

**MEETING**

**PENSION FUND COMMITTEE**

**DATE AND TIME**

**THURSDAY 18TH APRIL, 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 Mitra  
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 16 April 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  
Media