7.574 million was payable in 2021/22. As a consequence of paying these contributions early, the Actuary reduced the amount due by £1.409 million. The advance payment was allocated to 2020/21 contributions and not spread over the period to which it relates.

## 7. TRANSFERS IN FROM OTHER PENSION FUNDS

	2021/22	2020/21
	£000	£000
Group transfers	0	(227)
Individual transfers	(9,247)	(3,839)
<b>Total transfers in from other Pension Funds</b>	<b>(9,247)</b>	<b>(4,066)</b>

## 8. BENEFITS PAYABLE

### By category

	2021/22	2020/21
	£000	£000
Pensions	51,384	49,480
Commutation and lump sum retirement benefits	10,479	8,469
Lump sum death benefits	1,719	984
<b>Total benefits payable</b>	<b>63,583</b>	<b>58,933</b>

### By authority

	2021/22	2020/21
	£000	£000
London Borough of Barnet	45,503	42,832
Scheduled bodies	13,570	11,834
Admitted bodies	4,510	4,267
<b>Total benefits payable</b>	<b>63,583</b>	<b>58,933</b>

## 9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2021/22	2020/21
	£000	£000
Refunds to members leaving service	153	99
Individual transfers	5,458	3,319
<b>Total payments to and on account of leavers</b>	<b>5,611</b>	<b>3,418</b>

## 10. MANAGEMENT EXPENSES

	2021/22	2020/21
	£000	£000
Administrative costs	1,049	1,041
Investment management expenses	13,137	9,397
Oversight and governance costs	757	868
<b>Total management expenses</b>	<b>14,942</b>	<b>11,305</b>

Administration costs represent charges from the third-party pension administrator and LB Barnet staff costs relating to pension administration. Oversight and governance costs include staff cost recharges from LB Barnet, actuarial fees, investment advisory fees and audit fees. A more detailed discussion of investment costs is provided in the annual report, including details of savings achieved through pooling. Most costs (2021/22: £12.1 million, 2020/21: £8.2 million) are charged directly to investee funds. Investment management expenses have increased partly due to the increase in value of investments as most fees are based on a percentage of value and also because of the diversification into more actively managed investments that are expected to generate increased return and manage downside risk.

### 10A. INVESTMENT MANAGEMENT EXPENSES

	2021/22	2020/21
	£000	£000
Management fees	6,273	4,876
Performance related fees	4,713	2,024
Custody fees	15	13
Transaction costs	2,136	2,484
<b>Total investment management expenses</b>	<b>13,137</b>	<b>9,397</b>

All investment management expenses relate to pooled investments, except for £15,000 (2020/21: £7,000) that relate to money market funds.

## 11. INVESTMENT INCOME

	2021/22	2020/21
	£000	£000
Pooled investments – unit trusts and other managed funds	(9,002)	(5,936)
Interest on cash deposits	(22)	(18)
<b>Total investment income</b>	<b>(9,023)</b>	<b>(5,954)</b>

## 12. AUDIT COSTS

	2021/22	2020/21
	£000	£000
Payable in respect of external audit	36	36
<b>Total external audit costs</b>	<b>36</b>	<b>36</b>

Prior year audit costs in the above table include additional charges agreed after the closure of the accounts.

## 13. INVESTMENTS

2021/22					
	Market value	Purchases during the year	Sales during the year	Change in market value during the year	Market value
	1 April 2021				31 March 2022
	£000	£000	£000	£000	£000
<b>Investment assets:</b>					
Pooled investments	1,345,152	273,220	(272,297)	110,902	1,456,977
Money market funds	1,530	23,470			25,000
Long term investments	150				150
	<b>1,346,832</b>	<b>296,690</b>	<b>(272,297)</b>	<b>110,902</b>	<b>1,482,127</b>
Other investment balances:					
Cash deposits	2				2
<b>Net investment assets</b>	<b>1,346,834</b>				<b>1,482,128</b>



2020/21					
	Market value	Purchases during the year	Sales during the year	Change in market value during the year	Market value
	1 April 2020				31 March 2021
	£000	£000	£000	£000	£000
<b>Investment assets:</b>					
Pooled investments	1,067,106	91,571	(113,345)	299,820	1,345,152
Money market funds	3,682		(2,152)		1,530
Long term investments	150				150
	<b>1,070,938</b>	<b>91,571</b>	<b>(115,497)</b>	<b>299,820</b>	<b>1,346,832</b>
Other investment balances:					
Cash deposits	16				2
<b>Net investment assets</b>	<b>1,070,954</b>				<b>1,346,834</b>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year and any income attributed to the unitised funds that has been retained by the funds and reinvested. Transaction costs are included in investment management expenses (note 10A). Pooled funds include property, private equity and infrastructure and movements in these investments are disclosed with note 13D.

In Q4 of 2021/22 the conflict in Ukraine caused a slight downturn on markets, particularly equities. Fund Managers revalued all holdings in Russia to nil, the overall impact of this on the fund was approximately £2m reduction in valuations.

### 13A. ANALYSIS OF INVESTMENTS

	31 March 2022	31 March 2021
	£000	£000
<b>Pooled funds – additional analysis</b>		
<b>UK</b>		
Unit trusts	603,354	563,080
UK managed funds	782,137	743,890
Money market funds	25,000	1,530
<b>Non-UK</b>		
Overseas Managed Fund	71,485	38,182
	<b>1,481,976</b>	<b>1,346,682</b>
Long term investments	150	150
Cash deposits	2	2
<b>Total investment assets</b>	<b>1,482,128</b>	<b>1,346,834</b>

All investments are held through managed pooled entities and comprise underlying investments that are domiciled in both the UK and overseas.

### 13B. INVESTMENTS ANALYSED BY FUND MANAGER

	Market value	31 March 2022	Market value	31 March 2021
	£000	%	£000	%
Legal and General	603,354	40.6	563,080	41.8
Schroder Investment Management	280,896	19.0	281,900	20.9
LCIV	146,718	9.9	119,417	8.9
Alcentra	35,384	2.4	58,006	4.3
Partners Group	49,506	3.3	67,960	5.0
Barings	60,546	4.1	41,140	3.1
Insight Investments	90,056	6.1	45,005	3.3
M&G Investments	0	0.0	31,057	2.3
IFM Investors	84,949	5.7	69,521	5.2
Aberdeen Long Lease Property	34,234	2.3	30,035	2.2
CBRE	29,881	2.0	25,678	1.9
Adams Street	41,604	2.8	12,505	0.9
Aberdeen Standard Life	25,000	1.7	1,530	0.1
	<b>1,482,128</b>	<b>100.0</b>	<b>1,346,834</b>	<b>100.0</b>

The investments of the Pension Fund are wholly invested within pooled vehicles with year-end valuations provided by the fund operator. Some of the underlying investments in these pools are highly illiquid and valuations are not verifiable to identical transactions at the year-end and are therefore estimated by the fund operator based on established models and guidelines. In particular, holdings in property, infrastructure and private equity with a year-end valuation of £198.2 million (31.3.21: £137.7 million) are particularly difficult to verify and rely on the fund operator adopting prudent valuation techniques. Valuations are monitored both internally and by the external investment advisor.

#### Pooling

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. The Fund's was invested in four pooled products at 31 March 2022 being LCIV Emerging Market Equities, value £68.1 million (31.3.21: £75.9 million), LCIV Sustainable Equities, value £42.9 million, LCIV Private Debt, value £24.4 million, and LCIV Renewables Infrastructure, value £11.1 million representing 10.0% of the fund's value. The Fund's investments with Legal & General (40.7% of investments) are monitored by LCIV. The table below provides further analysis of the investments as at 31 March 2022 by both asset class and geographical exposure, breaking down pooled funds into their underlying exposures. Additional details of each fund are provided in the investment policy report.

## INVESTMENTS ANALYSED BY ASSET CLASS

Asset Class	31 March 2022			31 March 2021		
	£'000	£'000	%	£'000	£'000	%
<b>Equities</b>						
UK	44,155		3%	49,472		4%
Overseas	697,376		46%	651,353		47%
Global	34,397		2%	35,793		3%
		775,928	52%		736,618	53%
<b>Bonds</b>						
UK	142,174		9%	159,769		11%
Overseas	211,587		14%	212,066		15%
Global	55,994		4%	45,242		3%
		409,755	27%		417,077	30%
<b>Property</b>						
UK	42,041		3%	37,685		3%
Overseas	28,895		2%	24,471		2%
		70,936	5%		62,156	5%
Infrastructure		97,499	6%		75,327	5%
Private Equity		41,604	3%		13	0%
Other assets		37,807	3%		39,802	3%
FX Forward derivative		0	0%		1,370	0%
Cash		48,600	3%		14,471	1%
Net Current Assets		19,498	1%		47,766	3%
<b>Total Investment Assets</b>		<b>1,501,627</b>	<b>100%</b>		<b>1,394,600</b>	<b>100%</b>

Where no geographic split is available, global in the table above represents both UK and overseas. With the exception of Money Market Funds (£25.0 million) none of the investment funds are listed. However, the underlying investments e.g. those managed by Legal & General, may be listed. The following investments represent more than 5% of the net assets of the scheme. These funds are registered in the UK.

	31 March 2022		31 March 2021	
	£000	as % of investment assets	£000	as % of investment assets
Legal and General RAFI 3000 Tracker Fund	239,054	16.1	251,394	18.7
Legal and General Global Equity Tracker Fund	171,730	11.6	224,271	16.7
Schroder Life Diversified Growth Fund	148,264	10.0	143,172	10.6
Schroder All Maturities Corporate Bond Fund	132,630	8.9	138,726	10.3
Legal and General Future Worlds Fund	171,947	11.6	0	0.0
IFM Global Infrastructure	84,949	5.7	69,521	5.2

### 13C. FAIR VALUE – BASIS OF VALUATION

Financial assets are shown in the Net Asset Statement at Fair Value. Fair Value has been determined as:

- Unit trust investments are stated at the latest closing bid prices quoted by their respective managers as at 31 March 2022.
- UK managed funds are stated at net asset value as calculated by their respective managers as at 31 March 2022.
- Infrastructure funds - The fund manager values the investments by engaging external valuation services. Different valuation techniques are used by the valuers to value the different investments of the funds. For instance the discounted Cash flows applied to equity and debt instruments.

### 13D. FAIR VALUE – HIERARCHY

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

#### Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and exchange traded quoted unit trusts.

#### Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. This included unit trusts priced by the fund managers that are not held as exchange traded funds.

### Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

31 March 2022				
	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Amortised Cost
	£000	£000	£000	£000
<b>Financial Assets</b>				
Fair value through profit and loss	25,000	1,233,932	198,196	
Amortised cost				
<b>Total financial assets</b>	<b>25,000</b>	<b>1,233,932</b>	<b>198,196</b>	<b>0</b>
<b>Grand Total:</b>				<b>1,457,128</b>

31 March 2021				
	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Amortised Cost
	£000	£000	£000	£000
<b>Financial Assets</b>				
Fair value through profit and loss	1,530	1,206,035	137,739	
Amortised cost				
<b>Total financial assets</b>	<b>1,530</b>	<b>1,206,035</b>	<b>137,739</b>	<b>0</b>
<b>Grand Total:</b>				<b>1,345,304</b>

All investments are classified as Level 2 with the exception of most property, infrastructure and private equity, which are classified as Level 3. The Aberdeen Money Market Fund is the only investment classed as Level 1. These disclosures take into consideration the classifications used in the underlying funds' own financial statements. Level 3 investments as at 31 March 2022 comprise:

IFM Infrastructure	£84.950 million (31 March 2021: £69.521 million)
CBRE Global Property	£29.881 million (31 March 2021: £25.678 million)
Aberdeen Long Lease Property	£34.234 million (31 March 2021: £30.035 million)
Adams Street Private Equity	£38.064 million (31 March 2021: £30.035 million)
LCIV Renewables Infrastructure	£11.066 million (31 March 2021: £0)

### **Fair Value Measurements using Significant Unobservable Inputs (Level 3)**

IFM Investors (Infrastructure) – valuation 31 March 2022 £84.950 million

The significant unobservable inputs used in the fair value measurement of the fund's equity and debt instruments are cashflow forecasts and discount rates. The fund manager determines the fair value

for these securities by engaging external valuation services. These external valuation services utilise cash flow forecasts obtained from investee company management and other sources. Significant increases or decreases in either of these inputs in isolation would result in a significant change in fair value measurement.

#### CBRE (Pooled Global Property) – valuation 31 March 2022 £29.881 million

Level 3 investments include (1) open-ended investee funds are classified as level 3 when subject to lock-up provisions or redemption notice periods which do not qualify as near-term, or which are exposed to a low level of trading or significant liquidity issues, and (2) close-ended investee funds that cannot be redeemed at the option of the fund manager.

The fair value of the investee funds classified in level 3 is based on their published NAV from the respective administrators or fund managers adjusted where deemed necessary by the Pricing Committee of CBRE.

The significant unobservable inputs used in the fair value measurement are related to the fair value of the underlying property assets of the investee funds. Based on the current investee funds' portfolios, these underlying assets comprise a mixture of office, retail and industrial properties mainly located in developed countries within Americas, Europe and Asia Pacific. To value these assets, investee funds use recognized valuation techniques (including discounted cash flow and income capitalization methods) for which the significant unobservable inputs include discount rate, capitalization rate, estimated rental value and long-term vacancy rate.

#### Aberdeen (Pooled UK Long Lease Property) – valuation 31 March 2022 £34.234 million

The fair value of long lease property is based on valuations provided by external property valuation experts. The fair value of investment properties is measured based on each property's highest and best use from a market participant's perspective and considers the potential uses of the property that are physically possible, legally permissible and financially feasible.

Valuations are completed in accordance with the Royal Institution of Chartered Surveyors (RICS) valuation standards. These are predominantly produced using an income capitalisation approach. The income capitalisation approach is based on capitalising an annual net income stream using an appropriate yield. The annual net income is based on both current and estimated future net income. The yield and future net income used is determined by considering recent transactions involving properties with similar characteristics to the property being valued. Where it is not possible to use an income capitalisation approach, for example on property with no rental income, a market comparison approach is used by considering recent transactions involving properties with similar characteristics to the property being valued. In both approaches, where appropriate, adjustments will be made by the valuer to reflect differences between the characteristics of the property being valued and the recent market transactions considered.

As income capitalisation and market comparison valuations generally include significant unobservable inputs including unobservable adjustments to recent market transactions, equivalent yield and estimated rental value these assets are categorised as level 3 within the fair value hierarchy.

#### Adams Street (Private Equity) – valuation 31 March 2022 £38.064 million

Level 3 investments held by the fund typically consist of other investments that are not measured at net asset value. When observable prices are not available management uses valuation techniques for which sufficient and reliable data is available. The valuation of non-marketable privately held investments requires significant judgment by management due to the absence of quoted market values, inherent lack of liquidity, changes in market conditions and the long-term nature of such assets. Such investments are valued initially based upon the transaction price. Valuations are reviewed quarterly utilizing available market data and additional factors to determine if the carrying value of these investments should be adjusted. Market data includes observations of the trading

multiples of public companies considered comparable to the private companies being valued. Valuations are adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the companies being valued. In addition, a variety of additional factors are reviewed by Adams Street's management, including, but not limited to, estimates of liquidation value, prices of recent transactions in the same or similar issuer, current operating performance and future expectations of the particular investment, changes in market outlook and the financing environment. In determining valuation adjustments, emphasis is placed on market participants' assumptions and market-based information over entity specific information.

#### LCIV Renewables Infrastructure (Infrastructure) – valuation 31 March 2022 £11.066 million

The significant unobservable inputs used in the fair value measurement of the fund's equity and debt instruments are cashflow forecasts and discount rates. The fund manager determines the fair value for these securities by engaging external valuation services. These external valuation services utilise cash flow forecasts obtained from investee company management and other sources. Significant increases or decreases in either of these inputs in isolation would result in a significant change in fair value measurement.

#### Reconciliation of Level 3 investments

2021/22	Market Value 1 April 2021	Purchases during the year	Sales during the year	Change in Market Value	Market Value 31 March 2022
	£000	£000	£000	£000	£000
Infrastructure	69,521	11,706	(640)	15,428	96,016
Pooled UK Long Lease Property	30,035			4,199	34,234
Pooled Property (global)	25,678		(95)	4,299	29,881
Private equity	12,505	9,794		15,765	38,064
<b>Total</b>	<b>137,739</b>	<b>21,500</b>	<b>(735)</b>	<b>39,691</b>	<b>198,196</b>

2020/21	Market value 1 April 2020	Purchases during the year	Sales during the year	Change in market value	Market value 31 March 2021
	£000	£000	£000	£000	£000
<b>Investment assets:</b>					
Infrastructure	67,629	1,621	(1,621)	1,892	69,521
Pooled UK Long Lease Property	28,933	0	0	1,102	30,035
Pooled Global Property	25,390	0	0	288	25,678
Private Equity	2,165	6,372	0	3,968	12,505
	<b>124,117</b>	<b>7,993</b>	<b>(1,621)</b>	<b>7,250</b>	<b>137,739</b>

Change in value represents unrealised gains and losses.

### Sensitivity of assets valued at Level 3

Using volatility data provided by PIRC, the fund has determined that the valuation is likely to be accurate to within the following ranges, and as set out below the consequent potential impact on the closing value of investments held at 31 March 2022 & 31 March 2021. These ranges consider all potential factors including market prices, currency and valuation techniques. This is not a 'worse' case scenario but rather a measure of typical annual price movements.

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2022	Value on increase	Value on decrease
	£000	£000	£000	£000
Infrastructure	5.5%	96,016	101,297	90,735
Pooled UK Long Lease Property	3.1%	34,234	35,296	33,173
Pooled Property (global)	3.1%	29,881	30,808	28,955
Private equity	5.5%	38,064	40,158	35,971
<b>Total</b>		<b>198,196</b>	<b>207,558</b>	<b>188,834</b>

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2021	Value on increase	Value on decrease
	£000	£000	£000	£000
Infrastructure	6.9%	69,521	74,318	64,724
Pooled UK Long Lease Property	2.2%	30,035	30,696	29,375
Pooled Property (global)	2.2%	25,678	26,243	25,113
Private equity	6.9%	12,505	13,367	11,642
<b>Total</b>		<b>137,739</b>	<b>144,625</b>	<b>130,854</b>

The key unobservable inputs that are being sensitised in the above tables are identified on pages 18 and 19.



## 14. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

	31 March 2022			31 March 2021		
	Fair value through profit and loss	Amortised Cost	Financial liabilities at amortised cost	Fair value through profit and loss	Amortised cost	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
<b>Financial assets</b>						
Pooled investments	1,456,977			1,345,152		
Cash and cash equivalents		87,941			25,482	
Other investment balances		150			150	
Receivables		6,414			27,667	
<b>Total financial assets</b>	<b>1,456,977</b>	<b>94,505</b>	<b>0</b>	<b>1,345,152</b>	<b>53,299</b>	<b>0</b>
<b>Financial liabilities</b>						
Creditors			(49,855)			(3,851)
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>(49,855)</b>	<b>0</b>	<b>0</b>	<b>(3,851)</b>
<b>Total</b>	<b>1,456,977</b>	<b>94,505</b>	<b>(49,855)</b>	<b>1,345,152</b>	<b>53,299</b>	<b>(3,851)</b>
<b>Grand Total</b>			<b>1,501,627</b>			<b>1,394,600</b>

The net return on investments is wholly attributable to assets held at fair value through the profit and loss except for interest earned on cash balances of £22,000 (2020/21: £18,000) classified as loans and receivables.

## 15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to have a reasonable probability of achieving in the long-term returns at least in line with the 'prudent' return set by the Scheme Actuary when calculating the required employers' contributions. The Fund achieves this through selection of appropriate returning asset classes, asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

Responsibility for the fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, which require an administering authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund in

accordance with its Investment Strategy Statement. The administering authority's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise these risks.

The Pension Fund Committee has prepared an Investment Strategy Statement which sets out the Pension Fund's policy on matters such as the type of investments to be held, the balance between types of investments, investment restrictions and the way risk is managed. Investment performance by external investment managers is reported to the Pension Fund Committee quarterly. Performance of Pension Fund investments managed by external Investment managers is compared to benchmark returns.

### 15A. Market risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities.

The Pension Fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term. In order to manage the market value risk, the Pension Fund has set restrictions on the type of investments it can hold, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016. Details of the (Management and Investment of Funds) regulations 2016 can be found in the Investment Strategy Statement adopted by Pension Fund Committee on 14<sup>th</sup> March 2017 (updated 26<sup>th</sup> March 2019 & 24 February 2021).

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

Accounting standards require that potential changes in the valuation of investments in the next 12 months are provided, described as sensitivity analysis. This analysis is to be derived from an historical analysis of the factors that drive changes in valuation. As can be seen from recent events e.g. global financial crisis, Covid-19, conflict in Ukraine etc market movements are rarely predictable using look back techniques. The valuation ranges below are calculated using the volatility of the actual fund returns over the last three years by the Fund's investment performance measurer, PIRC. Had the market price of the fund's investments increased/decreased in line with the above, the change in the net assets would have been as follows (the prior year comparator is shown below).

Assets type	Assessed valuation range	Value as at 31 March 2022	Value on increase	Value on decrease
	(+ / -)			
	£000	£000	£000	£000
Equity	15.6%	775,928	896,973	654,883
Bonds	5.9%	409,754	433,929	385,579
Property	3.1%	70,936	73,135	68,737
Alternatives	5.5%	176,860	186,587	167,133
Cash	0.8%	48,600	55,890	48,211
<b>Total</b>		<b>1,482,078</b>	<b>1,646,515</b>	<b>1,324,543</b>

Volatilities have been calculated at asset class level based on the 'look through' pooled fund valuations provided on page 16. Using PIRC volatility based on three years movements would have generated the following valuation ranges as at 31 March 2021:

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2021	Value on increase	Value on decrease
	£000	£000	£000	£000
Equity	15.8%	736,618	853,004	620,232
Bonds	5.8%	417,077	441,267	392,887
Property	2.2%	62,156	63,523	60,789
Alternatives	6.9%	115,142	123,087	107,197
Cash	0.7%	15,841	15,952	15,730
<b>Total</b>		<b>1,346,834</b>	<b>1,496,833</b>	<b>1,196,835</b>

The assessed valuation range as of 31 March 2022 represents 11.1% of asset value and is similar to the average annual change in asset value (positive or negative) during the last ten years of 8.9%. It should be noted that large changes in value in one direction are often followed by a reversal. For example, the 13.3% decline in Q1, 2020 due to Covid-19 was followed by a 27% gain in 2020/21.

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements as of 31 March 2022 is included within the tables immediately above.

The Pension Fund holds financial assets and liabilities in overseas financial markets and therefore could be exposed to the risk of loss from exchange rate movements of foreign currencies against sterling. This risk is deemed acceptable as the investments are widely diversified by currency and the scheme's short-term expenditure liquidity requirements are broadly covered by contributions and income. Many of the overseas investments are hedged into sterling by the investment managers. After hedging, the net exposure to non-sterling currencies is £546.0 million (2020/21: £417.0 million). The table below discloses the main foreign currency exposures and estimated currency volatility. For 2020/21 a volatility of +/- £30.558 million was included in last year's statement of accounts.

Currency	Assessed valuation range (+ / -)	Value as at 31 March 2022	Value on increase	Value on decrease
	£000	£000	£000	£000
US Dollars	8.3%	295,240	319,745	270,735
Euro	5.6%	81,320	85,874	76,766
Other	7.3%	169,448	181,818	157,079
<b>Total</b>		<b>546,007</b>	<b>587,436</b>	<b>504,579</b>

Currency	Assessed	Value as at 31 March 2021	Value on increase	Value on decrease
	valuation range (+ / -) £000			
US Dollars	8.5%	220,460	239,199	201,721
Euro	5.8%	109,994	116,374	103,614
Other	6.3%	92,476	98,302	86,650
<b>Total</b>		<b>422,929</b>	<b>453,875</b>	<b>391,985</b>

### 15B. Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the Pension Fund reviews its exposure to credit and counterparty risk through its external investment managers by review of the managers' annual internal control reports to ensure that managers exercise reasonable care and due diligence in their activities for the Pension Fund.

As at 31 March 2022 working capital was held in the Pension Fund bank accounts with NatWest and in a money market fund with Aberdeen Standard Life, in accordance with the credit rating criteria within the Council's Treasury Management Strategy. Pension administration working capital was held in a bank account at HSBC operated by West Yorkshire Pension Fund on behalf of the Pension Fund.

Summary	Rating	Source	Balances	Balances
			as at 31 March 2022	as at 31 March 2021
			£000	£000
Standard Life MMF cash	AAAm	Moody's	25,000	1,530
Royal Bank of Scotland	A1	Moody's	60,161	21,371
HSBC	Aa3	Moody's	2,778	2,579
Cash held by Fund Managers			2	2
<b>Total</b>			<b>87,941</b>	<b>25,482</b>

### 15C. Liquidity risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this, the Pension Fund has a comprehensive cash flow management system that seeks to ensure that the cash is available when needed. The Pension Fund also manages its liquidity risk by having access to money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours. The Fund is also able to sell units in its Pooled Investment Vehicles if required, most of which can be realised within one month.

The key refinancing risk is that the Council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Council does not have

any financial instruments that have a refinancing risk as part of its investment strategy.

## 16. ACTUARIAL VALUATION

Hymans Robertson LLP were appointed as fund actuary in 2016 and undertook a formal triennial actuarial valuation of the fund as at 31 March 2019 in accordance with the Local Government Pension Scheme Regulations 2013. The actuarial valuation calculates the contribution rate payable by the employers, including the LBB Council, to meet the administering authority's funding objectives.

The funding level at 31 March 2019 was 86% (2016: 73%). This corresponded to a shortfall on the funding target of £190 million (2016: £339 million). The aggregate primary contribution rate for 2019/20 was a primary rate of 17.9% of pensionable pay plus a secondary contribution of £16.047 million. Under the new three-year schedule of contributions effective from 1 April 2020 the aggregate primary rate is 20.6% and the secondary contribution for 2021/22 is £12.347 million (2020/21: £11.142 million). This is the average required employer contribution to restore the funding position to 100% over the next 17 years. For the main employer, the London Borough of Barnet, the employer's contribution rate for 2021/22 is 28.9% (2020/21: 27.9%).

The assumptions used for the triennial valuation were:

### Financial assumptions

	31 March 2019	31 March 2016
	%	%
Assumed future investment return (Discount rate)	4.4	4.2
CPI	2.3	2.1
Pension increases rate	2.3	2.1
Salary increases rate	3.0	2.4

The assumed future return is based on a economic scenario generator that utilises a range of future economic outcomes, each with an associated asset class return highlighted in the table below. The table ranks outcomes from 1<sup>st</sup> percentile (worst case) to 100<sup>th</sup> percentile (most favourable). At the 2019 triennial valuation, the Actuary determined that there is a 75% likelihood of the Fund's investments achieving at least an annual return of 4.4% p.a. over the next 20 years.

	Annualised total returns							RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield	
	Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)				
5 years	16th %ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
Volatility (Disp) (1 yr)		1%	7%	10%	17%	17%	14%	11%	1%		

## Demographic assumptions

	31 March 2019	31 March 2016
<b>Life expectancy from age 65</b>		
Retiring today:		
Males	21.7	21.9
Females	24.0	24.3
Retiring in 20 years:		
Males	22.9	23.9
Females	25.7	26.5
<b>Other demographic assumptions</b>		
Commutation	50%	50%
50:50 option	1%	5%

The 2019 triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 13 February 2020. The next actuarial valuation will be based on the value of the fund as at 31 March 2022.

## 17. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The Statement of Accounts are required to include the value of promised retirement benefits as at the year-end. These are discussed in the statement below, which has been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes.



## Pension Fund Accounts Reporting Requirement

### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2021/22 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Barnet Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

### Present value of promised retirement benefits

Year ended	31 March 2022	31 March 2021
Active members (Em)	591	972
Deferred members (Em)	602	649
Pensioners (Em)	728	784
<b>Total (Em)</b>	<b>2,321</b>	<b>2,405</b>

The promised retirement benefits at 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021. I estimate that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £172m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £11m.





**Financial assumptions**

Year ended	31 March 2022	31 March 2021
	% p.a.	% p.a.
Pension Increase Rate (CPI)	3.20%	2.95%
Salary Increase Rate	3.95%	3.60%
Discount Rate	2.70%	2.00%

**Demographic assumptions**

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund:

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (5k7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.3 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	23.1 years	26.1 years

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

**Sensitivity Analysis**

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2022	Approximate % increase to provisioned retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	44
1 year increase in member life expectancy	4%	93
0.1% p.a. increase in the Salary Increase Rate	0%	4
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	40

**Professional notes**

This paper accompanies the 'Accounting Covering Report - 31 March 2022' which identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Steven Scott FFA

19 April 2022

For and on behalf of Hymans Robertson LLP

## 18. CURRENT ASSETS

	31 March 2022	31 March 2021
	£000	£000
Contributions due – employees	1,095	1,029
Contributions due – employers	5,309	4,219
Sundry debtors	10	22,419
Cash balances	62,939	23,950
<b>Total current assets</b>	<b>69,353</b>	<b>51,617</b>

In 2020/21 £22m was included in sundry debtors for money redistributed between funds managed by L&G. A at the 31<sup>st</sup> March 2021 £22m had been disinvested from these funds, but not reinvested, as the money was held by L&G it was included as a sundry debtor. The redistribution was completed in April 2021.

## 19. CURRENT LIABILITIES

	31 March 2022	31 March 2021
	£000	£000
Sundry creditors	(46,261)	(2,483)
Benefits payable	(3,593)	(1,368)
<b>Total current liabilities</b>	<b>(49,855)</b>	<b>(3,851)</b>

Prior to 31 March 2022 a £44 million investment into the Insight IIFG was agreed, with Insight recognising this investment in their valuation as at 31 March 2022. However, the trade was settled until April 2022, resulting in a sundry creditor of £44 million at the year-end.

## 20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

	Market value 31 March 2022	Market value 31 March 2021
	£000	£000
Aviva	397	522
Prudential	3,360	3,108
<b>Total AVC</b>	<b>3,757</b>	<b>3,630</b>

AVC contributions of £0.326 million (2020/21: £0.391 million) were paid directly to Prudential and £0.002 million (2020/21: £0.005 million) were paid to Aviva during the year.

## 21. RELATED PARTY TRANSACTIONS

The London Borough of Barnet Pension Fund is administered by the London Borough of Barnet. Consequently, there is a strong relationship between the Council and the Pension Fund. During the reporting period, the Council incurred costs of £0.956m (2020/21: £1.144m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £35.569 million to the Fund in 2021/22 (2020/21: £52.245 million). These amounts include employee contributions of £7.531 million (2021/22) and £6.630 million (2020/21), and also contributions from companies wholly owned by the Council see note 6). Contributions paid by the Council in 2020/21 included £20.477 million advance payment of deficit contributions due for the period 1 April 2020 to 31 March 2023 of which £7.574 million was payable in 2021/22. As a consequence of paying these contributions early, the Actuary reduced the amount due by £1.409 million.

The London CIV is not treated as a related party as neither party is able to exercise control or significant influence over the other.

### Governance

One member of the Pension Fund Committee as at 31 March 2022 & 31 March 2021 is in receipt of a pension from the Barnet Pension Fund. There are no active members of the Fund that are members of the Pension Fund Committee. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

### 21A. KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Chief Executive, the s.151 officer and the Head of Pensions. The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below.

	2021/22	2020/21
	£000	£000
Short-term benefits	132	126
Post-employment benefits	37	35
<b>Total remuneration</b>	<b>168</b>	<b>161</b>

Post-employment benefits are employers pension contributions at 27.9% of salary.

## 22. CONTRACTUAL COMMITMENTS

The Fund has the following outstanding investment commitments as at 31 March 2022:

- Adams Street 2019 Global Private equity - \$40.3 million (£32.0 million)
- Adam Street Global Secondaries Fund 7 - \$55 million (£43.7 million)
- LCIV Private Debt - £34.7 million
- LCIV Rewables Infrastructure- £30.31 million
- Barings Special Situation Credit- £19.8 million
- Fiera Real Estate- £30.0 million

The outstanding commitments are expected to be substantially invested within three years.

### **23. CONTINGENT LIABILITIES**

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

The Council has sought advice from the Scheme Actuary who stated that the original LB Enfield proposal to seek settlement of the liability on a cessation funding basis was not out of line with other similar cases. However, the Pension Fund may be able to mitigate some of the cost through agreeing a direction order for the transfer. This approach is also supported by the latest legal opinion obtained by the Council.

Negotiations are still on going with LB Enfield to agree a way forward which may result in the LB Barnet Pension Fund not having to make payments to LB Enfield Pension Fund by agreeing that LB Enfield's pensioners and deferred members being transferred into the LB Barnet Fund, with LB Barnet Pension Fund receiving a share of LB Enfield Pension Fund's assets attributable to the Southgate liabilities.

The process is not concluded and at this stage the potential liability for LB Barnet Pension Fund remains uncertain in terms of the amount and the timing of any payment.

### **24. EVENTS AFTER THE REPORTING PERIOD**

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

# **London Borough of Barnet Pension Fund Governance Policy and Compliance Statement**

**This document sets out the  
Governance arrangements  
for the  
London Borough of Barnet Pension Fund  
As at 31<sup>st</sup> December 2017**

## **Governance Policy and Compliance Statement**

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Policy and Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government.

### **Administering Authority**

London Borough of Barnet (LBB) is the **Administering Authority** of the London Borough of Barnet Pension Fund and administers the pension fund on behalf of participating employers and scheme members.

#### Roles and Delegations

LBB has delegated its pension functions to the **Pension Fund Committee**.

A **Local Pension Board** has been established by LBB to assist in ensuring compliance with regulations and legislation

LBB has delegated responsibility for the administration and financial accounting of the LB Barnet Pension fund to the **Chief Financial Officer**.

Each of these roles is discussed below.

### **Pension Fund Committee**

#### Responsibilities

The responsibilities of the Pension Fund Committee as set out in the Council's constitution are:

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

To review the above documents at least triennially, or more frequently if advised by the Chief Financial Officer of the need to do so.

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

To receive and consider approval of the Pension Fund Annual Report.

To appoint independent investment advisors.

To appoint Pension Fund investment managers.

To appoint Pension Fund actuaries.

To appoint a performance management company.

To appoint custodians.

To review and challenge the Pension Fund investment managers' performance against the Investment Strategy Statement in general and investment performance benchmarks and targets in particular.

To consider actuarial valuations and their impact on the Pension Fund.

To consider for approval applications from organisations wishing to become admitted bodies into the Pension Fund where legislation provides for discretion, including the requirements for bonds.

The Pension Fund Committee oversees the management of the LB Barnet Pension Fund. Their overriding duty is to ensure that the best possible outcome for the Pension Fund, its participating employers, scheme members and local taxpayers. Their knowledge is supplemented by professional advice from Council officers, professional advisers and external experts. An ongoing programme of training is delivered to the Committee (and substitutes).

#### Membership

The Pension Fund Committee consists of seven councillors appointed by Full Council. There are also six nominated substitutes who can attend meetings. The Committee members do not include representatives of other employers or scheme members, although a representative of Middlesex University attends and participates at meetings without voting rights. The Chairman and Vice-Chair are appointed by Full Council.

#### Meetings

The Pension Fund Committee meets at least four times a year. Meeting dates are published on the LBB's web site as are the meeting agenda and papers. The agenda and papers are published at least 7 days in advance of the meeting. Minutes are also made available on the LBB web site after approval by the Chairman.

All members of the Committee have equal voting rights at meetings.

## **Local Pension Board**

#### Responsibilities

The Board is responsible for assisting with:

Securing compliance with Local Government Pension Scheme (LGPS) Government regulations and any other legislation relating to the governance and administration of the LGPS

Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator.

Such other matters that the LGPS regulations may specify.

Ensure the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.

The Board's terms of reference detail their full remit.

The Council has charged the Local Pension Board with providing oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and

responsibilities, which have been delegated by the Council to the Pensions Fund Committee or otherwise, remain solely the powers and responsibilities of them.

### Membership

The Board consists of seven members constituted as follows:

3 employer representatives comprising:

- 1 councillor who is not a member of the Pension Fund Committee.
- 2 employer representatives from an admitted or scheduled body

3 scheme member representatives (employee side) comprising:

- 1 active member
- 2 retired/deferred members

1 independent member/advisor having no current employment, contractual, financial or other material interest in the Council or any scheme employer fund and not being a member of the LGPS Fund.

The Council employer representative is appointed by LBB Full Council. Other members are appointed following a public recruitment, selection and interview process. Each member is appointed for a 4-year term.

Substitute members may also be appointed who can attend meetings.

The Board members shall elect a Chairman and Vice-Chair. Should the elected Chairman be an Employer representative the Vice-Chairman must be a Scheme Member representative and vice versa.

All members of the Board are required to complete the Pension Regulator's public service toolkit. In addition, collective and bespoke training is provided based on a self-assessment of the training needs of each Board member.

### Meetings

The Local Pension Board meets at least 4 times a year. Meeting dates are published on the LBB's web site as are meeting agenda and papers. The agenda and papers are published at least 7 days in advance of the meeting. Minutes are also made available on the LBB web site after approval by the Chairman.

All members of the Committee have equal voting rights at meetings. Substitute members have no voting rights unless they are replacing an absent member.

## **Chief Financial Officer**

The Chief Financial Officer (section 151 officer) is responsible for the preparation of the Pension Fund Annual Report & Accounts and ensuring the proper financial administration of the Fund. As appropriate, the Chief Finance Officer will delegate aspects of the role to other officers of the Council and to professional advisors within the scope of the LGPS Regulations.

Under the Council's Constitution, the Chief Finance Officer is responsible for, or responsible for delegating authority for:



Approving early payment of deferred benefits under regulation 30 of the Benefits Regulations or similar provisions in previous Regulations

Exercising discretion on compassionate grounds not to actuarially reduce deferred benefits paid early under regulation 30 of the Benefits Regulations or similar provisions in previous Regulations;

Exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member who wishes to pay optional contributions for a period of absence (Regulation 22 of the Administration Regulations);

Informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation 34 of the 1997 Regulations);

Determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of attaining NRD or six months after leaving service whichever is the later (Regulation 26 of the Administration Regulations).

Determining (for Barnet Council Employees only) whether to accept any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme (Regulation 83 of the Administration Regulations).

Determining (for Barnet Council employees only) whether to accept any request for joining previous Scheme membership (either with this Employer and/or with another scheme employer) made more than 12 months after the member re-joined the Scheme (Regulation 16 of the Administration Regulations).

Exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulations 23, 32 and 35 of the Benefits Regulations);

Deciding whether to treat education or training as continuous despite a break for the purpose of determining eligibility for a child's pension (Regulation 26 of the Benefits Regulations);

Communicating with other employers that are scheduled or admitted bodies as appropriate

## **Policy Documents**

There are number of other documents that are relevant to the governance and management of the scheme. These are listed below and are available from the administering authority.

Funding Strategy Statement  
Investment Strategy Statement  
Communications Policy  
Discretions Policy  
Administration Strategy Statement  
Internal Disputes Resolution Procedure  
Annual report and accounts

## **Compliance with guidance**

The Council is required to report on compliance with guidance issues by the Secretary of State, Department of Communities and Local Government. The current position on compliance is set out in appendix A.

## **Consultation**

In preparing this statement, LBB has consulted with the Local Pension Board.

## **Contact us**

Any questions on the operation of the Pension Fund Committee or Local Pension Board should be directed to Paul Frost, telephone 02083892205, email [paul.frost@barnet.gov.uk](mailto:paul.frost@barnet.gov.uk)

## Statement of Compliance with Guidance

<b>Principle</b>	<b>Requirement</b>	<b>Compliance</b>	<b>Comment</b>
<b>Structure</b>	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The decision making structure is clearly defined. Council delegates responsibility to the Pension Fund Committee which meets quarterly
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Not Compliant	Only Councillors are members of the Pension Committee. Representatives of other employers and scheme members are members of the Local Pension Board and can attend the Pension Fund Committee as observers.
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	N/A	No Secondary Committee
	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	N/A	No Secondary Committee

<b>Representation</b>	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-	Not compliant	Only Councillors are members of the Pension Committee. Representatives of other employers and scheme members are members of the Local Pension Board and can attend Pension Fund Committees as observers.
	<ul style="list-style-type: none"> <li>- employing authorities including non-scheme employers e.g. admitted bodies,</li> <li>- scheme members (including deferred and pensioner scheme members),</li> <li>- independent professional observers, and</li> <li>- expert advisors (on an ad-hoc basis)</li> </ul>		
	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	N/A	Only Councillors are members of the Pension Fund Committee.
<b>Selection and role of lay members</b>	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	Members of the Pension Fund Committee have access to the terms of reference and are aware of their responsibilities.
<b>Voting</b>	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	All members of the Pension Fund Committee have equal voting rights.

<b>Training / Facility / Time / Expenses</b>	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	There is a clear policy on training. The Fund pays all approved training courses for all members. The training plan reflects the needs of the committee agenda.
	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	The rules on training, facilities, time and expenses apply equally to all Committee members.
<b>Meetings (Frequency / Quorum)</b>	That an administering authority's main committee or committees meet at least quarterly.	Compliant	There are at least four meetings a year.
	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	N/A	No Secondary Committee
	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant	The Local Pension Board provides a forum for all groups of employers and scheme members.
<b>Access</b>	Subject to any rules in the Council's Constitution, all members of the main and secondary committees or panels have equal access to committee papers, documents and advice that fails to be considered at meetings of the main committee.	Compliant	Committee meeting papers are circulated at the same time to all members of the Pension Fund Committee.
<b>Scope</b>	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	The Pension Fund Committee mainly discuss investment and funding issues but are responsible for all governance matters relating to the pension fund.

<b>Publicity</b>	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	The Governance Policy Compliance Statement is made available to all interested parties and is attached to the Fund's Annual Report.
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GCS, appendix B

### Regulatory Framework

#### Extract from LGPS Regulations 2013

- (1) An administering authority must prepare a written statement setting out—
- (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
  - (b) if the authority does so—
    - (i) the terms, structure and operational procedures of the delegation,
    - (ii) the frequency of any committee or sub-committee meetings,
    - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
  - (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
  - (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).
- (2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.
- (3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.
- (4) An administering authority must publish its statement under this regulation, and any revised statement.

# London Borough of Barnet Pension Fund

## Funding Strategy Statement

13 February 2020

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## Funding Strategy Statement

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# 1 Introduction

## 1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Barnet Pension Fund (“the Fund”), which is administered by London Borough Barnet Council, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers and investment adviser. It is effective from 13 February 2020.

## 1.2 What is the London Borough of Barnet Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the London Borough of Barnet Pension Fund, in effect the LGPS for the London Borough of Barnet area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in [Appendix B](#).

## 1.3 Why does the Fund need a Funding Strategy Statement?

Employees’ benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees’ contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers’ contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in [Appendix A](#).

The FSS is a summary of the Fund’s approach to funding its liabilities, and this includes reference to the Fund’s other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;

- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see [Section 4](#))

#### 1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

#### 1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

## 1.6 How do I find my way around this document?

In [Section 2](#) there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In [Section 3](#) we outline how the Fund calculates the contributions payable by different employers in different situations.

In [Section 4](#) we show how the funding strategy is linked with the Fund's investment strategy.

In the [Appendices](#) we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what,
- C. what issues the Fund needs to monitor, and how it manages its risks,
- D. some more details about the actuarial calculations required,
- E. the assumptions which the Fund actuary currently makes about the future,
- F. a [glossary](#) explaining the technical terms occasionally used here.

If you have any other queries please contact George Bruce, Head of Pensions in the first instance at [george.bruce@barnet.gov.uk](mailto:george.bruce@barnet.gov.uk).

## 2 Basic Funding Issues

(More detailed and extensive descriptions are given in [Appendix D](#)).

### 2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See [2.3](#) below, and the table in [3.3 Note \(e\)](#) for more details.

### 2.2 What is each employer's contribution rate?

This is described in more detail in [Appendix D](#). Employer contributions are normally made up of two elements:

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

### 2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However, over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

**Scheduled bodies** - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as “Scheduled Bodies”, the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies’ membership in LGPS Funds.

**Designating employers** - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB the terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

#### 2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in [Section 3](#) and [Appendix D](#)).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and
3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see [3.4](#).

Any costs of non ill-health early retirements must be paid by the employer, see [3.6](#).

Costs of ill-health early retirements are covered in [3.7](#) and [3.8](#).

#### 2.5 How is a funding level calculated?

An employer’s “funding level” is defined as the ratio of:

- the market value of the employer’s share of assets (see [Appendix D](#), section [D5](#), for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer’s employees and ex-employees (the “liabilities”). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

## **2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?**

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see [3.1](#)). In deciding which of these techniques

to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation ([see 3.3 Note \(b\)](#)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means see [Appendix A](#).

## **2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?**

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However, it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

[The LGPS Scheme Advisory Board \(SAB\) issued advice to LGPS funds in May 2019](#). As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. Uncertainty over the McCloud remedy impact makes it impossible to calculate an 'exact' loading so the Fund's preferred approach is increase prudence via a higher likelihood of meeting funding target.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

## **2.8 When will the next actuarial valuation be?**

On 8 May 2019 MHCLG issued a [consultation](#) seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

## 3 Calculating contributions for individual Employers

### 3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore, the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

### 3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower asset share on which future investment returns will be earned. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf [\(3.3\)](#) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

[Section 3.4](#) onwards deals with various other funding issues which apply to all employers.



### 3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies*
Sub-type	Local Authorities	Colleges & Universities	Academies	Open to new entrants	Closed to new entrants	(all)
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see <a href="#">Appendix E</a> )			Ongoing participation basis, but may move to "gilts exit basis" - see <a href="#">Note (a)</a>		Contractor exit basis, assumes fixed contract term in the Fund (see <a href="#">Appendix E</a> )
Primary rate approach	(see <a href="#">Appendix D – D.2</a> )					
Stabilised contribution rate?	Yes - see <a href="#">Note (b)</a>	No	No	No	No	No
Maximum time horizon – <a href="#">Note (c)</a>	17 years	15 years	17years	15 years or less depending on circumstance	15 years or less depending on circumstance	As per the letting employer
Secondary rate – <a href="#">Note (d)</a>	Monetary amount	Monetary amount	% of payroll	% of payroll or Monetary amount	Monetary amount	% of payroll or Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Administering Authority	Covered by academy approach detailed below	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Administering Authority		Reduce contributions by spreading the surplus over the time horizon where appropriate
Likelihood of achieving target – <a href="#">Note (e)</a>	70%	70%	70%	70%	70%	70% - assuming there is a guarantor
Phasing of contribution changes	Covered by stabilisation arrangement	Maximum of 3 years	Maximum of 3 years	Maximum of 3 years	Maximum of 3 years	None
<a href="#">Review of rates – Note (f)</a>	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of non pass-through contract
<a href="#">New employer</a>	n/a	n/a	<a href="#">Note (g)</a>	<a href="#">Note (h)</a>		<a href="#">Notes (h) &amp; (i)</a>
<a href="#">Cessation of participation: exit debt/credit payable</a>	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per <a href="#">Note (j)</a> .			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see <a href="#">Note (i)</a> .		Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis as set out in the admission agreement. The letting employer will be liable for future deficits and contributions arising. See <a href="#">Note (j)</a> for further details

## Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

## Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long-term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see [Section 4](#)), the stabilised details are as follows:

Type of employer	London Borough of Barnet Council
Max cont increase per year	TBC: Max of +1% pa until 2020, to be confirmed thereafter
Max cont decrease per year	TBC: -0.5% pa

The stabilisation criteria and limits will be reviewed at the next formal valuation. However, the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

### **Note (c) (Maximum time horizon)**

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority normally expect the same target end date to be used at successive triennial valuations, but reserves the right to propose alternative time horizons, for example significant market developments or where there were no new entrants.

### **Note (d) (Secondary rate)**

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

### **Note (e) (Likelihood of achieving funding target)**

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in [Appendix D](#).

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

### **Note (f) (Regular Reviews)**

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of secondary contributions), and/or an increased level of security or guarantee.

### **Note (g) (New Academy conversions)**

At the time of writing, the Fund's policies on academies' funding issues are as follows:

- i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;
- ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section [3.3](#) above;
- v. Academies existing in the Fund as at 31 March 2020 and those who convert between 1 April 2020 and 31 March 2023 will pay a pooled rate until the certification of rates following the 31 March 2022 valuation.
- vi. From 1 April 2023 onwards (i.e. when the Rates and Adjustments certificate comes into force following the 31 March 2022 formal valuation) rates will be set as follows:
  - a. all academies' stand-alone rates will be calculated either at the valuation or on conversion, and
  - b. stabilisation of rates will apply; this means that academies will take steps upwards or downwards towards their stand-alone rate in line with the parameters set out in Note (b).
- vii. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

### **Note (h) (New Admission Bodies)**

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer and will be reassessed on an annual basis. See also [Note \(i\)](#) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

### **Note (i) (New Transferee Admission Bodies)**

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see [Note \(j\)](#).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular, there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor’s contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

The letting authority and the contractor may agree that the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks “pass through” to the letting employer. In these circumstances the certified employer contribution rate will not reflect the pass through arrangements but will be documented in a separate agreement between the letting authority and the contractor.

**The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement.**

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to

their decisions and it is unfair to burden the letting employer with that risk. For example, the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

### **Note (j) (Admission Bodies Ceasing)**

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14<sup>th</sup> May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see [note \(i\)](#) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will

- apply a 1% loading to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes for any employer ceasing on a "gilts exit basis"; or
- make no adjustment to the cessation valuation for any employer ceasing on the ongoing participation basis.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- (a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a “gilts exit basis”, which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- (b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in [Appendix E](#);
- (c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body’s liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

#### Where there is a Deficit

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the “gilts exit basis” and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

#### Where there is a surplus

Where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, the Administering Authority will determine the amount of exit credit to be paid. In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising because of the Admission Body’s employer contributions, any representations (such as risk sharing agreements or guarantees) made by the employer and any employer providing a guarantee to the Admission Body.

Where the Administering Authority determines an exit credit is payable, it must be paid within six months of the date on which the employer ceased to participate in the Fund, or such longer time as the Administering Authority and exiting employer agree.

### **3.4 Pooled contributions**

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. Currently the pools in place within the Fund are as follows:

- London Borough of Barnet Council pool
- Colleges
- Orphan employer codes with the relevant successor body
- Academies

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand, it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

### **3.5 Additional flexibility in return for added security**

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

### **3.6 Non ill health early retirement costs**

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires on an unreduced



basis before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Early retirement strains are payable immediately.

### **3.7 Ill health early retirement costs**

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay.

To mitigate this risk, individual employers may elect to use external insurance, which has been made available by the Fund.

If an employer provides satisfactory evidence to the Administering Authority of putting in place an external insurance policy covering ill health early retirement strains, then:

- the employer's contribution rate to the Fund each year is reduced by the amount of that year's insurance premium rate, and
- there is no need for monitoring of ill health allowances versus experience (as typically required for some employers).

When an active member retires on ill health early retirement the claim amount will be paid directly from the insurer to the insured employer. This amount should then be paid to the Fund to allow the employer's asset share to be credited.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

If employers do not insure the benefit externally then the Administering Authority may monitor each employer's ill health experience. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer may be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

### **3.8 Employers with no remaining active members**

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see [3.3, Note \(j\)](#)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

### **3.9 Policies on bulk transfers**

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

### **3.10 Advanced payment of Employer Contributions**

The Fund will gain through the early payment of employers' contributions. Should an employer wish to pay single or multiple years contributions in advance, the amount payable may be reduced by the assumed additional investment returns earned by the Fund.

## **4 Funding strategy and links to investment strategy**

### **4.1 What is the Fund's investment strategy?**

The Fund has built up assets over the years and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

### **4.2 What is the link between funding strategy and investment strategy?**

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

### **4.3 How does the funding strategy reflect the Fund's investment strategy?**

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long-term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

#### 4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly.

## 5 Statutory reporting and comparison to other LGPS Funds

### 5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 (“Section 13”), the Government Actuary’s Department must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long-term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

### 5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

### 5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;

3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

## FSS - appendix A – Regulatory framework

### Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- “to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and
- to take a **prudent longer-term view** of funding those liabilities.”

These objectives are desirable individually but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

### A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate” and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers in [DATE] for comment;
- b) Comments were requested within 14 days;
- c) Scheme officers were available to discuss questions regarding the FSS;
- d) Following the end of the consultation period the FSS was updated where required and then published, in [DATE].

### A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at [www.barnet.gov.uk](http://www.barnet.gov.uk);
- A copy sent by e-mail to each participating employer in the Fund;
- A copy sent to employee/pensioner representatives via the Local Pensions Board;
- A summary published on the Scheme website;
- A full copy linked from the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

#### **A4 How often is the FSS reviewed?**

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three-year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pension Fund Committee and would be included in the relevant Committee Meeting minutes.

#### **A5 How does the FSS fit into other Fund documents?**

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at [www.barnet.gov.uk](http://www.barnet.gov.uk).

## FSS - appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

### **B1 The Administering Authority should:-**

- 1 operate the Fund as per the LGPS Regulations;
- 2 effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- 3 collect employer and employee contributions, and investment income and other amounts due to the Fund;
- 4 ensure that cash is available to meet benefit payments as and when they fall due;
- 5 pay from the Fund the relevant benefits and entitlements that are due;
- 6 invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
- 7 communicate appropriately with employers so that they fully understand their obligations to the Fund;
- 8 take appropriate measures to safeguard the Fund against the consequences of employer default;
- 9 manage the valuation process in consultation with the Fund's actuary;
- 10 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- 11 prepare and maintain a FSS and an ISS, after consultation;
- 12 notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- 13 monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

### **B2 The Individual Employer should:-**

- 1 deduct contributions from employees' pay correctly;
- 2 pay all contributions, including their own as determined by the actuary, promptly by the due date;
- 3 have a policy and exercise discretions within the regulatory framework;
- 4 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- 5 notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

### **B3 The Fund Actuary should:-**

- 6 prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- 7 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- 8 provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- 9 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;

- 10 assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- 11 advise on the termination of employers' participation in the Fund; and
- 12 fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

**B4 Other parties:-**

- 13 investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
- 14 investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
- 15 auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- 16 governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- 17 legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- 18 MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.



## FSS - appendix C – Key risks and controls

### Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

### C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Effect of possible increase in employer's contribution rate on service delivery and	<p>An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are</p>

<b>Risk</b>	<b>Summary of Control Mechanisms</b>
admission/scheduled bodies	also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see <a href="#">3.9</a>).</p>

### **C3 Demographic risks**

<b>Risk</b>	<b>Summary of Control Mechanisms</b>
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see <a href="#">Note (b)</a> to <a href="#">3.3</a>).</p> <p>For other employers, review of contributions is permitted in general between valuations (see <a href="#">Note (f)</a> to <a href="#">3.3</a>) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.</p>

#### C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known.</p> <p>The government's long-term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.</p>
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see <a href="#">Section 5</a> ).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

#### C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
Administering Authority failing to commission	The Administering Authority requires employers with

Risk	Summary of Control Mechanisms
the Fund Actuary to carry out a termination valuation for a departing Admission Body.	<p>Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
An employer ceasing to exist with insufficient funding or adequacy of a bond.	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see <a href="#">Notes (h)</a> and <a href="#">(j)</a> to <a href="#">3.3</a>).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see <a href="#">Note (f)</a> to <a href="#">3.3</a>).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see <a href="#">Note (a)</a> to <a href="#">3.3</a>).</p>
An employer ceasing to exist resulting in an exit credit being payable	<p>The Administering Authority regularly monitors admission bodies coming up to cessation</p> <p>The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.</p>

## FSS - appendix D – The calculation of Employer contributions

In [Section 2](#) there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in [Section 2](#), the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in [3.3 Note \(e\)](#) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in [Appendix E](#).

### **D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?**

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see [D2](#) below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see [D3](#) below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

### **D2 How is the Primary contribution rate calculated?**

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits\*, excluding any accrued assets,
2. within the determined time horizon (see [note 3.3 Note \(c\)](#) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

\* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund’s actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund and includes allowances for benefits payable on death in service and on ill health retirement.

### **D3 How is the Secondary contribution rate calculated?**

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer’s funding target assumptions (see [Appendix E](#)).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

- 19 meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see [D5](#) below)
- 20 at the end of the determined time horizon (see [3.3 Note \(c\)](#) for further details)
- 21 with a sufficiently high likelihood, as set by the Fund’s strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

### **D4 What affects a given employer’s valuation results?**

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer’s liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

### **D5 How is each employer’s asset share calculated?**

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore, it cannot account for each employer’s assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

- 1) A technique known as “analysis of surplus” in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer’s liability value to calculate the employer’s asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
- 2) A ‘cashflow approach’ in which an employer’s assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer’s assets.

Until 31 March 2016 the Administering Authority used the ‘analysis of surplus’ approach to apportion the Fund’s assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary tracks employer assets on an annual basis. Starting with each employer’s assets from the previous year end, cashflows paid in/out and investment returns achieved on the Fund’s assets over the course of the year are added to calculate an asset value at the year end. The approach has some simplifying assumptions in that all cashflows and investment returns are assumed to have occurred uniformly over the course of the year. As the actual timing of cashflows and investment returns are not allowed for, the sum of all employers’ asset values will deviate from the whole fund asset total over time (the deviation is expected to be minor). The difference is split between employers in proportion to their asset shares at each triennial valuation.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

**D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?**

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer’s asset share to the receiving employer’s asset share. This sum is equal to the member’s Cash Equivalent Transfer Value (CETV) as advised by the Fund’s administrators.

## FSS - appendix E – Actuarial assumptions

### E1 What are the actuarial assumptions used to calculate employer contribution rates?

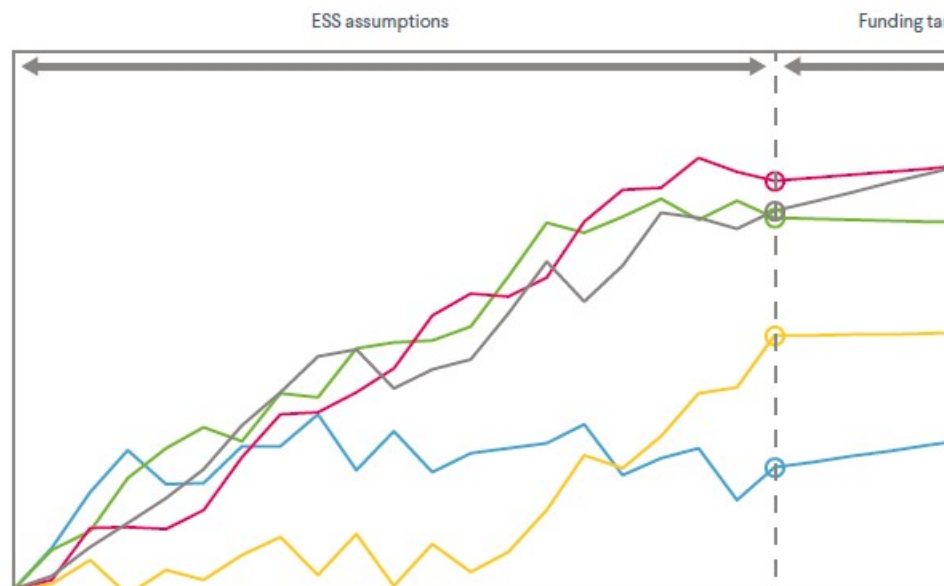
These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose, the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

### E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson’s ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption



about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns							RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)			
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	<b>Volatility (Disp) (1 yr)</b>	1%	7%	10%	17%	17%	14%	11%	1%		

### E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the “discount rate”)

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants

<b>Investment return assumption underlying the employer’s funding target (at the end of its time horizon)</b>	Long term government bond yields plus an asset outperformance assumption (AOA) of 2.0% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund’s assets
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#### E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

##### a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2022, followed by
2. the retail prices index (RPI) p.a. thereafter.

This gives a single “blended” assumption of CPI less 0.3%. This is a change from the previous valuation, which assumed a blended assumption of CPI plus 0.3% per annum. The change has led to a reduction in the funding target (all other things being equal).

##### b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

##### c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long-term nature of the Fund and the assumed level of security underpinning members’ benefits.

##### d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in [\(3.3\)](#), these

calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

## FSS - appendix F – Glossary

<b>Funding basis</b>	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
<b>Administering Authority</b>	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
<b>Admission Bodies</b>	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see <a href="#">2.3</a> ).
<b>Covenant</b>	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
<b>Designating Employer</b>	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
<b>Employer</b>	An individual participating body in the Fund, which employs (or used to employ) <b>members</b> of the Fund. Normally the assets and <b>funding target</b> values for each employer are individually tracked, together with its <b>Primary rate</b> at each <b>valuation</b> .
<b>Gilt</b>	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
<b>Guarantee / guarantor</b>	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's <b>covenant</b> to be as strong as its guarantor's.
<b>Letting employer</b>	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority but can sometimes be another type of employer such as an Academy.
<b>LGPS</b>	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is

autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

<b>Maturity</b>	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
<b>Members</b>	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
<b>Primary contribution rate</b>	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
<b>Profile</b>	The profile of an employer's membership or liability reflects various measurements of that employer's <b>members</b> , i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its <b>maturity</b> also.
<b>Rates and Adjustments Certificate</b>	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal <b>valuation</b> . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
<b>Scheduled Bodies</b>	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
<b>Secondary contribution rate</b>	The difference between the employer's actual and Primary contribution rates. See <a href="#">Appendix D</a> for further details.
<b>Stabilisation</b>	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
<b>Valuation</b>	A risk management exercise to review <b>Primary and Secondary contribution rates</b> , and other statutory information for a Fund, and usually individual employers too.

# London Borough of Barnet Pension Fund

## Investment Strategy Statement

### Introduction and background

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.

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.

The ISS, which was approved by the Committee on 24 February 2021, 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.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund’s Funding Strategy Statement dated March 2017.

### The suitability of particular investments and types of investments

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.

The Fund’s funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

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.

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.

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).

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

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation; the Fund does not have a formal rebalancing policy at present, however, a suitable policy is currently under consideration. In the meantime the Fund's position is monitored both by Officers and the Fund's advisers. A rebalancing back towards target weightings was undertaken in January 2017.

### **Investment of money in a wide variety of investments**

#### **Asset classes**

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.

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.

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	Maximum Allocation
<b>Equity</b>		<b><u>50%</u></b>	<b>60%</b>
Listed equity	FTSE All World Index	20%	
	FTSE RAFI All World Equity GBP Hedged Index	20%	
	MSCI Emerging Market Index (TR) Net	5%	
Private equity	FTSE All World Index +3% (tbc)	5%	
<b>Diversified growth funds</b>	libor or inflation plus margin	<b>5%</b>	<b>25%</b>
<b>Property</b>	IPD UK All Property Funds	<b>5%</b>	<b>12%</b>
<b>Infrastructure</b>	8-12% p.a. return (tbc)	<b>5%</b>	<b>7%</b>
<b>Corporate bonds</b>	Merrill Lynch Sterling Non-Gilts All Stocks Index	<b>10%</b>	<b>13%</b>
<b>Illiquid credit</b>	3 month libor plus 5%	<b>11%</b>	<b>23%</b>
<b>Multi-credit</b>	3 month libor plus 4%	<b>7%</b>	<b>10%</b>
<b>Alternative credit</b>	3 month libor plus 2%	<b>7%</b>	<b>10%</b>
		<b>100%</b>	

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

### Managers

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.

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.

### The approach to risk, including the ways in which risks are to be measured and managed

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.

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

- 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 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 will be revisited as part of the 2016 valuation process. 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.

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.

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

- 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 underperformance - 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.

The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee is developing formal rebalancing arrangements to ensure the Fund’s “actual allocation” does not deviate substantially from its target. Rebalancing is considered currently but not on a formal structured basis. 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.

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.

Details of the Fund’s approach to managing ESG risks is set out later in this document.

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

- 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.

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.

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

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.

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

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:

- 22 That the pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
- 23 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.

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.

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.

The Fund holds 36% 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

In addition the Fund has already transitioned other assets into the London CIV with a value of 11% 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.

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

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.

### 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

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

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.

- Well run companies will generate better long-term returns.
- Incorporating a regard for ESG into investment decision making will help mitigate risk such as climate change.
- 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

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.

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

The Fund has agreed that investment sustainability and pooling should be enhanced. In doing so the following actions will be / have been taken:

1. 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.
2. Consideration of moving assets from passive equities to pooled active equities that have a strong sustainability approach to the selection of investments.
3. Consideration of investing into other products offered by the London CIV that focus on opportunities with sustainability characteristics e.g. renewables.

4. 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.
5. Periodic qualitative and quantitative reviews of the ESG risks within the portfolio and consideration of alternatives.

### Social Investment

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

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.

### **The exercise of rights (including voting rights) attaching to investments**

#### **Voting rights**

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**

The Fund fully endorses the principles embedded in the Stewardship Code. The Fund will be reviewing this position during 2021-22 and will consider becoming a signatory to the Code as part of this review.

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.

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.

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.

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.

Approved by:-

London Borough of Barnet Pension Fund Committee

24 February 2021

# ISS - 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. In 2016/2017 it is anticipated that the contributions due will 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.

# ISS - 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 managing 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.

## Communication Policy Statement

An effective communications strategy is vital for the pension administration service (provided on behalf of the Council by Capita Employee Benefits) in its aim to provide a high quality and consistent service to its customers.

This document sets out a policy framework within which the pension administration service will communicate with:-

- Fund members and their representatives
- Prospective Fund members and their representatives
- Fund employers

Set out in this statement are the mechanisms which are used to meet those communication needs.

It identifies the format, frequency and method of distributing information and publicity.

The pension administration service aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

- **Capita Employee Benefits:** for day-to-day contact between the hours of 9am and 5pm.
- **Correspondence:** the Fund utilises both surface mail and e-mail to receive and send correspondence.
- **Website:** A members' website is available and other information is available on the national websites at <http://www.lgps.org.uk/lge/core/page.do?pageld=97977>
- **Member Self-Service** as above
- **Annual Benefits:** An annual benefits statement is sent direct to the home addresses of deferred members where a current address is known and is available online for active members.
- **Pensions Roadshows:** The pension administration service also stages ad hoc roadshows for Fund members particularly where there are changes to the Fund organisational changes which have pension implications.
- **Existence Validation – Pensioners Living Abroad:** Capita Employee Benefits undertakes an annual exercise conducted through correspondence in order to establish the continued existence of pensioners living abroad.
- **All Employer Meetings:** Periodic meetings are arranged for employers. Specifically this has been used as a mechanism for communicating major strategic issues, significant changes in legislation and triennial valuation matters.

### Comments

We welcome and value your comments on the standards of service we provide. If you have any comments please contact us.

[pensions@barnet.gov.uk](mailto:pensions@barnet.gov.uk)

Address: London Borough of Barnet Pension Fund, 2 Bristol Avenue, Colindale, London, NW9 4EW  
Telephone: 0208 359 3341



## **LONDON BOROUGH OF BARNET PENSION FUND ADMINISTRATION STRATEGY**

### **1. PURPOSE OF STRATEGY**

- 1.1 This strategy outlines the processes and procedures agreed between West Yorkshire Pension Fund (WYPF) and the London Borough of Barnet (LBB) as administering authority to the London Borough of Barnet Pension Fund. Its aim is for WYPF and employers to work collaboratively together in a cost-effective way to administer the London Borough of Barnet Pension Fund whilst maintaining an excellent level of service to members.
- 1.2 This strategy is also the agreement between London Borough of Barnet and employers participating in the Fund about the levels of performance and associated matters. It does not override any existing commercial contracts or contractual performance indicators which exist between LBB and WYPF.
- 1.3. Performance levels are set out in this document for the Administering Authority, employers participating in the Scheme, WYPF and where applicable third-party contractors. These will be reviewed from time to time and only changed with agreement of the London Borough of Barnet and WYPF.

### **2. REGULATORY BACKGROUND**

- 2.1 This Strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations (LGPS) 2013. In line with these regulations employers have been consulted on the strategy, and a copy has been sent to the Secretary of State.

### **3. REVIEW OF THE STRATEGY**

- 3.1 WYPF and LBB jointly own this strategy and a review will take place at least every 24 months or as soon as possible following any changes to the regulations, processes or procedures that affect this strategy.
- 3.2 Any changes to this strategy will be made following consultation with employers and will be reviewed and agreed by LBB. Employers may submit suggestions to improve any aspect of this strategy at any time. A copy of the updated strategy will be sent to the Secretary of State.

### **4. ADMINISTRATION AND PERFORMANCE**

- 4.1 WYPF will administer the Pension Fund in accordance with the LGPS Regulations (and any overriding legislation including employer discretions). When carrying out their functions WYPF will have regard to the current version of this strategy.

#### **4.2 Scheme administration**

- 4.2.1 WYPF will support employers and actively seek to promote the Local Government Pension Scheme by:

- a) Providing appropriate technical information, updates, training and assistance on the Fund and its administration.
- b) Arranging biannual Employer forum meeting
- c) Issuing any other such other materials as necessary in the administration of the Scheme
- d) Allowing access to the employer section of the WYPF website ([www.wypf.org.uk](http://www.wypf.org.uk)) and the employer portal of these website to allow for employers to view their members' details and submit relevant notifications.
- e) Reminding employers of their responsibilities
- f) Promptly dealing with queries arising from the submission of monthly contribution returns
- g) Assisting employers with the ill health retirement process for their current and deferred members.

### **4.3 WYPF Responsibilities**

4.3.1 WYPF will ensure the following functions are carried out:

- a) Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point of access for information relating to the LGPS
- b) Create a member record for all new starters admitted to the LGPS
- c) Maintain and update members records for any changes received from the employer
- d) Provide the required data in respect of each member and provide statistical information over the valuation period to the fund actuary at each triennial valuation so that they can determine the assets and liabilities for each employer
- e) Provide every active, deferred and pension credit member with a benefit statement each year
- f) Provide estimate of retirement benefits on request by the employer and member
- g) Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS regulations, members' options and statutory limits
- h) Process all casework in line with the agreed Key Performance indicators (KPIs) as set out in Appendix A of this document

- i) Comply with HMRC and other statutory pensions legislation and regulations
- j) Ensure that members are notified of any decisions made under the regulations in relation to their benefits within 10 working days of the decision being made and ensure that the member is informed of their right of appeal.

#### **4.4 Employer Responsibilities**

##### 4.4.1 Employers are responsible for:

- a) Ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions.
- b) Arranging payment of member and employer contributions to the London Borough of Barnet Pension Fund by the 19th day of the month following the month in which the deductions were made. Where the 19th falls on a weekend or bank holiday, the due date becomes the last working day prior to the 19th. Late payment of contributions will be reported to The Pensions Regulator.
- c) Uploading the monthly contribution schedule to the WYPF Monthly Return Portal also by the 19th day of the month following the month in which the deductions were made. The data should reconcile to the payment made to the relevant fund.
- d) Arranging payment of Additional Voluntary Contributions (AVCs) to the relevant provider within one week of them being deducted.
- e) Providing the information to WYPF in relation to their employees in the Fund, as set out in Appendix B.
- f) Arranging payment of the full amount of the cost of any early retirements within the 30-day payment term stated on the invoice. Interest for late payment will be charged at Bank of England base rate plus 1%.
- g) Keeping the Administering Authority informed of all events or decisions which might affect their participation in the Scheme, including the 'notifiable events' as set out in Appendix C.
- h) Exercising the discretionary powers given to employers by the regulations, including compiling and publishing its policy to employees in respect of the key discretions as required by the regulations. A copy of these discretions should be sent to the WYPF.

#### **4.5 Performance Monitoring**

4.5.1 LBB, as administering authority, will monitor the performance of WYPF on a quarterly basis as set out in Appendix D of this document.

4.5.2 Should LBB determine that the performance levels are not up to the expected levels, this will be discussed with WYPF with the aim for improvement by the next quarterly review.

4.5.3 LBB will report performance at each meeting of the Local Pensions Board and in the Annual Report & Financial Statements.

## **5. WYPF/EMPLOYER LIASION**

5.1 Each employer will nominate to WYPF a contact to administer the three main areas of the Barnet Pension Fund:

5.1.1 a strategic contact for valuation, scheme consultation, discretionary statements and I DRPs

5.1.2 an administration contact for the day-to-day administration of the scheme, completing forms and responding to queries, and

5.1.3 a finance contact for completion and submission of monthly postings and co-ordination of exception reports

5.2 If a third-party organisation provides services for the employer they too can be added as an authorised contact.

5.3 WYPF will issue all contacts will receive a login name and password that allows them to access the WYPF Employer portal for online administration and the combined remittance and monthly return.

## **6. COMMUNICATIONS**

6.1 A Communications Policy has been prepared to meet the objectives about how WYPF and LBB communicate with key stakeholders to the Barnet Pension Fund.

6.2 Key stakeholders include:

6.2.1 Members

6.2.2 Representatives of members

6.2.3 Prospective members

6.2.4 Employing authorities

## **7. COMPLAINTS/INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)**

### **7.1 Complaints**

7.1.1 Any member complaints received by WYPF will be dealt with promptly, with members offered the option of talking further action via an IDRP if they are not satisfied with the resolution.

7.1.2 WYPF will report all member complaints to LBB monthly, but sooner if any input is required from LBB or employers to resolve the issues raised.

7.1.3 Complaints from employers should be sent to WYPF with the Pensions Manager at LBB copied in. Again, the complaint should be dealt with promptly by WYPF with LBB offering to assist with any disputes.

## **7.2 Internal Dispute Resolution Procedure (IDRP)**

7.2.1 Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making.

7.2.2 Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.

7.2.3 WYPF will nominate an adjudicator to deal with appeals at stage one of the IDRP, where the appeal is against a decision the administrator has made or is responsible for making.

7.2.4 The Pensions Manager at LBB will be the adjudicator for stage two of the IDRP.

## **8. CHARGES AND FINES**

### **8.1 Charges to the Employer**

8.1.1 The administrative costs of running the Pension Fund are charged by LBB directly to the Fund. The Actuary takes these costs into account in assessing the employer contribution rate.

8.1.2 LBB will under certain circumstances consider giving written notice to employers under regulation 70(2) of The Local Government Pension Scheme Regulations (LGPS) 2013 because the employer's unsatisfactory performance in carrying out the required functions when measured against levels of performance established within this document. The written notice may include charges imposed by LBB for chasing employing authorities for outstanding information.

8.1.3 If the London Borough of Barnet Pension Fund undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work.

8.1.4 Details of the potential charges are set out in Appendix E.

### **8.2 Fines**

8.2.1 If LBB is fined by the Pensions Regulator, this will be passed on to the relevant employer where that employer's action or inaction caused the fine.

## **9. ADDITIONAL INFORMATION**

9.1 Employers should note that LBB is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. That responsibility rests solely with the employer.

- 9.2 Any overpayment made by the London Borough of Barnet Pension Fund resulting from inaccurate information supplied by the employer shall be recovered by the Fund from the employer.
- 9.3 Employers should note that it is their responsibility to ensure that the correct procedures are followed and that any contractor which is admitted because of a TUPE transfer is aware of their responsibilities and costs in relation to staff.
- 9.4 Employers are responsible for any work carried out on its behalf by another section of their organisation or by a contractor appointed by that organisation (e.g. Payroll and/or HR services).
- 9.5 West Yorkshire Pension Fund and LBB will ensure compliance with the requirements of the Data Protection Act 2018.

Written by: Mark Fox - Pensions Manager, LBB - on behalf of the Administering Authority.

Created: April 2021

## PAS - APPENDIX A - Key Performance indicators (KPIs)

The minimum performance targets are shown below.

Targets apply from the point of receipt by staff of all documents proceed with the transaction from the employer, member and

Type of Work	Working
New Joiners/membership updates -issue letter/certificates	10
General requests for information from members	10
Deferred Benefit On Leaving Calculation complete	10
Pension Estimate despatched to appropriate recipient	7
Refund Calculation completed	10
Refund Payment despatched	5
Transfer Out Calculation complete	20
Transfer Out Payment despatched to appropriate recipient	10
Transfer In Calculation complete	10
Transfer In Payment Received by relevant fund or scheme	10
Pension Set Up - Payment of Lump Sum despatched to appropriate recipient	5
Death in Service - Payment of Death Grant despatched to appropriate recipient	5

**PAS - APPENDIX B - Information to be provided to WYPF by employer's relation to their employees in the Fund**

<b>Event</b>	<b>Preferred method of notification</b>	<b>Other methods available</b>	<b>Target</b>	<b>Acceptable performance</b>
<b>Monthly postings (submitted via secure portal)</b>	Approved spreadsheet	None	19th day of the month following the month in which contributions were deducted	100% compliance of returns received in target
<b>New starters</b>	Monthly return	None	Notified via the monthly return, the administrator will process the data within 2 weeks following monthly return submission	90% compliance or better
<b>Change of hours, name, payroll number, or job title</b>	Monthly return (exception report)	Web form	Notified via monthly returns, the administrator will process the data within 2 weeks following monthly return submission For exception report output from the monthly return, change data response must be provided to the administrator within 2 weeks of receipt of the exception report	90% compliance or better
<b>50/50 &amp; main scheme elections</b>	Monthly return		Notified by the employer via monthly return, the administrator will process the data within 2 weeks following monthly data submission	90% compliance or better



Service breaks/absence	Web form		Within 6 weeks of the date of the absence commencing	90% compliance or better
Under 3 months opt-outs	Monthly return		Notified by the employer via monthly return, the administrator will process the data within 2 weeks following monthly data submission	90% compliance or better
Leavers	Web form	Monthly returns (exception)	Notified by employer submission within 6 weeks of leaving. For exception reports leaver forms must be provided within 2 months of receipt of the exception report.	90% compliance or better
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy	90% compliance or better
Death in service notifications	Web form		Within 3 days of the date of notification	100% of compliance

## **PAS - APPENDIX C – Notifiable events**

Employers should provide information on any circumstances which might affect their future participation in the Fund or their ability to make contributions to the Fund (called "notifiable events").

These include the following:

- A decision which will restrict the employer's active membership in the Fund in the future.  
Examples include:
  - ceasing to admit new members under an admission agreement;
  - ceasing to designate a material proportion of posts for membership;
  - setting up a wholly owned company whose staff will not all be eligible for Fund membership;
  - outsourcing a service which will lead to a transfer of staff
  
- Any restructuring or other event which could materially affect the employer's membership.  
Examples include:
  - a Multi-Academy Trust re-structuring so there is change in constituent academies,
  - the employer merging with another employer (regardless of whether or not that employer participates in the Fund),
  - a material redundancy exercise,
  - significant salary awards being granted,
  - a material number of ill health retirements,
  - large number of employees leaving voluntarily before retirement
  - the loss of a significant contract or income stream
  
- A change in the employer's legal status or constitution which may jeopardise its participation in the Fund. Examples include:
  - the employer ceasing business (whether on insolvency, winding up, receivership or liquidation),
  - loss of charitable status,
  - loss of contracts or other change which means the employer no longer qualifies as an employer in the Fund
  
- If the employer has been judged to have been involved in wrongful trading.
  
- If any senior personnel, e.g. directors, owners or senior officers have been convicted for an offence involving dishonesty, particularly where related to the employer's business.
  
- Where the employer has, or expects to be, in breach of its banking covenant.
  
- Details of any improvement notice (or equivalent) served by the appropriate regulator, e.g. Education Funding and Skills Agency, Office for Students, Charity Commission, Regulator for Social Housing etc, or S114 notice for local authorities.

Employers should provide this information in advance of the event occurring (where possible) or as soon as practicable thereafter

## PAS - APPENDIX D – Monitoring Performance

### London Borough of Barnet (LBB) Pension Fund - Local Government Pension Scheme

#### Monitoring West Yorkshire Pension Fund (WYPF) Performance

LBB Officers will monitor the performance of WYPF against the objectives as outlined in the table below. We will report performance to the Local Pensions Board at each meeting and in the Annual Report & Financial Statements.

<b>Objectives</b>	<b>Measurement</b>
WYPF provides a high quality, proactive and efficient service for both members and employers.	<p>WYPF achieve all service standards (in line with the Key Performance Indicators (KPIs)) as set out in the Schedule 4 of the Collaboration agreement signed between City of Bradford Metropolitan District Council (CBMDC) and LBB (attached below).</p> <p>WYPF receives:</p> <ul style="list-style-type: none"> <li>• at least 90% positive responses from quarterly member satisfaction survey</li> <li>• positive employer feedback with minimal employer complaints.</li> </ul>
WYPF pays accurate benefits.	<p>Positive audit results through internal and external audit and other reviews.</p> <p>Minimal member complaints/IDRPs resulting from incorrect calculation of benefits.</p> <p>WYPF to provide an annual sample of calculations for LBB Officers to spot check the automated calculations on UPM. Types of calculation to be tested to be determined each year. To take place in May/June each year to link in with external audit.</p>
WYPF sets out clear roles and responsibilities for employers	<p>Minimal issues identified as part of monthly data checks and ongoing reconciliations when monthly returns received by WYPF. All issues resolved within 2 months.</p>
WYPF identifies, mitigates and monitors potential risks to the Fund and employers	<p>WYPF to update LBB Officers at regular fortnightly “catch up” meetings of any potential issues or identified risks and works with LBB Officers on ways to mitigate risks.</p> <p>Details and actions to feed in the LBB Pension Fund Administration Risk Register presented to the Local Pensions Board at</p>

	each meeting and annually to the Pension Fund Committee.
WYPF puts in place effective governance arrangements to monitor and improve pension administration	<p>Monthly reporting to LBB Officers on any governance issues identified (to be included in Local Pension Board updates) included in Annual Report &amp; Financial Statements.</p> <p>WYPF maintain their ISO9001 accreditation and provide Officers details of the annual external audit.</p> <p>WYPF provide Officers with monthly updates on number of LBB Pension Fund members registered on the WYPF member portal.</p>
WYPF maintains accurate records and communicates all information and data accurately, and in a timely and secure manner	<p>Minimal issues identified as part of monthly data checks and ongoing reconciliations. All issues resolved within 2 months.</p> <p>No breaches of data security protocols.</p> <p>Positive audit results through internal and external audit and other reviews.</p> <p>Annual target for common data score - 95% or better (in line with TPR expectations).</p> <p>Annual improvement in conditional data score (base limit is 27% in 2020).</p> <p>Annual test of data using Hymans data portal to check data quality for valuations etc. All data errors from previous year corrected and continued reduction in new data issues</p> <p>Completion of the data improvement plan within agreed timescales.</p> <p>WYPF maintain their ISO27001 accreditation and provide Officers details of the annual external audit.</p>
WYPF uses appropriate technology and best practice to continually improve the quality of service	WYPF to update Officers on progress on update their member portal to allow members to obtain estimates.
Communication between WYPF and LBB Officers	<p>WYPF to participate in fortnightly meetings with LBB Officers and ensure timely completion of actions outstanding to them.</p> <p>LBB Officers to be invited to Management Review meeting with other WYPF LGPS clients. No major issues identified that have an impact on the administration of the</p>

Where LBB Officers identify areas of improvement from benchmarking or performance monitoring, the Head of Governance and Business Development will be responsible for putting in place a work plan to make the improvements.

Future reports to both the Local Pensions Board and Pension Fund Committee will consider the measurements set out in this document, which will be shared with both bodies.

PAS - APPENDIX E - CHARGES

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Performance areas	Reason for charge	Bas
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Acti (adm mar inpt
2. Contributions to be paid anytime but latest date by 19th of month (weekends and bank holidays on the last working day before 19th)	Due by 19th month – late receipt of funds, plus cost of additional time spent chasing payment.	Nur bas
3. Monthly return due anytime but latest by 19th month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Fail info rest adm Offi leve

Page view | Read aloud

5. Early leavers information	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report.	Failu infor resul admi
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failu infor resul admi level
7. Death in membership	Due within 3 working days of the notification – additional work caused by	Failu infor resul

9. Re-issue of invoices

Charge based on number of request.

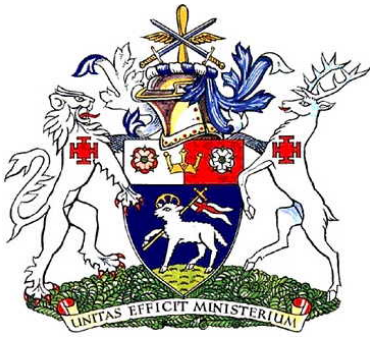
Additional work caused by reproducing invoices will result in admin charge (at

— + (°) ☐ | Page view | A<sup>Ⓝ</sup> Read aloud

		pens
10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify the administrator of change in authorised officers list.	Failu addit admi l).
11. Security breach on system re data	Recharge employers any fines imposed	Actu:

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AGENDA ITEM 9

## Pension Fund Committee

11 January 2024

<b>Title</b>	Pooling Update
<b>Date of meeting</b>	11 January 2024
<b>Report of</b>	Executive Director of Strategy & Resources (S151 Officer)
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	Appendix A – LGPS Investment Consultation Government Response – Summary
<b>Officer Contact Details</b>	David Spreckley, Head of Pensions and Treasury – <a href="tel:02083596264">020 8359 6264</a> – <a href="mailto:david.spreckley@barnet.gov.uk">david.spreckley@barnet.gov.uk</a>

### Summary

This report provides an update on pooling, namely the Government’s response to the LGPS Investment Consultation published on 22 November 2023.

The Government lays out a number of key policy objectives and its commitment to further pooling and delivering greater efficiencies through economies of scale. The key immediate action will be for the Fund to develop a plan to develop as much “liquid” assets to the pool by March 2025 as possible, and where this is not possible to explain why.

The Fund has taken significant steps to increasing its pooled assets over the last 12-months and looks forward to working collaboratively with the London CIV to increase the level of pooled assets over the next 12-months.

### Recommendations

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

## 1. Reasons for the Recommendations

- 1.1 On 22 November 2023 the Government issued its response to the LGPS Investment Consultation. The full response can be accessed [here](#).
- 1.2 Barnet’s response to the initial consultation (which includes links to the initial consultation material) can be accessed through the 2 November 2022 Pension Fund Committee paper linked [here](#).
- 1.3 This report sets out:
- The key points of the Government’s response (and key next steps); and
  - How the Government response relates to the “six recommendations” we made through our response
  - A summary of the Government’s response (Appendix A)

### Key Points

- 1.4 All “liquid assets” to be moved to pool by 1 April 2025 – effectively “comply or explain” why not complied. *Barnet advocated accelerated transition within its response and will work up a plan with LCIV and Hymans to achieve this goal (or explain why we cannot)*
- 1.5 Further guidance on more consistent reporting for LGPS Funds. *Barnet advocates this and will engage with both SAB and LCIV on how reporting can be made more efficient and useful.*
- 1.6 Government objective for fewer larger pools by 2040. This suggests an ambition of four pools which would require merger of existing pools. *This aspect gained most headlines, but is consistent with what the Government has indicated for pooling over several years now and so should not be a surprise to the LGPS community.*
- 1.7 Guidance to follow on how Funds reflect government aims for 5% towards Levelling-up and 10% towards Private Equity. *We await the guidance with interest, but this is potentially an exciting opportunity for the Committee to think more broadly and creatively about its investment objectives.*
- 1.8 Points that were referenced in our response that were not addressed:
- Recognition that there is a diverse employer base and that the pooling structure should be flexible enough to cope with this
  - Acknowledgement of possibility of concentration risk from having too many pools and to review this
  - Explicit recognition of whether a Fund could allow for a Levelling Up dividend in decision making, although oblique references were made to this (although see item 2. Within table below)
- 1.9 A summary setting out Barnet’s six recommendations made within its consultation response relative to the Government’s response is set out in the table on the next page:

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**Barnet Recommendation**

**Outcome**

<p>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</p>	<p>The response from Government overwhelmingly supports this approach with regulations and guidance potentially allowing Pool’s to take a more active role in delivering investment strategy and a stated goal of moving to fewer larger scale pools by 2040.</p>
<p>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</p>	<p>Whilst not addressed directly, there are three very interesting points made in the consultation response which relate to this:</p> <p>Paragraph 129</p> <p><i>“Member benefits are guaranteed in statute and are unaffected by the performance of any LGPS Fund”</i></p> <p>Paragraph 131</p> <p><i>“There may be an indirect benefit to protected groups who live in deprived areas which benefit from levelling up investments”</i></p> <p>Paragraph 94</p> <p><i>“.....[levelling up investments] are generally expected to provide good returns but may include investments with lower returns made under existing guidance on non-financial factors in investment.”</i></p>
<p>3 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</p>	<p>Tangentially recognised in relation to Levelling Up investments (Para 81) “we recognise that some levelling up investments in local projects may be below the necessary scale to attract pool investment”.</p>
<p>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</p>	<p>We believe this has been indirectly recognised by allowing Pool’s to deliver investment strategy through delegation.</p>
<p>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</p>	<p>This point was not addressed at all within the Government’s response. We may wish to ask DHULC why this point has not been addressed as, in Officers view, this risk could be significant.</p>

<p>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</p>	<p>Not addressed directly.</p> <p>We should work with the London CIV to see how we can drive greater efficiency through investment in central reporting tools.</p>
<p><b>2. Alternative Options Considered and Not Recommended</b></p>	
<p>2.1 Not applicable in the context of this report.</p>	
<p><b>3. Post Decision Implementation</b></p>	
<p>3.1 None</p>	
<p><b>4. Corporate Priorities, Performance and Other Considerations</b></p>	
<p><b>Corporate Plan</b></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><b>Corporate Performance / Outcome Measures</b></p> <p>4.2 Not applicable in the context of this report.</p> <p><b>Sustainability</b></p> <p>4.3 Not applicable in the context of this report.</p> <p><b>Corporate Parenting</b></p> <p>4.4 Not applicable in the context of this report.</p> <p><b>Risk Management</b></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><b>Insight</b></p> <p>4.7 Not applicable in the context of this report.</p> <p><b>Social Value</b></p> <p>4.8 Not applicable in the context of this report.</p>	
<p><b>5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)</b></p>	
<p>5.1 Effective investment management is key to the sustainability of the Pension Fund.</p>	

<b>6. Legal Implications and Constitution References</b>	
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.
<b>7. Consultation</b>	
7.1	Not applicable in the context of this report.
<b>8. Equalities and Diversity</b>	
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 <a href="#">Public Sector Equality Duty</a> 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.
<b>9. Background Papers</b>	
9.1	A more comprehensive update on pooling was provided at the 4 July 2023 Pension Fund Committee meeting (papers linked <a href="#">here</a> )
9.2	A further paper setting out Barnet’s initial consultation response can be accessed <a href="#">here</a>

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## Appendix A - LGPS Investment Consultation

### ChatGPT summary (edited by Head of Pensions and Treasury)

#### Source response [linked](#)

- 1.1 The consultation closed on October 2, 2023, with 152 responses received from various stakeholders.

### Pooling Structure and Direction

- 1.2 The government's focus on asset pooling within the Local Government Pension Scheme (LGPS) aims to enhance efficiency, value for money, and responsible investment. It seeks accelerated consolidation of LGPS assets to achieve scale, promoting collaboration among existing pools. While acknowledging positive responses to this direction, concerns were raised by respondents about the potential negative impacts of reducing the number of pools, including transition costs and administrative burdens.
- 1.3 The government proposes a long-term goal of achieving fewer pools with assets under management averaging £200 billion, aligning with estimates that the LGPS could reach around £950 billion in assets by 2040. However, the government emphasizes a collaborative approach and encourages pools to consider specialization and build on existing strengths to deliver the benefits of scale.
- 1.4 The consultation also addresses the timetable for asset transition, proposing a deadline of March 2025 for liquid assets to be transferred to pools. Responses varied, with concerns about the feasibility of the timeline and potential market impacts. Despite opposition, the government intends to proceed with the deadline, emphasizing the need for a significant shift to realize the full benefits of pooling.

### Governance and Training

- 1.5 Governance and decision-making are critical components, with the government proposing a model emphasizing delegation of strategy implementation and manager selection to pools. Responses were mixed, with concerns about conflicts of interest and the clarity of responsibilities. The government plans to revise guidance to encourage this model, recognizing the importance of effective governance in achieving the benefits of scale.
- 1.6 Training for pension committee members received overwhelming support, with a proposed requirement for administering authorities to have a training policy. Respondents highlighted the potential benefits of increased knowledge and skills among committee members for informed decision-making.
- 1.7 The government aims to improve transparency through standardized reporting on asset allocation, pooling progress, and savings achieved. While respondents generally supported these proposals, concerns were raised about benchmarking returns, leading the government to reconsider and allow funds to report performance against a benchmark of their choice.

- 1.8 Expanding the Scheme Annual Report to include pooling progress and asset allocation received strong support, with stakeholders recognizing the value of consistent reporting across all funds.

### **Levelling Up**

- 1.9 The government restressed its ambition, outlined in the Levelling Up White Paper (LUWP), to utilize Local Government Pension Scheme (LGPS) funds to support projects aimed at reducing regional disparities in the UK. The goal is to invest up to 5% of assets under management (AUM) in projects fostering local development and equality.
- 1.10 The proposed definition of levelling up investments requires contributions to LUWP missions and support for any UK local area. While 64% of responses supported the broad definition, concerns were raised about vagueness and interpretational issues. Some respondents suggested clarity on "measurable contribution" and the term 'local', with considerations for prioritizing deprived areas or supporting the transition to renewable energy.
- 1.11 The government welcomes the positive response but acknowledges the need for additional clarity. It maintains the importance of a broad definition, allowing flexibility for administering authorities to collaborate with fund managers. The concept of "levelling-up bonds" is acknowledged but not deemed necessary. Authorities are encouraged to work with pools for due diligence, though small-scale projects may fall outside pool investments.
- 1.12 Regarding the ability of funds to invest through their own pool in another pool's investment vehicle, 65% of responses supported the proposal. The government emphasizes the benefits of increased collaboration, access to specialized expertise, and a broader range of investment products. However, concerns about potential conflicts of interest are noted, and the preference is for investments to be made through one's own pool.
- 1.13 Regarding the requirement for LGPS funds to publish plans for increasing local investment, opinions were divided, with 53% opposed and 25% in favour. Concerns centred around fiduciary duties, potential impact on investment quality, and the necessity of the proposed plan. The government responds by revising guidance to mandate a plan to invest up to 5% in levelling up projects within a diversified strategy.
- 1.14 Regarding proposed reporting requirements, 42% were opposed and 37% in favour. The government acknowledges concerns about the reporting burden and proposes phased implementation over a three-year period. Annual reports will include progress against plans with an emphasis on best endeavours and collaboration with stakeholders for effective reporting templates.

### **Private Equity**

- 1.15 The government suggested a doubling of the current allocation into private equity, with an ambition for LGPS funds to invest 10% of their assets in private equity as part of a diversified portfolio. The aim was to drive investment, enhance returns, incentivize UK company growth, and seize future opportunities.



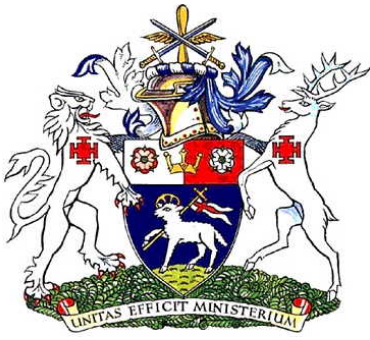
- 1.16 However, the summary of responses indicates that 84% of the 144 respondents opposed the proposal. Concerns primarily centred around a perceived conflict with fiduciary duties, the appropriateness of a government ambition, the higher risk associated with private equity, and potential impacts on investment costs and liquidity. Respondents also debated the definition of private equity, with some suggesting a broader inclusion of private markets investments, including private debt.
- 1.17 The government's response emphasizes its commitment to unlocking capital for growth businesses, improving pension fund returns, and reforming the pensions landscape. It sees the LGPS, with its long-term time horizon, as well-placed to benefit from potentially higher-return but more illiquid investments. The government clarifies that the 10% ambition does not mandate investment; it sets a guideline for funds to consider private equity opportunities within their diversified investment strategies.
- 1.18 The government acknowledges the importance of private markets, including private debt, and stresses that LGPS funds have the autonomy to decide on other appropriate investments in line with their risk management and fiduciary responsibilities.
- 1.19 Regarding collaboration with the British Business Bank (BBB), the government received 128 responses, with 57% supporting the proposal. Respondents recognized the BBB's effectiveness but expressed concerns about its short track record. The government's response includes plans to encourage LGPS pools to strengthen partnerships with the BBB to explore opportunities in venture capital and growth equity. The BBB is also exploring the possibility of a government-led investment vehicle to facilitate pension fund investments into high-growth companies.
- 1.20 In conclusion, the government remains committed to the 10% private equity ambition, emphasizing its non-binding nature and the need for a balanced risk-return approach by LGPS funds. Collaboration with the BBB is encouraged as part of efforts to support and achieve the proposed investment goals.
- 1.21 The Consultation acknowledges that this is an ambition rather than a target. Officers will consider how this ambition can be incorporated within the Fund's future Investment Strategy Statement.

### **CMA alignment, definition of investments and equalities impact**

- 1.22 This response addressed proposed amendments aligning LGPS fund requirements with the 2019 CMA order, focusing on setting strategic objectives for investment consultants. Of 118 responses, 94% support the proposal, citing transparency, accountability, and consistency. Some concerns were raised about exempting pool companies owned by LGPS funds and the status of independent advisers. The government plans amendments to LGPS regulations, extending objectives to all providers, including pools. Revised guidance will also be prepared which will address the concerns raised
- 1.23 The consultation proposed technical changes to the Local Government Pension Scheme (LGPS) definition of investments. The amendment aims to address an inconsistency identified in the 2016 regulations by adding the term 'partnership' to regulate unquoted securities investment partnerships. The majority (89%) of the 83 responses supported the change, citing its potential to clarify regulations and eliminate

ambiguity. The government intends to implement the amendment, emphasizing consistency and clarity.

- 1.24 The response towards Public Sector Equality Duty was interesting. Of the 152 responses, 7% identified potential effects on specific groups. Concerns were raised about LGPS benefits and why an Equality Impact Assessment was not conducted. The government's response clarifies that member benefits are statutorily guaranteed, unaffected by LGPS fund performance. The proposed reforms are not expected to adversely impact protected groups, with potential indirect benefits for those in deprived areas through levelling up investments.



## Pension Fund Committee 11 January 2024

<b>Title</b>	Responsible Investment Update
<b>Date of meeting</b>	11 January 2024
<b>Report of</b>	Executive Director of Strategy & Resources (S151 Officer)
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	None
<b>Officer Contact Details</b>	David Spreckley, Head of Pensions and Treasury – 020 8359 6264 – <a href="mailto:david.spreckley@barnet.gov.uk">david.spreckley@barnet.gov.uk</a>

### Summary

This report provides an update on the actions we have taken to further progress the Fund's NetZero strategy, specifically, we have investigated what a "Paris Aligned" Fund means in practice and the options for us to pursue this type of Fund for our equity holdings and we have started to explore Nature Based Assets in partnership with the London CIV and other Investment Managers.

### Recommendations

**The Committee is asked to note the contents of this report and the progress made towards NetZero.**

## 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, in theory, align its investments with climate-friendly objectives and work towards achieving a nearly zero carbon footprint by the year 2030.
- 1.2 Details of this model were set out within our Responsible Investment paper shared at the 2 November 2023 Pension Fund Committee meeting.
- 1.3 Our Model Portfolio has informed two workstreams:
  - First, seek to 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.

### Paris Alignment

- 1.4 The 2015 COP21 Paris Climate Summit aimed to generate momentum towards tackling climate change, and as a result the idea that companies and organisations should take responsibility to cut emissions was developed. This has led to a framework for companies/organisations to cut emissions in a practical way.
- 1.5 The framework also set out three actions that companies/organisations must do in order to align themselves with the agreement:
  - Stabilising Greenhouse gases at a level which will increase global temperature below 2°C by 2050.
  - Increasing the ability of countries to adapt to climate change.
  - Ensuring finance flows to support climate-resilience and low-carbon development.

### What is a Paris Aligned Fund

- 1.6 A Paris Aligned Equity Fund would set its allocation against a "Paris Aligned" Benchmark, which is defined by the EU as "where the underlying assets are selected in such a manner that the resulting benchmark portfolios greenhouse gas emissions are aligned with the long-term global warming target of the Paris Agreement and is also constructed in accordance with the minimum standards laid down in the delegated acts."
- 1.7 These funds will invest in equities of companies that either, have a low or reducing carbon intensity or are delivering solutions to tackle the challenge of climate change.
- 1.8 In general, Sectors such as the Financial Sector and / or Technology Sectors tend to score well against these measures. As these Sectors have a "growth" tilt, Paris Aligned Funds also tend to have a "growth" tilt – i.e. companies that are more bias towards growing beyond their fundamental value. For this reason, it can be challenging to develop a Paris Aligned Fund that has a "Value" tilt, i.e. companies where there is a tangible nature to their value, either through the strength of their balance sheets or due to the capabilities around production, although the RAFI proposal covered in 1.12 to 1.14 is an attempt to offer a "value" Paris Aligned fund.

## Real World Impact and Investment case for investing within a Paris Aligned Fund

1.9 Whilst investing in Paris Aligned funds would help reduce the Fund's Carbon Emissions, the Committee should also seek to understand the investment case for switching investments in this way and what the Real World impact is from making the change is.

### How do our equity Funds currently comply with Paris Alignment

1.10 The table below summarises are current allocation to equities, their general style, whether they are Paris Aligned and whether there is an alternative we could explore:

Fund	AUM 30/09/2023	Style	Paris Aligned?	Possible Alternative?
Future Worlds	£196.7m	Growth tilt	No	LCIV PEPPA (see 1.10 and 1.11 below)
RAFI	£93.5m	Value tilt	No	RAFI Global Low Carbon Transition Index (see 1.12 to 1.14 below)
Sustainable Exclusion	£39.6m	Growth tilt	No	N/A given ESG focus? <i>ESG focused fund</i>
Emerging Markets	£65.5m	Growth tilt	No	EM Paris Aligned Funds are less developed

### Spotlight on LCIV Passive Equity Progressive Paris Aligned (PEPPA) Fund

1.11 LCIV launched the PEPPA fund in late 2021, with the aim of tracking the S&P Developed Ex-Korea Large MidCap Net-Zero 2050 Paris Aligned ESG Index (GBP). The benchmark/index is based on the S&P Developed Ex-Korea LargeMidCap Index, weighted to be collectively compatible with a 1.5°C global warming climate scenario, and aims to meet the requirements of the EU Paris Aligned Benchmark standard.

1.12 The benchmark brings about a 7% CO2 reduction year-on-year, with exclusions on fuels and fossil-fuels and limits on how companies produce their energy. LCIV consider the benchmark to be more ambitious than other Paris Aligned indices, not only as it aims for the 1.5°C increase but as it also brings in an element of green revenues (funding transition of companies from brown to green energy). LCIV also feel the benchmark provides good quality data from TruCost, which captures data in a robust and meaningful way and they also note the stewardship aspect of the PEPPA fund, where individual investors can vote on the holdings of the fund.

### Spotlight on potential RAFI index

1.13 The RAFI Fundamental Low Carbon Transition Index strategy provides the benefits of RAFI's Fundamental Index approach, while offering investors a pathway to net neutral emissions through an immediate 30% reduction in carbon-intensity level relative to the market and additional 7% reduction each year. Security weights are determined by using fundamental measures of company size (adjusted sales, adjusted cash flow, dividends + buybacks, and book value + intangibles) rather than price (market cap).

1.14 RAFI achieves this by taking the underlying RAFI Fundamental Index and adapting it to achieve Carbon reduction objectives. These objectives are to exclude coal related companies and those

who produce controversial weapons. In addition, we started with a carbon intensity 30% below the market and this self decarbonizes by 7% each year going forward.

- 1.15 The adjustment uses an algorithm to adjust all the companies weights up or down depending on their carbon intensity score. More efficient companies within a region and sector get an uplift at the expense of those that are less carbon efficient. This algorithm runs multiple times until carbon intensity is reduced in line with the target.

### **Focus on Natural Capital**

- 1.16 Since the last Pension Fund Committee meeting Officers and the Chair have had several meetings with third parties to build understanding and explore whether Natural Capital is an investable area for the Fund. Recall that our Model Portfolio suggests an allocation of 10% towards Nature Based solution.

### **A summary of specific actively is set out below:**

- 1.17 **7 November** – London CIV hosted an excellent Natural Capital workshop delivered by Redington. The output from this workshop is accessible on the London CIV’s portal as a seven-part MP4 downloadable video and we would encourage all Committee members to consider building into their wider professional development programme.

The parts covered are:

Part 1 - What is Natural Capital

Part 2 - Demystifying Carbon Credits

Part 3 - Deep Dive into Natural Based Solutions

Part 4 - How Forestry Investment works

Part 5 - Sustainable Agriculture

Part 6 - Nature Based Credits

Part 7 - The Blue Economy

The sessions can be accessed via the London CIV portal at [www.londonCIV.org.uk](http://www.londonCIV.org.uk). This workshop was a precursor to a Fund that London CIV are looking to develop around Natural Capital and Barnet are an active participation in terms of initial discussions on this Fund.

- 1.18 **8 November** – Room151 Investment Forum. David Spreckley amongst a Panel of four discussing Natural Capital. Room151 article including quotes from David Spreckley can be accessed [here](#).
- 1.19 **14 November** – David Spreckley meeting with Stafford Timberland. Discussions centred on Stafford’s approach, but also considered how Timberland sequestration could generate yield from the Carbon Credits and the opportunities and risks that potentially arise from this.
- 1.20 **21 November** – London CIV initial seed investor group meeting for forthcoming Natural Capital Fund. Cllr Radford and David Spreckley attended. Positive discussions on shape of future fund but acknowledgement that much training and work required before the Fund could be investable.
- 1.21 **23 November** – David Spreckley meeting with Federated Hermes. Discussions around Federated Hermes approach to Timberland investment, but also considered wider Carbon Credit market and risks and opportunity around this.

- 1.22 **6 December** – Head of Pensions and Treasury and Cllr Radford meeting with Gresham House. Discussions on GH approach to Timberland and considering investment opportunity (demand / supply drivers) and regulatory drivers around Carbon Credit market.
- 1.23 This will be an area we will continue to focus on during early 2024 and we encourage all Committee members to start reading widely around this new and emerging asset class.

### Model Portfolio

1.24 For reference a summary of our Current and NetZero Model Portfolio is provided in the table below.

	Current	Model
<b>Equity</b>	25%	25% <i>Paris Aligned</i>
<b>Private Equity</b>	5%	5% <i>Paris Aligned</i>
<b>Fixed Income</b>	30%	40% <i>Paris Aligned</i>
<b>Property</b>	6%	10% <i>Paris Aligned</i>
<b>Infrastructure</b>	8%	0%
<b>Asset Backed Securities</b>	23%	0%
<b>Renewable Infrastructure</b>	3%	10%
<b>Natural Capital</b>	0%	10%
<b>Expected Return (20 years relative to cash)</b>	3.7% p.a.	3.7% p.a.
<b>Variance (1 year)</b>	12.1%	12.8%
<b>Emissions (2030)</b>	225 KtCO2	0 (NetZero)
<b>Emissions (2050)</b>	100 KtCO2	-33 KtCO2

## 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**

The Council's Constitution – Part 2B section 15.1 includes within the responsibilities of the Pension Fund Committee. 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:

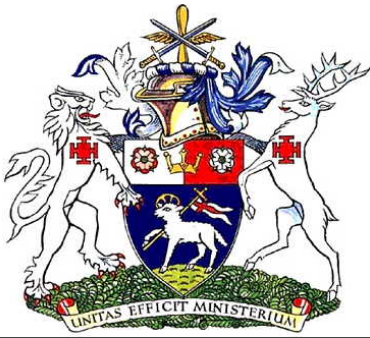
January 2023

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

July 2023

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

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## Pension Fund Committee

<b>Title</b>	Policies and Procedures Report
<b>Date of meeting</b>	11 January 2024
<b>Report of</b>	Executive Director of Strategy & Resources (S151 officer)
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	Appendix A - Summary of the Policies and Procedures for the London Borough of Barnet Pension Fund
<b>Officer Contact Details</b>	Mark Fox, Pensions Manager – 0208 359 3341 – <a href="mailto:mark.fox@barnet.gov.uk">mark.fox@barnet.gov.uk</a>

### Summary

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

### Recommendations

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

## **1. Reasons for the Recommendations**

- 1.1 The Pension Fund Committee has a responsibility to *“approve and act in accordance with statutory Pension Fund documents”*:
- Statement of Investment Principles (now referred to as the “Investment Strategy Statement)
  - Funding Strategy Statement
  - Governance Policy Statement
  - Pension Administration Strategy
  - Communication Policy Statement
- 1.2 Appendix A sets out the policies and processes that are currently in use by the Fund. Most of these polices are required by legislation.
- 1.3 The LBB Pensions Team have reviewed these documents and determined the frequency that these polices will be reviewed and the date of the next review.
- 1.4 Following a review of a policy by the LBB Pensions Team, the policies will be presented to the Committee for approval.
- 1.5 Three polices were updated and approved in 2023, with the Contributions Review Policy currently in a consultation process, with the Committee being asked to approve at their extraordinary meeting in February.
- 1.6 Policies will be reviewed as set out in Appendix A, but should any change in legislation or regulations, they will be reviewed and updated prior to the date shown in the appendix.

## **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. Good governance is essential to managing the risks 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 Under the Council's Constitution Part 2B Section 15.1 of 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

## APPENDIX A

### POLICIES AND PROCESSES FOR THE LONDON BOROUGH OF BARNET PENSION FUND

LGPS Policy	Regulation	Date approved by Pension Fund Committee	Period for review	Date last updated	Date for next review
Funding Strategy Statement	Regulation 58 of the LGPS Regulations 2013	<b>March 2023</b>	Triennial	March 2023	March 2026 - as part of the valuation process
Administration Strategy Statement	Regulation 59 of the LGPS Regulations 2013	n/k	Biennial	May 2021	February 2024
Governance & Compliance Statement	Regulation 55 of the LGPS Regulations 2013	n/k	Annual	Dec 2017	March 2024
Investment Strategy Statement	Regulation 7 of the LGPS Investment Regulations 2016	<b>September 2023</b>	Annual	September 2023*	September 2024
Deferred Debt & Debt Spreading Agreement Policy	Regulation 64(7A) and Regulation 64B of the LGPS Regulations 2013	October 2021	Biennial	October 2021	June 2024
Contribution Review Policy	Regulation 3 of the LGPS (Amendment) (No. 2) Regulations 2020	December 2021	Biennial	<i>December 2023 ~</i>	March 2026 - as part of the valuation process

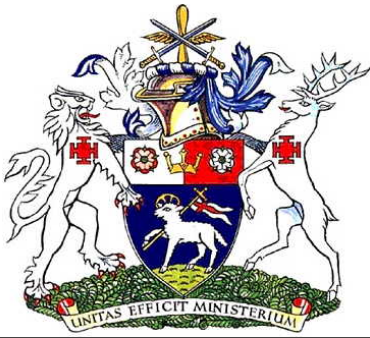
LBB Employer Discretions Policy	Regulation 60 of the LGPS Regulations 2013	n/k	Annual	September 2021	May 2024
Reporting Breaches procedure	Section 70 of the Pensions Act 2004	n/k	Biennial	June 2021	April 2024
Communication Policy	Regulation 61 of the LGPS Regulations 2013	n/k	Annual	<i>January 2024 #</i>	December 2024
Admissions and Cessations policy	n/a	<b>November 2023</b>	Triennial	November 2023	November 2026
Overpayment Recovery Policy	n/a	n/a	Triennial	December 2019	July 2024-23

\*The ISS can be modified in between full reviews.

~ The updated Contribution Review Policy has been reviewed and the Committee will be asked to approve at their meeting in February 2024.

# The Communication Policy is subject to approval from the Committee at the January 2024 meeting.





## Pension Fund Committee

<b>Title</b>	Administration Performance Report and update on other administration and legislative matters
<b>Date of meeting</b>	11 January 2024
<b>Report of</b>	Executive Director of Strategy & Resources (\$151 officer)
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	Appendix A - London Borough of Barnet Pension Fund Communication and Engagement Policy (draft)
<b>Officer Contact Details</b>	Mark Fox, Pensions Manager – 0208 359 3341 – <a href="mailto:mark.fox@barnet.gov.uk">mark.fox@barnet.gov.uk</a>

### 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

1. That the Pension Fund Committee note the current performance levels by WYPF and updates on other administration and legislative matters.
2. That the Pension Fund Committee approve the new draft Communication and Engagement Policy attached in Appendix A.

## **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.

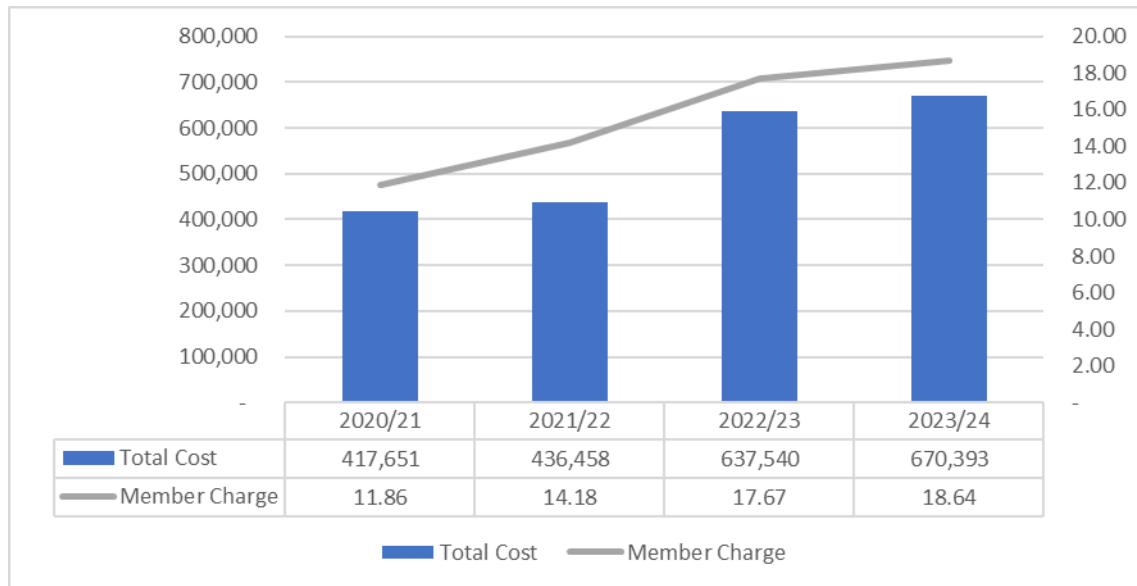
### **WYPF Performance**

- 1.2 In November, WYPF processed **1,019** cases with **c91%** cases being completed within the agreed Key Performance Indicators (KPIs) targets. These figures remain consistent with the last few months. WYPF work in progress levels remain high and this is expected to continue as they review and work through the cases affected by the McCloud judgement.
- 1.3 The LBB Pensions Team (“the Pensions Team”) monitor WYPF performance monthly and the Local Pensions Board were updated on administration performance at their meeting on 18 December 2023.
- 1.4 The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received remains very low. There is currently one stage 1 IDRP case and one stage 2 case. There are two outstanding cases with The Pensions Ombudsman (TPO) which have been responded to and we are waiting their decision.
- 1.5 Two members have accepted compensation of £500 each offered from the Pension Fund due to maladministration. 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.
- 1.6 Member Newsletters for all fund members are due to be issued in December 2023. Members of the Committee will be sent a copy for the newsletter for information.
- 1.7 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.
- 1.8 The Pensions Team have started the review of WYPF’s performance against the criteria in the Administration Strategy, as mentioned at the last Committee meeting in November 2023. The results of this review will be provided to the Committee at the next meeting in April.

### **WYPF Fees**

- 1.9 The Pensions Team recently met with WYPF to discuss and get a better understanding of their fee (which is the largest fee of any Fund supplier).
- 1.10 As per the contract with WYPF, the fee is based on a share of total costs in proportion to the Barnet Fund membership relative to the other shared service partners. This is generally presented back as a per member charge, which is the same for each shared service partner and for each category of membership.
- 1.11 Therefore, the costs will increase to the extent WYPF overall costs increase and/or the Barnet Fund proportion of membership increases relative to the other shared service partners.

1.12 The table below shows the increase in fees since November 2020:



The fees have increased significantly. The Barnet membership numbers have increased by c5% since November 2020.

1.13 We understand that the 2020/21 fee was based on an artificially low approximated membership number, which was “trued up” for the 2021/22 fee.

1.14 WYPF have advised that the reasons for the increases in their costs are due to:

- Staffing costs have increased as WYPF have become fully resourced.
- IT costs – WYPF have invested in updating their systems and servers.
- Pandemic – additional costs were incurred because of the pandemic and the requirement for WYPF to provide staff with the tools needed to work from home.
- Costs have also increased due to inflationary pressures.
- Costs in relation to the McCloud judgement.

1.15 We are broadly satisfied with the reasons given by WYPF but are concerned costs will continue to rise. WYPF have advised that they expect for costs to increase in line with inflation going forward.

1.16 We will continue to review and speak to WYPF regarding their fees.

### Annual Benefit Statements (ABS's)

1.17 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.

1.18 WYPF continue to work to get the remaining statements issued and as of 13 December, 99.2% of ABSs had been issued with 52 members still to receive a statement.

## Data Improvement Plan

- 1.19 WYPF continue to provide monthly data quality update reports to the Pensions Team showing progress in updating data issues. Initially, there were **c28,500** data items that needed to be reviewed and updated. As of 14 December, this number had reduced to **c6,850**.
- 1.20 WYPF had previously identified ten areas of data with the largest number of issues that need correcting and to date, two of the ten areas of data have been completed. The third area of data correction relating to members' Guaranteed Minimum Pensions (GMPs) is nearly complete and this will account for nearly 3,000 items of data that needs updating.
- 1.21 Following the completion of the GMP work, WYPF will then work on updating addresses and postcodes. This is likely to start in early 2024. There are c940 members where there is either an incorrect or no address held.
- 1.22 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.
- 1.23 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.
- 1.24 The common data score for December 2023 was **96.3%** which is above the TPR target. For conditional data, the score was **87.3%**, 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.
- 1.25 In recent Committee meetings, the Pensions team have discussed their investigations into the £50million data experience issue identified by the Fund Actuary in the 2022 valuation report. On further review, the Pensions Team have identified three potential scenarios as to cause of this issue and one of these scenarios will involve undertaking further analysis of the data. We will update the Committee of the results of this analysis and further considerations on how this issue is taken forward at the next Committee meeting.

## Historical Leavers

- 1.26 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**.
- 1.27 As of 1 December, this number had reduced to **309**, of which **139** are leavers who left before 1 November 2020 when WYPF took over the administration of the Fund.
- 1.28 The Pensions Team are working with WYPF, employers and their payroll providers to get the remaining cases processed. These cases tend to be more complex and take longer to get the correct data before a leaver notification can be sent to WYPF.
- 1.29 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 **92** 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**

- 1.30 The Department for Work and Pensions (DWP) announced a delay to the Pensions Dashboard Programme in March, which was described as a “reset”.
- 1.31 The Government has set an ultimate deadline of 31 October 2026, and it has now been confirmed that proposed staging date for public service pension schemes will be **30 September 2025**.
- 1.32 The Pensions Team will continue to monitor and report back to the Committee at future meetings with any updates.

## **Finance Update**

- 1.33 Between April and November 2023, the fund has received **£36.7m** of contribution payments into the funds bank account.
- 1.34 The monthly contribution returns received from employers for the same period only total £36.6m, meaning that £0.1m of the contributions received relate to employers who have not submitted returns or have sent in returns which do not reconcile to the amounts received.
- 1.35 The Pensions Team continue to chase these employers to obtain missing or incomplete monthly returns.
- 1.36 For the contributions split is as follows:
- Employer Contributions – £28.0m
  - Employee Contributions - £7.2m
  - Employee Additional Contributions - £0.2m
  - Employer Deficit Contributions - £1.2m

## **Pension Fund Engagement Strategy**

- 1.37 The Pensions Team have drafted an updated version of the Fund’s Communication and Engagement Policy. This is included as Appendix A.
- 1.38 We would welcome feedback and the approval from the Committee on the revised Policy.
- 1.39 The “Pensions Myth Busting” session for Council staff that was previously going to take place in October has been postponed until January. Members of staff have provided topics that they would like covered and these will be incorporated within the presentation. Staff will also be able to book face to face sessions with the Pensions Team to discuss any personal pension issues or questions they may have.

## **2. Alternative Options Considered and Not Recommended**

- 2.1 Not applicable in the context of this report.

## **3. Post Decision Implementation**

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## 9. Background Papers

9.1 None

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# London Borough of Barnet Pension Fund Communication and Engagement Policy

November 2023

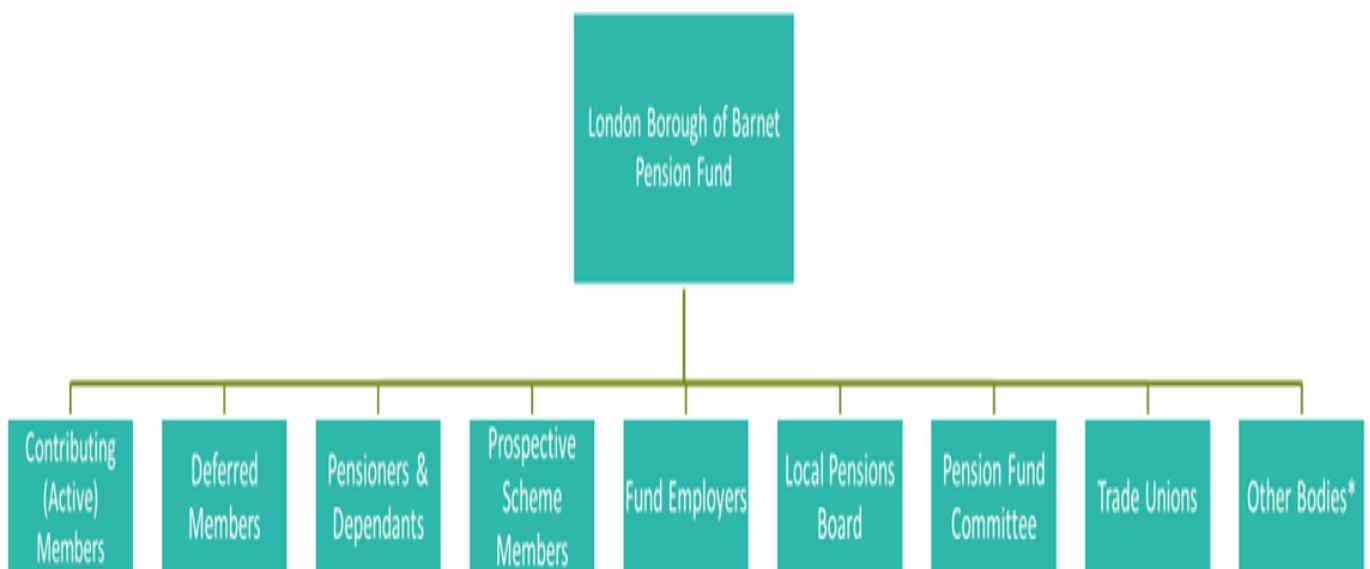
# 1. Introduction

## 1.1 Purpose

- The London Borough of Barnet (LBB) is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the London Borough of Barnet Pension Fund (LBBPF). The LGPS is governed by statutory regulations.
- This document sets out the Communications Strategy of the Administering Authority of the LBBPF as required under the Local Government Pension Scheme Regulations (2013), Regulation 61.
- Regulation 61 requires that the Policy covers:
  - the provision of information and publicity about the LGPS to scheme members, representatives of scheme members and scheme employers.
  - the format, frequency, and method of distributing such information or publicity.
  - the promotion of the LGPS to prospective scheme members and scheme employers.
- LBBPF has a Communication and Engagement Strategy that is used to drive changes to the communication work that the LBBPF undertakes. It outlines LBBPF's aims and objectives when communicating and engaging with all its stakeholders.
- This Communications Policy is a statement of how LBB currently deliver these aims and objectives.

## 1.2 Aims

- The aim of this communications policy is to make sure that all stakeholders are kept informed of developments within the LBBPF. This is to ensure transparency and an effective communication process that will help to maintain the efficient running of the Fund.
- This policy sets out how the Fund will communicate with the following stakeholders and organisations:



\* Other bodies include (but is not restricted to) – the Ministry of Housing, Communities and Local Government (MHCLG), HMRC, DWP, the Pension Fund’s Actuary, Hymans Robertson, Pension Fund Investment Managers and Advisers, The Pensions Regulator (TPR), The Pensions Ombudsman and AVC providers.

### 1.3 Objectives

- The overriding objective of LBBPF communication and engagement is to ensure that it delivers clear, timely and accessible communications to its stakeholders.
- The LBBPF aims to achieve this by delivering communications to its stakeholders which are:

Targeted	Easy to understand	Accessible	Cost effective
<ul style="list-style-type: none"> <li>• delivering clear, accurate and effective communications to each different audience group, in terms of the style of content and the method of delivery.</li> </ul>	<ul style="list-style-type: none"> <li>• providing clear and easy to follow explanations of pension issues, particularly where pension related decisions are being made.</li> </ul>	<ul style="list-style-type: none"> <li>• ensuring that all scheme members and other stakeholders can access the Fund’s services, online content, and communications equally.</li> </ul>	<ul style="list-style-type: none"> <li>• providing value for money by utilising technology to its fullest potential.</li> </ul>

- By communicating in this way, the LBBPF aims to:
  - Communicate in an effective, jargon free, and timely manner to the different groups of customers and stakeholders to enable them to make fully informed pensions decisions.
  - Keep stakeholders informed about the management and administration of the Fund.
  - Keep stakeholders informed about the Fund’s investment portfolio.
  - Consult with key stakeholders on changes to policies and procedures that affect the Fund and its stakeholders.
  - Continually improve the Fund’s communication methods by requesting and analysing feedback.
  - Promote the LGPS as an attractive benefit to members and an important tool in recruitment to employers.
  - Work with employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the Fund.
  - Enable equality of access to Pension Fund communications.
  - Manage information securely to the standards required by the Data Protection Act 2018.

## 2. LBBPF Administration

- The administrators of the LBBPF are West Yorkshire Pension Fund (WYPF) who provide a full administration service, to ensure the smooth operation of the administrative function.
- They can be contacted via the helpline number – **01274 434999** or by email:
  - for members of the Fund – [pensions@WYPF.org](mailto:pensions@WYPF.org)
  - for employers participating in the Fund – [wypf.pfr@wypf.org.uk](mailto:wypf.pfr@wypf.org.uk)
- WYPF have their own website which contains useful information for both members and employers. This can be found at: <https://www.wypf.org.uk/>.
- This website provides access for members to register on their own member portal called “MyPension”, where members will be able to access various documents relating to their membership. This is found at: <https://www.wypf.org.uk/mypension>.
- Employers are also able to register and access an employer portal on the WYPF website, where they will be able to view details of the members and submit contribution schedules and leaver notifications. This can be found at: <https://www.wypf.org.uk/Employers>.
- WYPF work with the LBBPF in relations to communication and engagement with stakeholders and a variety of written, verbal and electronic forms of communication will be used. This includes:

WYPF Website

*My Pension*

Employers Portal

LBB Pensions  
Intranet page

Policy Documents

## 3. General Communication

- The Fund provides scheme members and potential scheme members with information on the benefits of the Local Government Pension Scheme (LGPS) using various mediums.
- All communications should be in a clear and easy to understand style and written communications should use plain English as much as possible.
- When considering how to communicate with stakeholders, the LBBPF will consider the intended audience to ensure that messages are delivered in a useful and easy to follow manner. This may involve using more than one method of communication based on the intended audience, albeit LBBPF will aim to use digital communications where appropriate to do so given the efficiencies and ease of access it provides, as well as it being more environmentally friendly.
- The LBB Pensions Team will consider the use of social media as a form of communication to stakeholders.
- In the longer term, the LBB Pensions Team will look into the impact that AI could have on communication and engagement with the Fund stakeholders.

- LGPS support is available nationally through websites and guidance for both employers and scheme members. This can be found at:
  - LGPS member website: <https://www.lgpsmember.org/>
  - LGPS regulations: <https://lgpsregs.org/>
- LBBPF has its own intranet page which can be found at <https://www.barnet.gov.uk/your-council/finance-funding-and-pensions/local-government-pension-scheme>.
- LBBPF will obtain feedback periodically from different stakeholders and the results will be used to make any changes to this policy.

## 4. Engagement with Stakeholders

### 4.1 Contributing (Active) Members

- Engaging with active pension fund members is crucial for several reasons. Effective engagement helps members understand their retirement benefits, make informed decisions, and ultimately secure their financial future.
- LBBPF will enhance engagement with active pension fund members by:

Communication Method	What and how this will be done?
“Welcome letter”	Produced by WYPF and sent to members when they join the Fund.
Annual Benefit Statement (ABS)	Issued by WYPF on the <i>MyPension</i> portal – showing the pension value as of 31 March each year, projections to retirement age and death in service benefits.
ABS Explanation Video	Produced by the LBB Pensions Team to explain the figures on the ABS.
Pre-retirement courses	Offered to members approaching retirement or thinking of retirement. This is run by Affinity Connect and can be booked <a href="#">here</a> .
<i>MyPension</i>	A secure member portal set up for WYPF for members to access details of their LBBPF benefits and request retirement estimates.
“Drop in” sessions	The LBB Pensions Team will arrange “drop in” sessions at their employer. This could be either a presentation on the LBBPF and/or 1-2-1 sessions to discuss individual pension questions.
1-2-1 chats	The LBB Pensions Team will always be available for 1-2-1 chats with members (primarily via MS Teams) to discuss individual pension issues.
Pension Newsletters	Members will receive two newsletters per year produced by WYPF in the spring and autumn each year.

Pensions Awareness Week	Pensions Awareness Week generally takes place in September each year and WYPF run sessions for members on various pension topics.
Pensions “Myth Busting” sessions with Q&A	The LBB Pensions Team will run biannual “Myth Busting” presentations in person where topics are requested by members are discussed, as well as answering questions from members.

## 4.2 Deferred Members

- Engaging with deferred pension fund members is crucial to ensure they remain informed, satisfied, and connected to their pension plans. Below is how the LBBPF will engage with this cohort of members:

Communication Method	How this will be done?
Deferred Benefit Statement (DBS)	Issued by WYPF on the <i>MyPension</i> portal – showing the pension value as of 31 March each year and projections to retirement age.
Pre-retirement courses	Offered to members approaching retirement or thinking of retirement. This is run by Affinity Connect and can be booked <a href="#">here</a> .
<i>MyPension</i>	A secure member portal set up for WYPF for members to access details of their LBBPF benefits and request retirement estimates.
1-2-1 chats	The LBB Pensions Team will always be available for 1-2-1 chats with members via MS Teams, to discuss individual pension issues.
Pension Newsletters	Members will receive a newsletter annually produced by WYPF in the autumn each year.
Pensions Awareness Week	Pensions Awareness Week generally takes place in September each year and WYPF run sessions for members on various pension topics.
Pensions Webinars	Should there be sufficient demand, the LBB Pensions Team may run webinars with the objective of keeping deferred members up to date on pension issues affecting them.

## 4.3 Pensioners & Dependants

- Engaging and communicating effectively with pensioners and/or dependants in a pension fund is crucial to keep them informed, satisfied, and connected. Listed below are methods of engaging with these members.

- Whilst both WYPF and the LBBPF encourage pensioners and dependants to register on the *MyPension* portal, it is accepted that this group of pension fund members may have a lower number of registrations that active or deferred members.
- As a result, pensioners and dependants can opt out of electronic communications from WYPF and they will receive paper copy of communications instead.

Communication Method	How this will be done?
Payslips	Issued by WYPF, payslips are issued either on the <i>MyPension</i> portal or by paper copy. These are only issued when the net pension differs by £5 per month.
P60's	Issued by WYPF, P60's are issued on the <i>MyPension</i> portal or by paper copy.
1-2-1 chats	The LBB Pensions Team and WYPF will always be available for 1-2-1 chats with pensioners and dependants if they have any queries regarding their pension.
Pension Newsletters	Pensioners and dependants will receive a newsletter annually produced by WYPF in the autumn each year.
Certificate of Existence	Pensioners and dependants may periodically be contacted by WYPF requesting that they complete a Certificate of Existence form.
Pensions Events/Webinars	Should there be sufficient demand, the LBB Pensions Team may run events or webinars with the objective of keeping pensioners and dependants up to date on pension issues affecting them.

#### 4.4 Prospective Scheme Members

- Effective communication is key to engaging prospective pension scheme members. This can be done by providing clear information, so that the prospective member can make an informed decision on whether to join the LBBPF.

Communication Method	How this will be done?
Information included in recruitment documentation	The LBB Pensions Team will work with the LBB Recruitment Team to ensure that the documentation sent to new members of staff is accurate and up to date. The LBB Pensions Team will also work with other employers to ensure that their LBBPF information sent to prospective members is relevant.
Pensions Webinars	Where there a relatively large number of prospective members joining the LBBPF, the LBB Pensions Team will run webinars to promote the benefits of being a member of the LBBPF.
1-2-1 chats	The LBB Pensions Team will always be available for 1-2-1 chats with prospective members to discuss the benefits provided by the LBBPF.

#### 4.5 Fund Employers

- Engaging and communicating effectively with LBBPF) employers involves understanding their needs, clear communication and building positive relationships.
- Communication can be tailored to the specific needs of groups of LBBPF employers (ie Schools, Academies and Admitted Bodies)

Communication Method	How this will be done?
Employers Forum	The LBB Pensions Team will run two employer forums each year (usually in spring and autumn) where updates relating to the LGPS and LBBPF will be provided, in conjunction with the WYPF and the Fund Actuary.
Pensions Webinars	For other employers, the LBB Pensions Team will arrange webinars for specific groups of employers (as set out above) to discuss specific issues that affect the group. This would be at least an annual event.
Visits to employers	For larger employers, the LBB Pensions Team will arrange periodic visits to discuss any pensions issues and to build relationships with these employers.
Training	Both WYPF and the LGPS Pensions Team will hold training events for employers. These will either be on general LGPS issues or on specific processes relating to WYPF. Employers will be able to request training on training areas that they would like further information on.



1-2-1 chats	Both WYPF and the LBB Pensions Team will always be available to speak to employers on any specific issues they may have regarding their LBBPF members.
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#### 4.6 Local Pensions Board (LPB)

- Engaging with the LBBPF Local Pensions Boards involves effective communication and collaboration.
- The Local Pension Board has its own specific guidelines or preferences for engagement. Therefore, the communication and engagement approach will be tailored accordingly.
- Members of the Local Pensions Board has a regulatory duty to keep their knowledge and understanding up to date and to document their training. Guidance on the regulatory duties is summarised on the Pension Regulator’s website linked [here](#).

Communication Method	How this will be done?
LPB Meetings	The Local Pensions Board meet at least four times a year. The LBB Pensions Team will provide updates at each meeting on administration and data matters, risk registers and other topics that are either requested by Board members or deemed appropriate by the LBB Pensions Team in consultation with the Chair of the Board.
Training - external	The LBB Pensions Team keep a training log for Board members and will assist Board members in attending relevant external courses or webinars
Training - internal	The LBB Pensions Team will arrange for relevant training for Board members by either WYPF or the Pensions Team on relevant topics requested by Board members or deemed appropriate by the LBB Pensions Team in consultation with the Chair of the Board. These can either take place prior to a Board meeting or at a time agreed with Board members.

#### 4.7 Pension Fund Committee

- Engaging with LBBPF Pension Fund Committee (PFC) involves understanding their objectives, procedures, and priorities.
- The Pension Fund Committee has its own specific guidelines or preferences for engagement. Therefore, the communication and engagement approach will be tailored accordingly.

Communication Method	How this will be done?
PFC Meetings	The Pension Fund Committee meet at least four times a year. The LBB Pensions Team will provide updates at each meeting on administration and data matters, admissions and investment updates and policy. Periodic updates are provided on the LBBPF risk register and Fund accounts. Other topics that are either requested by Committee members or deemed appropriate by the LBB Pensions Team in consultation with the Chair of the Committee.
Training - external	The LBB Pensions Team keep a training log for Committee members and will assist Committee members in attending relevant external courses or webinars
Training - internal	The LBB Pensions Team will arrange for relevant training for Committee members usually by either the Pensions Team or external presenters such as the Fund Actuary or Investment Consultants on relevant topics requested by Committee members or deemed appropriate by the LBB Pensions Team in consultation with the Chair of the Committee. These can either take place prior to a committee meeting or at a time agreed with Committee members.

#### 4.8 Trade Unions

- Engaging with trade unions regarding the LBBPF requires a strategic and respectful approach to address concerns and collaborate effectively.
- It will require a willingness to understand different perspectives, and a commitment to finding mutually acceptable solutions.
- The trade unions that the LBBPF engage with are Unison, GMB and NEU.

Communication Method	How this will be done?
Quarterly Meetings	The LBB Pensions Team will arrange quarterly meetings with representatives from all three unions, along with colleagues from HR, Payroll and WYPF to discuss issues relating to the LBBPF and relating to their members.
1-2-1 chats	The LBB Pensions Team will be available to discuss pension issues with union representatives when requested and also speak to their members on any pension related matters they may have.
Pension “surgeries”	The LBB Pensions Team and WYPF are happy to attend pension “surgeries” either remotely or at work locations to discuss individual members pension issues.
Webinars / presentations	The LBB Pensions and WYPF will be happy to present on topics requested by the Unions either remotely or at work locations.

#### 4.9 Other Bodies

- Engaging with third parties regarding the LBBPF involves clear communication and collaboration. There are a number of other bodies who each have their own requirements and communication and engagement should be tailored accordingly to each party.
- This will involve keeping all parties informed of any changes or updates to the LBBPF that may affect their role within the Fund.
- The aim is to foster a collaborative environment among all stakeholders involved in the LBBPF. Working together towards common goals can lead to better outcomes and smoother operations.

### 5. Accessibility

- The LBBPF is committed to using technology to enhance services, improve accessibility and broaden inclusion.
- All public sector websites are required to meet regulatory accessibility standards. WYPF and the London Borough of Barnet each have accessibility statements setting out how documents held on their websites on behalf of the Fund meet those standards.
- The LBBPF recognises that individuals may have specific needs in relation to the format or language of our communication. If possible, alternative material will be provided on request.

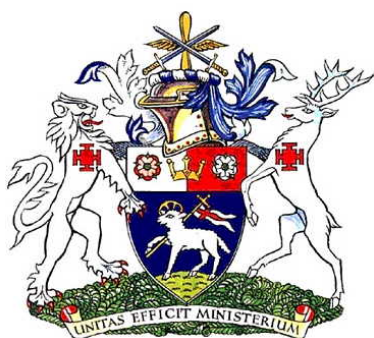
### 6. Review

- The policy will be reviewed every two years but will be updated sooner if the information included within it requires reconsideration.

### 7. Contact Details

- This policy has been written by the LBB Pensions Team.
- Any comments regarding this policy should be directed to the LBB Pensions Manager at [pensions@barnet.gov.uk](mailto:pensions@barnet.gov.uk).

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## Pension Fund Committee

<b>Title</b>	Knowledge and understanding
<b>Date of meeting</b>	11 January 2024
<b>Report of</b>	Executive Director of Strategy & Resources (S151 Officer)
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Appendices</b>	Appendix A - Mandatory and Primary training opportunities available to Members of the Local Pensions Board and Pension Fund Committee
<b>Officer Contact Details</b>	Mark Fox – Pensions Manager - 0208 359 6437 – <a href="mailto:mark.fox@barnet.gov.uk">mark.fox@barnet.gov.uk</a>

### 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 Pension Fund Committee members complete the LGPS Online Learning Academy (LOLA) training by 31 March 2024.

## 1. Why This Report is Needed

- 1.1 The London Borough of Barnet Pension Fund is governed by the Pension Fund Committee and 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 regulatory requirement for the Committee members to undertake training beyond what is required as an elected member.
- 1.2 The Committee is scrutinised by the Local Pensions Board with support of the LBB Pensions Team, advisors and outsourced administrators. 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.
- 1.3 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.
- 1.4 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.
- 1.5 To deliver on this priority, the LBB Pensions Team have identified '*mandatory*' training – this is training that we expect Local Pension Board members to undertake - and '*recommended*' training, which will further develop both the Committee and Board members' skills.
- 1.6 The mandatory and recommended training opportunities that are available to Board and Committee members are set out in Appendix A
- 1.7 The Committee is 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 will log all training to demonstrate that the Committee members are keeping their pensions knowledge up to date and relevant.
- 1.8 In November, the LBB Pensions Team emailed members of the Committee and asked for details of any pensions related training undertaken in September and October. If members have not yet responded (even if no training was undertaken), we would ask that Committee members confirm this to the LBB Pensions Team.
- 1.9 The next request for details of training undertaken will be sent in January for the months of November and December 2023.
- 1.10 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.
- 1.11 The London CIV hosted a Natural Capital workshop delivered by Redington. The output from this workshop is accessible on the London CIV's portal as a seven-part MP4 downloadable video and we would encourage all Committee members to consider building into their wider professional development programme. The sessions can be accessed via the London CIV portal at [www.londonCIV.org.uk](http://www.londonCIV.org.uk).
- 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 of 14 December 2023.

Name	Course Name	Course Enrolment	Course First Access Date	Course Last Access Date
Anne Hutton	Module 4 - Funding and Actuarial Matters	Completed	24-Oct-22	1-Nov-22
Anne Hutton	Module 5 - Investments	Completed	2-Sep-22	27-Jan-23
Anne Hutton	Module 3 - Administration & Fund Management	Completed	18-Oct-22	18-Oct-22
Anne Hutton	Module 6 - Current Issues	In Progress	25-Oct-22	27-Jan-23
Anne Hutton	Module 1 - An introduction to the LGPS	Completed	15-Aug-22	25-Oct-22
Anne Hutton	Module 2 - LGPS Governance & Oversight Bodies	Completed	22-Aug-22	22-Aug-22
Andreas Ioannidis	Module 4 - Funding and Actuarial Matters	Completed	20-Mar-23	20-Mar-23
Andreas Ioannidis	Module 1 - An introduction to the LGPS	Completed	24-Dec-22	31-Jan-23
Andreas Ioannidis	Module 5 - Investments	Completed	20-Mar-23	20-Mar-23
Andreas Ioannidis	Module 3 - Administration & Fund Management	Completed	20-Mar-23	20-Mar-23
Andreas Ioannidis	Module 6 - Current Issues	Completed	20-Mar-23	20-Mar-23
Andreas Ioannidis	Module 2 - LGPS Governance & Oversight Bodies	Completed	1-Jan-23	20-Mar-23
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 3 - Administration & Fund Management	Completed	28-Sep-23	28-Sep-23
Liron Woodck-Velleman	Module 6 - Current Issues	In Progress	29-Sep-23	29-Sep-23
Liron Woodck-Velleman	Module 4 - Funding and Actuarial Matters	Completed	28-Sep-23	28-Sep-23
Liron Woodck-Velleman	Module 1 - An introduction to the LGPS	Completed	4-Jul-23	4-Jul-23
Liron Woodck-Velleman	Module 5 - Investments	Completed	28-Sep-23	29-Sep-23
Liron Woodck-Velleman	Module 2 - LGPS Governance & Oversight Bodies	Completed	30-Jul-23	28-Sep-23
Mark Shooter	Module 3 - Administration & Fund Management	Enrolled		
Mark Shooter	Module 6 - Current Issues	Enrolled		
Mark Shooter	Module 1 - An introduction to the LGPS	Completed	1-Mar-23	2-Mar-23
Mark Shooter	Module 4 - Funding and Actuarial Matters	Enrolled		
Mark Shooter	Module 5 - Investments	Enrolled		
Mark Shooter	Module 2 - LGPS Governance & Oversight Bodies	Enrolled		
Simon Radford	Module 2 - LGPS Governance & Oversight Bodies	Completed	10-Mar-23	16-Mar-23
Simon Radford	Module 3 - Administration & Fund Management	Completed	16-Mar-23	17-Mar-23
Simon Radford	Module 1 - An introduction to the LGPS	Completed	24-Feb-23	28-Feb-23
Simon Radford	Module 4 - Funding and Actuarial Matters	Completed	17-Mar-23	17-Mar-23
Simon Radford	Module 6 - Current Issues	Completed	28-Mar-23	31-Mar-23
Simon Radford	Module 5 - Investments	Completed	25-Mar-23	26-Mar-23

## 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 of £4,400.

## **6. Legal Implications and Constitution References**

- 6.1 The Pensions Regulator requires that Local Pensions Board members maintain their 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 Section 14.5.1 of 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

## 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
<b>Total</b>			<b>19 hours Mandatory 23.5 hours Recommended</b>	<b>3.5 hours Mandatory 30 hours Recommended</b>

#### Training Sessions offered to Pensions Fund Committee

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

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**London Borough of Barnet**

**Pension Fund Committee Work Programme**

**May 2023 – May 2024**

<b>Title of Report</b>	<b>Overview of decision</b>	<b>Report Of (officer)</b>	<b>Issue Type (Non- key/Key/Urgent</b>
<b>11 July 2023</b>			
Quarterly investment report to 30 June 2023	Review investment activity and the performance of the fund and investment managers.	Chief Financial Officers	Non-key
Review of Pension Fund Risk Register	To review the management of pension fund risks.	Chief Financial Officer	Non-key
Pooling update	To note developments in pooling and to review Barnet's pooling plan.	Chief Financial Officer	Non-key
Investment Strategy & manager appointments	To review progress on investment strategy decisions.	Chief Financial Officer	Non-key
Administration Report	To update the Committee on the performance of the administration service.	Chief Financial Officer	Non-key
Admission Agreement and Bonds	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-key
Annual accounts for the year to 31 <sup>st</sup> 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
<b>2 November 2023</b>			

<b>Subject</b>	<b>Decision requested</b>	<b>Report Of</b>	<b>Issue Type (Non-key/Key/Urgent)</b>
Quarterly investment report to 30 September 2023	Review investment activity and the performance of the fund and investment managers	Chief Financial Officers	Non-key
Review of Scheme Expenses	To review the scheme costs incurred in the six months to 30 September 2023	Chief Financial Officer	Non-key
Pooling update	To note developments in pooling and to review Barnet's pooling plan	Chief Financial Officer	Non-key
Investment Strategy & manager appointments	To review progress on investment strategy decisions	Chief Financial Officer	Non-key
Admission Agreement and Bonds	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-key
Administration Report	To update the Committee on the performance of the administration service, including issuance of ABS.	Chief Financial Officer	Non-key
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
<b>29 November 2023 (Extraordinary Meeting)</b>			
Contribution Review	To considers the Council's request to ease Pension Deficit Contributions.	Head of Pensions and Treasury	Non-key
<b>11 January 2024</b>			
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

<b>Subject</b>	<b>Decision requested</b>	<b>Report Of</b>	<b>Issue Type (Non-key/Key/Urgent)</b>
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
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
Annual Accounts	To update the Committee on the status of the outstanding report and accounts.	Chief Financial Officer	Non-key
<b>1 February 2024</b>			
Contribution Review	To considers the Council's request to ease Pension Deficit Contributions.	Head of Pensions and Treasury	Non-key
Direction Order for Barnet & Southgate College	To approve the transfer of assets from Enfield resulting from the merger of Barnet and Southgate Colleges	Chief Financial Officer	Non-key
<b>18 April 2024</b>			
Quarterly investment report to 31 March 2024	Review the investment activity and the performance of the fund and its investment managers.	Chief Financial Officer	Non-Key



<b>Subject</b>	<b>Decision requested</b>	<b>Report Of</b>	<b>Issue Type (Non-key/Key/Urgent)</b>
Investment strategy & manager appointments	To receive Hymans' recommendations and approve the updated investment strategy statement.	Chief Financial Officer	Non-Key
Administration report	To update the Committee on the performance and plans for the administration service.	Chief Financial Officer	Non-Key
Annual report of the Local Pension Board	Consider any recommendations from the Local Pension Board, comment on their workplan and approve their budget	Chief Financial Officer	Non-Key
Annual Accounts	To consider work programme for 2023/24 Report and Accounts	Chief Financial Officer	Non-Key
Admission Agreements and Cessations	To provide an update on admissions, cessations and bond renewals.	Chief Financial Officer	Non-Key
Knowledge and Understanding	To review Committee training completed and possible further training requirements	Chief Financial Officer	Non-Key
Review of Pension Fund non Admin Risk Register	To review the management of pension fund risks.	Chief Financial Officer	Non-Key

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## Pension Fund Committee

<b>Title</b>	Admissions, Cessations and Bond Status Update
<b>Date of meeting</b>	11 January 2024
<b>Report of</b>	Executive Director of Strategy & Resources (S151 officer)
<b>Wards</b>	All
<b>Status</b>	Public, with exempt appendix Exempt enclosure – appendix D - 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)).
<b>Urgent</b>	No
<b>Appendices</b>	Appendix A – Update on Admission Agreements Appendix B – Update on Cessations Appendix C – Update on Bond renewals Appendix D – Update on the admission of Sancroft Community Care to the Barnet Pension Fund. ( <b>Exempt</b> )
<b>Officer Contact Details</b>	Mark Fox, Pensions Manager – 0208 359 3341 – <a href="mailto:mark.fox@barnet.gov.uk">mark.fox@barnet.gov.uk</a>

### 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 includes recommendations for approval by the Committee on one admission to 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 recommendation by the LBB Pensions Team in relation to the admission of Sancroft Community Care into the Barnet Pension Fund, as detailed in Appendix D.

### 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 six 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.
- 1.5 There have been no new admitted bodies to the Fund since the last update to the Committee.
- 1.6 **Sancroft Community Care** became an admitted body in June 2019 and have 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.
- 1.7 Further details on this recommendation are attached in Appendix D.
- 1.8 The LBB Pensions Team request that the Committee approve the recommendation that Sancroft be admitted to the Barnet Fund on a pass-through basis.
- 1.9 The LBB Pensions Team will provide further updates to the Committee at future meetings.

#### Cessations

- 1.10 When the last active member of an admitted body 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.
- 1.11 An update on progress is on cessation valuations is included as **Appendix B**.
- 1.12 Since the last update to the Committee, the exit credit payment of £11,600 to OCS approved by the Committee at the July 2023 meeting has been paid.
- 1.13 The LBB Pensions Team are currently arranging payment of the exit credit agreed at the last Committee meeting for Caterlink's contracts at Holly Park School and Totteridge Academy and these payments should have been made by the date of the Committee meeting.
- 1.14 There have been no new cessations since the last update to the Committee.

1.15 Grasvenor Avenue Infant School was an academy school that closed in August 2022. There is a cessation deficit payment due of £272,000. The LBB Pensions Team requested payment from the Academy Trust on 18 December and we are expecting payment to be made in late January/early February.

### **Bonds and Bond Renewals**

1.16 An update on Bonds and Bond renewals is provided as **Appendix C**.

1.17 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.

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

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

### **New admissions to the Barnet Pension Fund**

1.20 At the meeting on 2 November 2023, the Committee approved the proposal that all new admissions to the Pension Fund be admitted on a 'pass through' basis. This was to have been effective from 1 January 2024.

1.21 It has subsequently been requested that for schools (who are the main employers of admitted bodies) to prepare for this new policy that it come into effect from 1 April 2024, and this has been agreed by the Pensions Team.

## **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 15.1 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.

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**Appendix A**  
**Update on Admission Agreements –**  
**January 2024**

	<b>Employer</b>	<b>Contract Start Date</b>	<b>Update</b>	<b>Action Required by?</b>
1	Olive Dining (St Joseph's School)	01/08/2019	Admission Agreement with HB Law for sealing. Chased HB Law. Deadline set for <b>31 January 2024.</b>	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. Chased HB Law. Deadline set for <b>31 January 2024.</b>	HB Law
4	Tenon (St Michaels School)	01/04/2021	Committee agreed to admission to be on a pass-through basis at meeting on 2 November 2023. Updated Admission Agreement with Tenon for signing. Deadline set for <b>15 January 2024.</b>	Tenon
5	Capita Shared Services Limited	01/11/2022	Waiting for employer to sign and return the Admission Agreement. Chased Employer. Deadline set for <b>15 January 2024.</b>	Capita Shared Services Limited
6	Chequers Cleaning	01/12/2022	Admission Agreement with HB Law for sealing. Chased HB Law. Deadline set for 31 January 2024.	HB Law
7	Olive Dining (Holly Park School)	01/04/2023	Waiting for employer to sign and return the Admission Agreement. Deadline set for <b>15 January 2024.</b>	Olive Dining
8	Olive Dining (Danegrove School)	01/05/2023	Waiting for employer to sign and return the Admission Agreement. Deadline set for <b>15 January 2023.</b>	Olive Dining
9	Nourish Contract Catering Ltd (Whitefield School)	01/08/2023	Waiting for employer to sign and return the Admission Agreement. Deadline set for <b>31 January 2023.</b>	Nourish Contract Catering
10	LBL After School Club (Manorside School)	01/09/2023	Employer has signed Admission Agreement. Waiting for school to sign and return Agreement. Deadline set for <b>15 January 2024.</b>	Manorside School

11	Harrison Catering Services (The Compton School)	30/10/2023	Waiting for employer to sign and return the Admission Agreement. Deadline set for <b>31 January 2023</b> .	Harrison Catering Services Limited
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**Appendix B**  
**Update on Cessation Valuations**  
**- January 2024**

	<b>Employer</b>	<b>Cessation Date</b>	<b>Surplus/deficit</b>	<b>Update</b>	<b>Action Required by?</b>
1	<b>Absolute Catering (St James' Catholic School)</b>	<b>31/07/2019</b>	<b>-£47,000</b>	Employer has agreed to pay deficit (previously in discussions with school). Awaiting payment.	Absolute Catering
2	<b>Caterlink (Totteridge Academy)</b>	<b>23/02/2020</b>	<b>£10,000</b>	The Committee agreed an exit credit payment of <b>£2,000</b> at the meeting on 2 November 2023. The LBB Pensions Team are arranging for payment to be made to Caterlink.	LBB
3	<b>Ashlyns (St Andrew's C of E School)</b>	<b>31/07/2022</b>	<b>-£45,000</b>	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
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. Query with employer on whether pass-through agreement was previously agreed.	LBB/City & County Healthcare Group
7	Alliance in Partnership (Osidge School)	31/07/2022	-£33,000	Cessation valuation completed and sent to employer with a request for payment. Deadline – <b>31 January 2024</b>	Alliance in Partnership
8	Grasvenor Avenue Infants School	31/08/2022	-£272,000	Cessation valuation completed and sent to employer with a request for payment. Deadline – <b>31 January 2024</b>	Bell Vue Multi Academy Trust
9	Capita Re	31/03/2023	n/k	WYPF to submit cessation data to Hymans. Six outstanding member cases to be processed.	WYPF
10	Caterlink (Holly Park School)	31/03/2023	£24,000	The Committee agreed an exit credit payment of <b>£6,200</b> at the meeting on 2 November 2023. The LBB Pensions Team are arranging for payment to be made to Caterlink.	LBB

11	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
12	<b>Caterlink (The Compton School)</b>	<b>29/10/2023</b>	<b>£127,000</b>	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. Deadline – <b>1 February 2024</b> for discussion at the next Committee meeting.	Caterlink

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**Appendix C**  
**Update on Bond Renewals**  
**– January 2024**

<b>Employer</b>	<b>Expiry Date</b>	<b>Value (italics - previous value - being recalculated)</b>	<b>Current Position</b>
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	<b>Pending employer to provide a Bond or Guarantee (following recent admission).</b>

**Appendix C**  
**Update on Bond Renewals**  
**– January 2024**

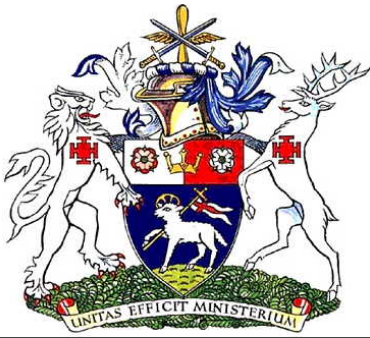
CSSL	01/11/2025	n/a	Bond for employer included within Capita CSG.
Chequers Catering	01/12/2025	£40,000	Pending employer to provide a Bond or Guarantee (following recent admission).
Olive Dining (Holly Park School)	01/04/2026	£23,000	Pending employer to provide a Bond or Guarantee (following recent admission).
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	£26,000	Pending employer to provide a Bond or Guarantee (following recent admission).
LBL After School Club (Manorside School)	01/09/2026	£24,000	Pending employer to provide a Bond or Guarantee (following recent admission).
Harrison Catering Services (The Compton School)	29/10/206	tbc	Pending employer to provide a Bond or Guarantee (following recent admission).



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

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**Pension Fund Committee** AGENDA ITEM 16  
11 January 2024

<b>Title</b>	Pension Fund Investment Performance Report
<b>Date of meeting</b>	11 January 2024
<b>Report of</b>	Executive Director of Strategy and Resources (S151 Officer)
<b>Wards</b>	N/A
<b>Status</b>	Public with Exempt Appendices C & D
<b>Urgent</b>	No
<b>Appendices</b>	<p>Appendix A – Asset Allocation as of 30th November 2023</p> <p>Appendix B – Review of Investment Managers’ Performance for Q3 2023 (Hymans Robertson)</p> <p>Appendix C – Review of Fund Managers (Hymans Robertson) for Q3 2023 (exempt)</p> <p>Appendix D- LCIV Presentation on LCIV Sustainable Equity Exclusions Fund (exempt)</p> <p>Exempt enclosures - Not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information)).</p>
<b>Officer Contact Details</b>	Adam McPhail, Finance Manager- Pensions (adam.mcphail@barnet.gov.uk)

**Summary**

This report provides an update on investment valuations, transactions and performance to 30 September 2023 with an updated estimated valuation to 30 November 2023. This report also provides an update on the performance of the Fiera Real Estate Fund and LCIV Sustainable Equities Exclusion Fund.

## Recommendations

1. That the Pension Fund Committee note the investment activities and performance of the Pension Fund to 30 November 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 September to November 2023 markets improved and this is reflected in the valuation increasing by an estimated £37.4m (2.5% increase). Investments in LGIM RAFI, Schroders Corporate Bonds and LCIV Private Debt are the main performers over the 2 months (4.36%, 3.5% and 3.47% respectively).
- 1.3 Hymans Robertson have provided their report for Q3 2023 (appendix B), which gives an update on the overall market in the quarter to September 2023. The fund had a return of -0.2% over the quarter, which is -1.1% below benchmark.
- 1.4 The main drivers of absolute returns continue to be listed equities.
- 1.5 The quarterly underperformance against benchmark is mainly due to CBRE Global Alpha (-6.9%) as well as LCIV Renewable Infrastructure (-5.6 %) and Barings Global Special Situations Credit (-4.3%). These funds represent 6.1% of total fund assets.

#### 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:
  - Changes to some fund manager RAG ratings due to underperformance and credit event recovery.
  - Alignment of target returns for Insight Funds.
- 1.9 Hymans have no concerns over these updates.

#### Investment Managers identified at the last committee meeting

- 1.10 At the last committee meeting in November 2023 the committee identified two managers which had significant underperformance compared to their benchmark.
- 1.11 These fund managers were Fiera, and RBC (the underlying manager of the LCIV Renewables Infrastructure fund).

#### Context around Fiera Investment

- 1.12 Fiera's FROEF V Fund is a Real Estate Fund that the Committee agreed to invest in during 2021. The Committee papers setting out the recommendation can be accessed here- [Agenda for Pension Fund Committee on Thursday 28th October, 2021, 6.00 pm \(moderngov.co.uk\)](https://www.moderngov.co.uk/Agenda-for-Pension-Fund-Committee-on-Thursday-28th-October-2021-6.00-pm).
- 1.13 Barnet committed £30m of capital and this was deployed over 2022. FROEF V is closed ended Fund (i.e. not open to new monies) and is expected to distribute back to investors over Q1 of 2024 to Q3 of 2026.
- 1.14 The Fund was launched with a target return of between 12% - 15%. The London Borough of Barnet is one of five underlying investors and the Fund is around £175m in size.
- 1.15 The purpose of the Fund is to find short-term development opportunities across commercial and residential real estate which requires capital to either enhance or change usage of the underlying asset base which can then be sold at a profit.

#### **Update from Fiera**

- 1.16 Cllr Radford, Cllr Shooter and David Spreckley met with Fiera to discuss the underlying assets within the Fund and performance in general. Fiera gave a confident presentation. The Fund currently has 13 underlying Funds varying in size (from c£50m for a commercial site in Bishops Stortford to £1.5m for a residential site in Willingdon).
- 1.17 Whilst the presentation identified some challenges, particularly in relation to a commercial office opportunity in the Yorkshire area, Fiera are still projecting the Fund can deliver a c12% plus returns.
- 1.18 There is a risk that the actual returns turn out to be lower than this. The main risk is that the Fiera Team fail to realise full value when the underlying assets are sold or sales are not completed in line with expected timeframes.
- 1.19 The Fund has low leverage levels for a real estate type fund and so is not as exposed to increases in financing costs as other, more leveraged, funds may be.
- 1.20 There is no opportunity to exit the Fund before it distributes unless we explore Secondary Markets. Officers will keep a watching brief on the expected Internal Investment Returns. The bulk of the distributions are projected to happen over 2024 and early 2025 and so we should have a clearer idea of the expected return on the Fund over the next 9-months or so.

#### **Update on RBC**

- 1.21 RBC is the underlying investment manager of London CIV's Sustainable Equity Exclusion Fund. The Barnet Pension Fund currently has a 2.5% allocation to this fund agreed in February 2021 (£40m as at 30 November 2023).
- 1.22 Whilst the overall allocation to this Fund is relatively small, the performance of the Fund has been concerning, tracking c15% below its benchmark over the 12-months to 30 September 2023 and c4% below its benchmark since inception.
- 1.23 London CIV has completed an in-depth investment due diligence ('IDD') review of RBC and updated the RAG scores and monitoring status in accordance with their eight criteria RAG (Red, Amber, Green) assessment system and monitoring framework.
- 1.24 The recommendation to maintain RBC's monitoring status to 'Normal' was reviewed and approved by the London CIV Investment Committee on 18 July 2023.
- 1.25 The monitoring status for the LCIV Sustainable Equity Exclusion Fund remains 'Normal' but with a six-month review period. At this stage we assess the performance gap as recoverable, but RBC

will need to turn numbers around before too long to avoid a further downgrade. The next Due Diligence meeting is scheduled for February 2024.

- 1.26 London CIV are attending the 11 January 2023 meeting to give more background to the Committee on the reasons for RBC's poor performance and to explain the steps they are taking to address the position. Depending on the outcome of London CIV's review, Officers may make a further recommendation to the Committee in relation to the Fund's investments towards this Fund. LCIV's presentation on this is attached as Exempt Appendix D.

### **Strategic Allocations**

- 1.27 The Pension Fund Committee has agreed to protocols to allow Officers to rebalance towards its 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**

- 1.28 Under the current allocation as at 30 November 2023, the fund is currently underweight in all but one asset class, most notably Illiquid Alternatives (-4.54%). The fund is currently overweight in corporate bonds (0.17%) and cash (5.31%).
- 1.29 At the January 2023 Pension Fund Committee meeting the Committee agreed protocols to allow rebalancing of assets towards the Fund's strategic allocation if Officers felt appropriate. Officers are not proposing any rebalancing at this time.

## **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.

### **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. 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.

### **6. Legal Implications and Constitution References**

6.1 The Council's Constitution – Part 2B section 15.1.5 includes within the responsibilities of the Pension Fund Committee, namely, to review and challenge at least quarterly the performance of the Pension Fund's investments taking into consideration the benchmarks and targets set out in the Investment Strategy Statement and investment management contracts and to consider advice from the investment advisor(s).

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.

### **7. Consultation**

7.1 Not Applicable

## 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.
- 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 Pension Fund Committee- 28<sup>th</sup> October 2021- Item 7 Investment strategy. Approval for Investment into Fiera Real Estate. [Agenda for Pension Fund Committee on Thursday 28th October, 2021, 6.00 pm \(moderngov.co.uk\)](#)
- 9.2 Pension Fund Committee- 24<sup>th</sup> February 2021- Item 14 Investment Strategy Report. Approval for Investment into LCIV Sustainable Equities Exclusion Fund. [Agenda for Pension Fund Committee on Wednesday 24th February, 2021, 6.00 pm \(moderngov.co.uk\)](#)



## Appendix A- Asset Allocation as at 30 November 2023

	30-Jun-23 Transactions		30-Sep-23 Transactions		30-Nov-23		Target Allocation		
	£'000	£'000	£'000	£'000	£'000	%	%	%	%
<b>Equities</b>							<b>29.74%</b>		<b>30.00</b>
LGIM RAFI	203,220	-111,000	93,440		96,599	6.30%		6.00	
LGIM Future Worlds	415,329	-217,000	196,594		205,156	13.38%		13.00	
LCIV Emerging Markets	65,526	-21,000	43,715		43,370	2.83%		3.00	
LCIV Sustainable Exclusion Equity	39,627		38,921		40,039	2.61%		3.00	
Adams Street Private Equity	65,792	4,667	70,505		70,727	4.61%		5.00	
<b>Property</b>							<b>5.39%</b>		<b>6.00</b>
Aberdeen Standard Long Lease	26,453		26,753		26,753	1.75%		2.00	
CBRE Global	30,499		30,520		30,050	1.96%		2.00	
Fiera Real Estate Opportunities Fund	26,726	-776	25,855		25,855	1.69%		2.00	
<b>Multi Credit Liquid</b>							<b>12.70%</b>		<b>13.00</b>
Baring Global High Yield	39,705		40,493		41,382	2.70%		3.50	
LCIV MAC	61,362		61,970		63,719	4.16%		3.50	
Insight Secured Finance	89,230		89,530		89,530	5.84%		6.00	
<b>Corporate Bonds</b>							<b>30.17%</b>		<b>30.00</b>
Schroder	112,129	112,000	227,067		235,013	15.33%		15.00	
LCIV Global Bond Fund	0	225,000	219,821		227,453	14.84%		15.00	
<b>Illiquid Alternatives</b>							<b>16.46%</b>		<b>21.00</b>
Alcentra European Direct Lending	12,913	-1,644	11,269	98	11,326	0.74%		1.50	
Partners Group	46,786	-4,033	43,028	-1,628	43,028	2.81%		5.50	
LCIV Private Debt	43,297	558	44,529		44,529	2.91%		4.00	
Barings Special Situations Debt	34,819		34,637		34,909	2.28%		2.00	
LCIV Renewables Infrastructure	20,806	724	20,134	295	20,483	1.34%		3.00	
IFM Global Infrastructure	98,001		98,001		98,001	6.39%		5.00	
<b>Cash</b>	64,306	15,000	79,833		84,895	5.54%	<b>5.54%</b>	0.00	<b>0.00</b>
<b>Total</b>	<b>1,496,526</b>	<b>2,496</b>	<b>1,496,615</b>	<b>(1,235)</b>	<b>1,532,817</b>	<b>100%</b>	<b>100.00%</b>	<b>100.00</b>	<b>100.00</b>
					<b>36,201</b>				
Due to report timings, there will be small valuation differences with Hymans reports									
Prior month valuations are adjusted for cash and foreign exchange rate movements									

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# London Borough of Barnet Pension Fund

Q3 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.£1,503.2m at the end of Q3 2023, an increase of c.£1.5m from the end of the previous quarter.

The Fund's assets recorded slightly negative returns of -0.2% (net of fees) over the quarter, underperforming the benchmark by c.1.1%.

The slight discrepancy in valuation and performance figures is caused by a c.£2.2m net inflow into the Fund over the quarter.

Key Actions

The following transitions took place over the quarter:

Disinvestments

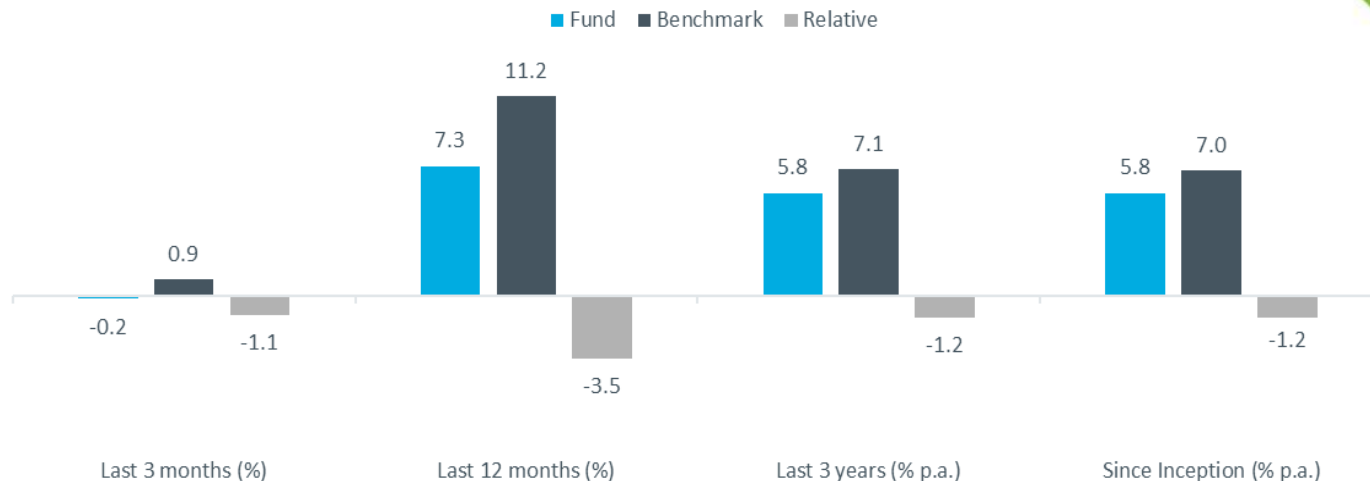
- £217m from LGIM Future World Global Equity Index
- £111m from LGIM RAFI Carbon Pathway
- £21m from LCIV Emerging Markets Equity

Investments

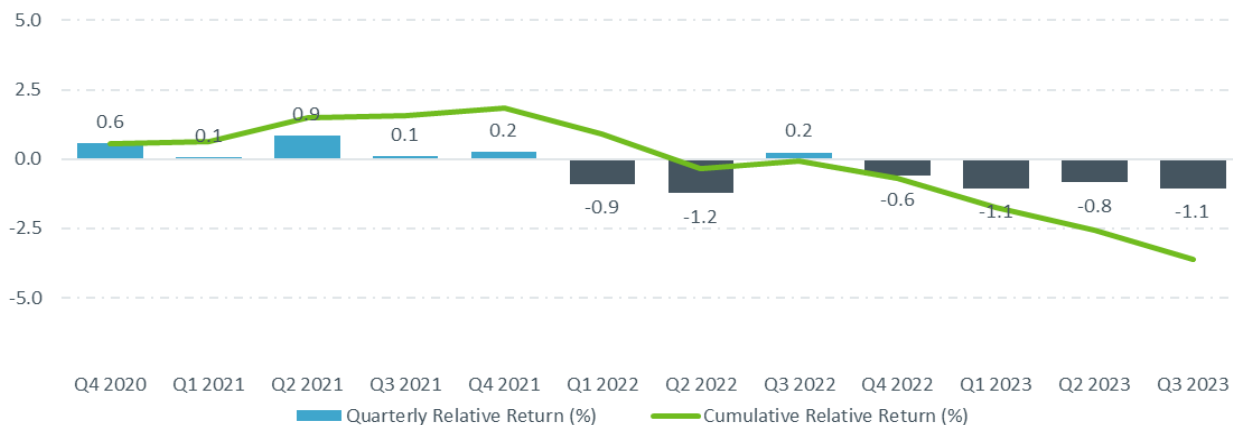
- £225m into LCIV Global ESG Bond
- £112m into Schroder Corporate Bond
- £7.5m into Pemberton Trade Finance
- £7.5m into Allianz Trade Finance

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 and LCIV Renewable Infrastructure.

Historic quarterly performance (net of fees)



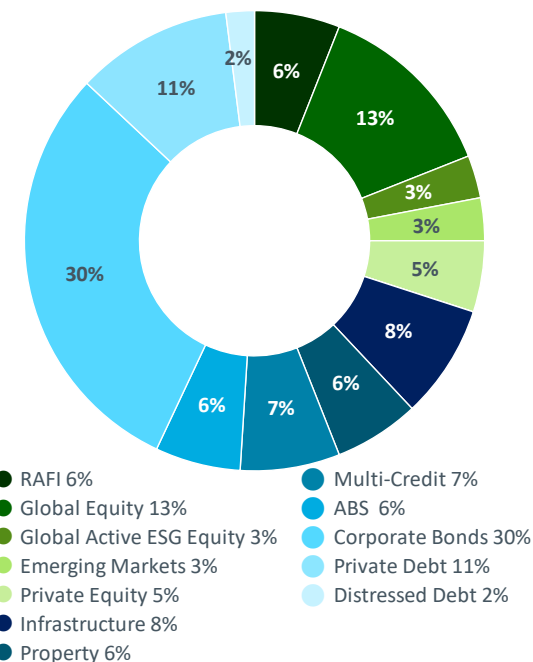
Relative quarterly and relative cumulative performance 3yr (net of fees)



## Asset allocation

Manager	Valuation (£m)		Actual Proportion	Benchmark	Relative
	Q2 2023	Q3 2023			
LGIM RAFI Carbon Pathway Index GBP Hdgd	203.3	93.5	6.2%	6.0%	0.2%
LGIM Future World Global Equity Index	176.3	79.7	5.3%	5.2%	0.1%
LGIM Future World Global Equity Index GBP Hdgd	239.2	117.0	7.8%	7.8%	0.0%
LCIV Sustainable Exclusion Global Equity	39.6	38.9	2.6%	3.0%	-0.4%
LCIV Emerging Markets Equity	65.5	43.7	2.9%	3.0%	-0.1%
Adams Street 2019 Global	54.0	54.6	3.6%	5.0%	-0.3%
Adams Street Global Secondaries	12.7	15.5	1.0%		
<b>Total Growth</b>	<b>790.8</b>	<b>443.0</b>	<b>29.5%</b>	<b>30.0%</b>	<b>-0.5%</b>
IFM Global Infrastructure	98.9	102.5	6.8%	5.0%	1.8%
LCIV Renewable Infrastructure	20.8	20.1	1.3%	3.0%	-1.7%
Standard Life Long Lease Property	26.5	25.9	1.7%	2.0%	-0.3%
CBRE Global Alpha	31.9	30.4	2.0%	2.0%	0.0%
FREOF V	26.7	25.9	1.7%	2.0%	-0.3%
Barings Multi-Credit	39.7	40.5	2.7%	3.5%	-0.8%
LCIV MAC	61.4	62.0	4.1%	3.5%	0.6%
Insight Secured Finance	94.2	95.5	6.4%	6.0%	0.4%
LCIV Global ESG Bond	0.0	219.8	14.6%	15.0%	-0.4%
Schroder All Maturities Corporate Bond	112.1	227.1	15.1%	15.0%	0.1%
Alcentra Direct Lending	13.0	11.3	0.7%	1.5%	-0.8%
Partners Group MAC 2015	3.3	2.7	0.2%	0.0%	0.2%
Partners Group MAC 2017	10.5	9.4	0.6%	1.0%	-0.4%
Partners Group MAC V	28.9	28.2	1.9%	4.5%	-2.6%
LCIV Private Debt	43.3	44.5	3.0%	4.0%	-1.0%
Barings Global Special Situations Credit	35.5	34.7	2.3%	2.0%	0.3%
<b>Total Income</b>	<b>646.7</b>	<b>980.6</b>	<b>65.2%</b>	<b>70.0%</b>	<b>-4.8%</b>
Allianz Trade Finance	18.6	26.5	1.8%	0.0%	1.8%
Pemberton Trade Finance	18.8	26.6	1.8%	0.0%	1.8%
Cash	26.9	26.5	1.8%	0.0%	1.8%
<b>Total Fund</b>	<b>1,501.7</b>	<b>1,503.2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

## Strategic allocation



The Q3 23 valuation for Alcentra Direct Lending, Adams Street, CBRE Global Alpha and Barings Global Special Situations are as at Q2 23, due to a lag applied by the manager. We have also adjusted the valuations to allow for cash in transit at the quarter end (in relation to the £7.5m investment in the Pemberton Trade Finance fund, which settled on 3 October).

Following strategic decisions agreed in the May 2023 meeting, the Officers agreed to implement the de-risk of 20% of assets from Growth (equity) to Income (bonds).

The de-risk was implemented in a phased manner over the quarter; all the disinvestment proceeds from the LGIM RAFI Carbon Pathway Index fund and the LGIM Future World funds have now been fully transitioned to the Schroders Corporate Bond fund as well as the newly invested LCIV Global ESG Bond fund. The benchmark target allocations have also been updated to reflect the strategy agreed in May.

The Officers have invested the high cash balance in line with the agreed Cash management policy.

The strategic allocation chart (right) 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
- CBRE P7
- Fiera FROF V P8
- Barings Multi-Credit P9
- Barings Special Sit's Credit P10
- Market Background P11
- Appendix P13

*Hymans Robertson has estimated the Fund's total performance in Q3 to allow for the de-risking activity that took place during the quarter.*

*The Q3 23 performance for Alcentra and CBRE are as at Q2 23, due to a lag applied by the manager. Hymans estimates the performance for Alcentra, LCIV Renewable Infra, LCIV Private Debt, IFM and Barings Global Special Situations Credit mandates. As such these may differ to the managers' net IRRs.*

*The shorter-term performance of funds in wind-up has been omitted, as immaterial short-term volatility can be an unnecessary governance distraction.*

		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
<b>Growth</b>													
LGIM RAFI Carbon Pathway Index GBP Hdgd	◆	-0.2	-0.2	0.0	21.2	20.8	0.3	15.1	14.7	0.3	8.2	8.1	0.1
LGIM Future World Global Equity Index	◆	0.1	0.0	0.1	10.8	10.5	0.2	-	-	-	5.8	5.6	0.2
LGIM Future World Global Equity Index GBP Hdgd	◆	-2.8	-2.9	0.1	18.0	17.7	0.3	-	-	-	2.4	2.2	0.2
LCIV Sustainable Exclusion Global Equity	◆	-1.8	0.6	-2.3	-3.0	11.5	-13.0	-	-	-	-2.2	5.3	-7.2
LCIV Emerging Markets Equity	◆	-1.7	1.1	-2.8	0.6	2.2	-1.5	-0.2	0.2	-0.4	3.2	1.8	1.3
Adams Street 2019 Global	◆	-	-	-	-	-	-	23.8	14.8	7.9	31.6	13.2	16.3
<b>Income</b>													
IFM Global Infrastructure	■	3.6	1.9	1.6	5.0	8.0	-2.8	14.3	8.0	5.8	12.9	8.0	4.6
LCIV Renewable Infrastructure	■	-3.9	1.7	-5.6	7.1	7.0	0.1	-	-	-	12.9	7.0	5.5
Standard Life Long Lease Property	◆	-2.3	-0.1	-2.2	-24.1	-0.3	-23.8	-3.9	-9.3	6.0	-1.4	-3.8	2.5
CBRE Global Alpha	■	-4.9	2.2	-6.9	3.3	9.0	-5.2	6.2	9.0	-2.6	3.3	9.0	-5.2
FROF V	■	-0.3	2.9	-3.1	-2.8	12.0	-13.3	-	-	-	0.2	12.0	-10.5
Barings Multi-Credit	■	2.0	2.5	-0.5	9.1	8.6	0.4	2.7	6.4	-3.5	3.1	5.9	-2.7
LCIV MAC	■	1.1	2.4	-1.3	-	-	-	-	-	-	5.2	7.5	-2.1
Insight Secured Finance	■	1.3	2.3	-0.9	7.2	8.2	-0.9	4.5	5.6	-1.1	3.3	5.2	-1.8
LCIV Global ESG Bond	◆	-	-	-	-	-	-	-	-	-	-2.6	-2.6	0.0
Schroder All Maturities Corporate Bond	◆	2.5	2.2	0.3	7.4	7.4	0.0	-6.2	-5.9	-0.3	3.5	3.2	0.3
Alcentra Direct Lending	■	-0.8	1.7	-2.5	0.5	7.0	-6.1	5.6	7.0	-1.4	6.1	7.0	-0.8
Partners Group MAC 2015	■	Fund is winding up			Fund is winding up			Fund is winding up			4.7	5.7	-0.9
Partners Group MAC 2017	■	Fund is winding up			Fund is winding up			Fund is winding up			5.7	5.7	0.0
Partners Group MAC V	■	3.8	2.3	1.5	11.0	8.2	2.6	6.2	6.1	0.1	5.7	5.8	-0.1
LCIV Private Debt	■	2.0	1.5	0.5	2.6	6.0	-3.2	-	-	-	6.8	6.0	0.8
Barings Global Special Situations Credit	■	-1.1	3.3	-4.3	2.8	13.8	-9.6	-	-	-	9.7	13.8	-3.6
Allianz Trade Finance	■	2.3	1.8	0.5	-	-	-	-	-	-	3.0	3.4	-0.4
Pemberton Trade Finance	■	2.0	1.9	0.1	-	-	-	-	-	-	3.4	3.5	-0.1
<b>Total</b>		<b>-0.2</b>	<b>0.9</b>	<b>-1.1</b>	<b>7.3</b>	<b>11.2</b>	<b>-3.5</b>	<b>5.8</b>	<b>7.1</b>	<b>-1.2</b>	<b>5.8</b>	<b>7.0</b>	<b>-1.2</b>

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 Q3 and Q4 2022, 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.

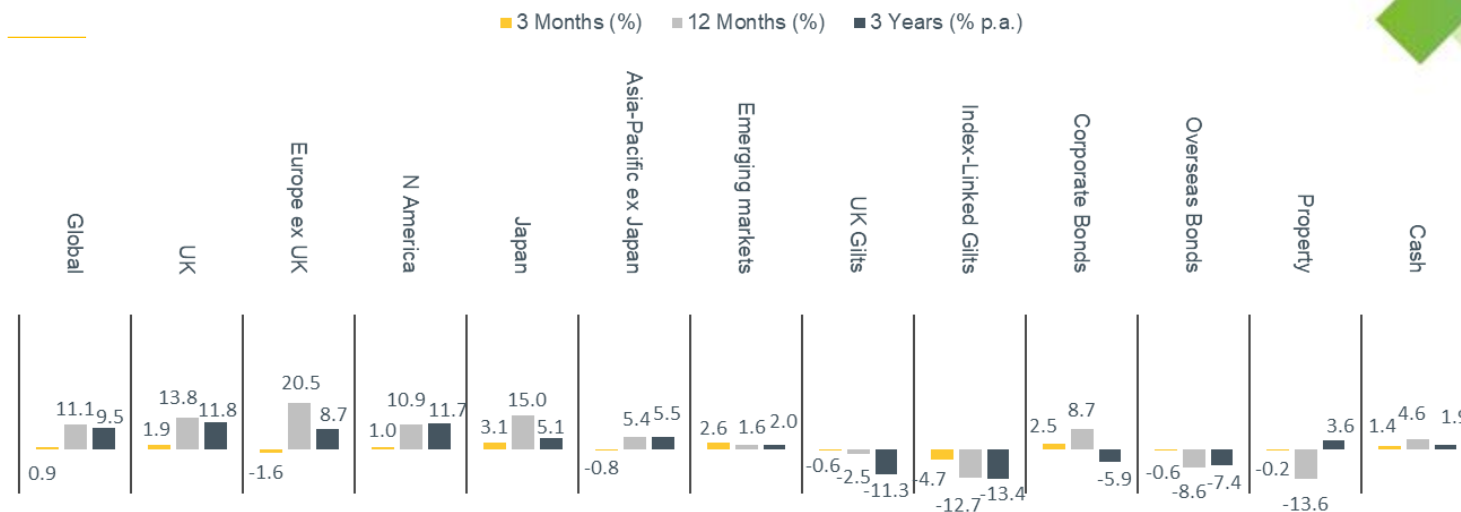
Better-than-expected Q2 data, released in Q3, led to further upwards revisions to 2023 global growth forecasts in Q3. However, survey indicators suggest that economic activity weakened throughout Q3, as services activity lost steam and the manufacturing sector remained in contraction. Europe looks a particular weak spot.

Headline inflation has generally stayed on a downwards trend, and came in at 3.7%, 6.7%, and 5.2% year on year in the US, UK, and eurozone, respectively. Core CPI inflation, which excludes volatile energy and food prices, has been falling more slowly, coming in at 4.3%, 6.2%, and 5.3%, in the US, UK and eurozone, respectively.

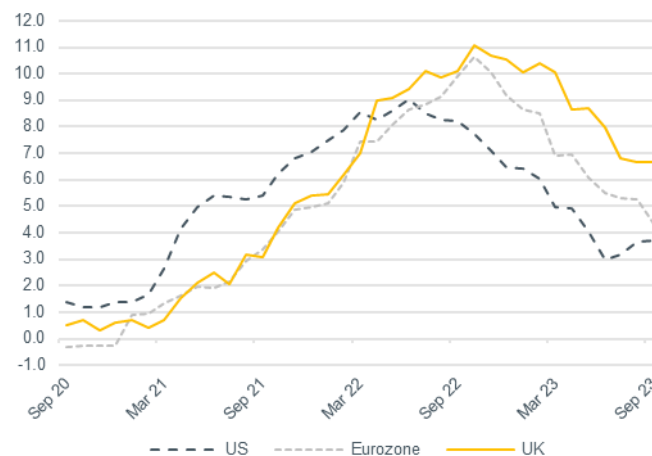
The Federal Reserve and Bank of England (BoE) raised rates 0.25% pa in Q3, to 5.5% pa and 5.25% pa. Both then left rates unchanged, unexpectedly so in the case of The BoE, at their September meetings. Meanwhile, the European Central Bank raised its deposit rate twice, to 4.0% p.a. The tone of central bank comments and market pricing suggest that policy rates are at, or close to peaking, but subsequent cuts will be more gradual than previously thought.

As a result, long-term sovereign bond yields rose. Heavy issuance amplified moves in 10-year US treasury yields which rose 0.7% pa to 4.6% pa. Equivalent German yields rose 0.5% p.a., to 2.8% p.a. Japanese government bond yields rose 0.4% pa, to 0.8% pa, as the Bank of Japan (BoJ) loosened its yield curve control policy in July. Short-term gilt yields fell, while longer-term yields rose – the 10-year yield saw more muted moves, rising 0.1% pa to 4.4% pa.

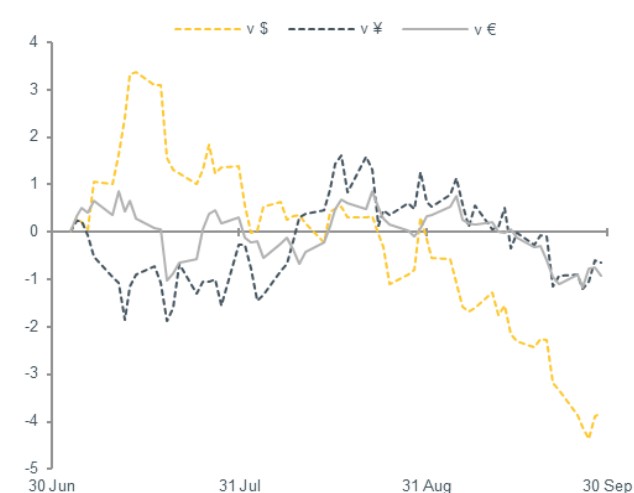
## Historic returns for world markets <sup>[1]</sup>



## Annual CPI Inflation (% p.a.)



## Sterling trend chart (% change)



Source: DataStream. <sup>[1]</sup>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

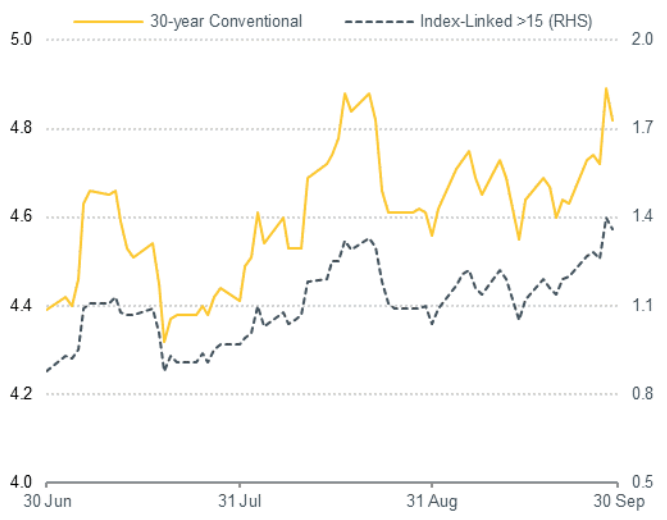
UK investment grade credit recorded positive total returns as short-term gilts yields and credit spreads fell. Global investment-grade spreads fell 0.1% pa to 1.3% pa. Speculative grade spread movements were muted with the US little changed, at 4.0% pa, and euro spreads tightening 0.1% to 4.4%.

The FTSE All World Total Return Index erased July's gains to end the quarter 2.1% lower, in local currency terms, as sovereign bond yields rose, and surveys indicated weaker global economic activity in Q3. Europe ex-UK underperformed, given weak business surveys and a large exposure to the struggling manufacturing sector. Above-average exposure to the tech sector saw North American equities also underperform. Japan outperformed as yen weakness lent support to the earnings of the export-heavy market. UK equities outperformed too, given above-average exposure to the energy sector.

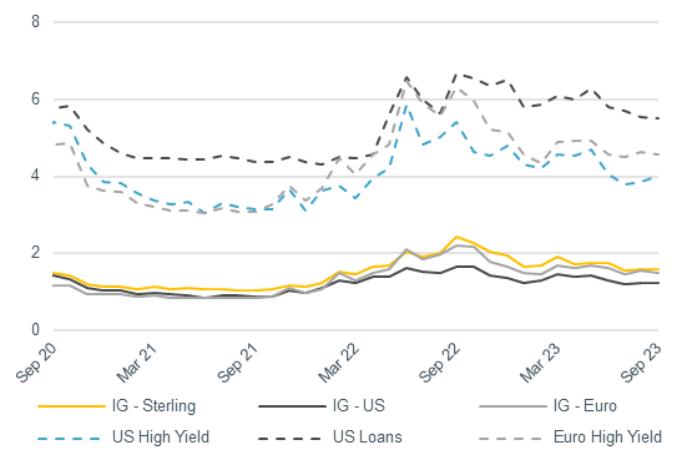
Oil prices rose 28% over the quarter on the back of supply shortfall fears, climbing close to \$100 per barrel. On a year-over-year basis, oil prices are up 8.1%. Trade-weighted sterling fell 2.1% as near-term interest rate expectations fell, while the equivalent US dollar measure rose 2.0% and the Japanese yen fell a further 1.7%.

The MSCI UK Monthly Property Total Return Index returned -0.2% over the quarter as capital value declines in the office and retail sectors more than offset income. Over 12-months, capital values are down around 14%, 20%, and 23% in the retail, industrial, and office sectors, respectively. The office and retail sectors continue to see month-on-month capital value declines, while the industrial sector has recorded seven consecutive months of growth, though the pace has eased.

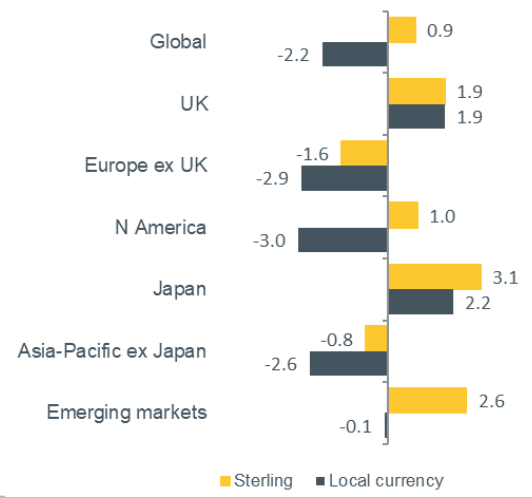
Gilt yields chart (% p.a.)



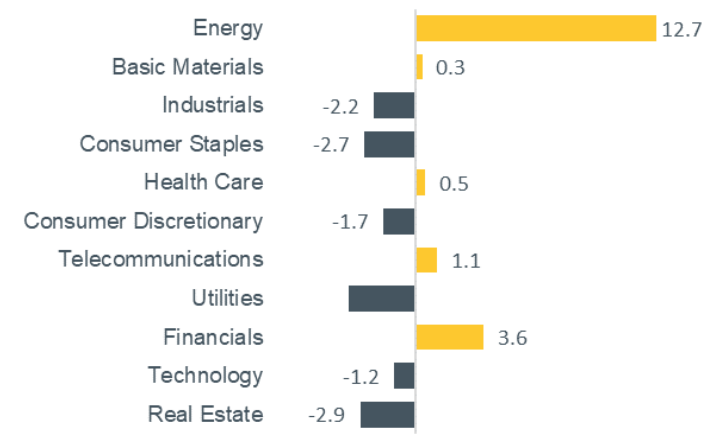
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



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



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

## Mandate profiles

Mandate	Date Appointed	Benchmark/Target Description	Annual Fee (bps)
LGIM RAFI Carbon Pathway Index GBP Hdgd	08-Oct-15	RAFI Global Reduced Carbon Pathway 3.5% - GBP Hdgd	4.8
LGIM Future World Global Equity Index	31-Mar-21	Solactive L&G ESG Global Markets Net	3
LGIM Future World Global Equity Index GBP Hdgd	31-Mar-21	Solactive L&G ESG Global Markets Net - GBP Hdgd	6
LCIV Sustainable Exclusion Global Equity	16-Apr-21	MSCI World Index Net (Total Return)	38
LCIV Emerging Markets	03-Dec-19	MSCI Emerging Markets Index (TR) Net	49.5
Adams Street 2019 Global	17-Oct-19	MSCI ACWI TR Index + 4% p.a.	52
Adams Street Global Secondaries	23-Jun-21	Net IRR of 15% p.a.	100
IFM Global Infrastructure	01-Mar-18	8% - 12% p.a.	77
LCIV Renewable Infrastructure	30-Sep-21	Net IRR of 7 - 10% p.a.	103.5
Standard Life Long Lease Property	03-Jun-19	FT British Govt All Stocks Index Plus 2%	49
CBRE Global Alpha	01-Jul-19	9% - 11% p.a. over 3 year rolling period	45
FREOF V	09-Jun-22	12% - 15% p.a.	107
Barings Multi-Credit	10-Jun-16	3 month SOFR + 5% p.a. hedged to GBP	53
LCIV MAC	30-Nov-22	Cash + 4 -5% p.a.	36
Insight Secured Finance	31-May-17	SONIA + 4% p.a.	36
LCIV Global ESG Bond	17-Jul-23	Bloomberg Global Aggregate Credit Index - GBP Hedged	16
Schroder All Maturities Corporate Bond	31-Dec-10	Merrill Lynch Sterling Non-Gilts Index	18
Alcentra Direct Lending	06-May-16	7% - 12% p.a. net IRR	125
Partners Group MAC 2015	03-May-16	SONIA + 4% - 6% p.a.	73
Partners Group MAC 2017	12-Oct-17	SONIA + 4% - 6% p.a.	73
Partners Group MAC V	13-Aug-19	SONIA + 4% - 6% p.a.	73
LCIV Private Debt	22-Jun-21	Net IRR of 6 - 8% p.a.	80
Barings Global Special Situations Credit	30-Sep-21	Gross return of 15 - 20% p.a.	125
Allianz Trade Finance	31-Mar-23	SONIA + 2% p.a.	28
Pemberton Trade Finance	31-Mar-23	US LIBOR + 2.5 - 3% p.a.	30

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

Source: Investment Managers

## 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.

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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.

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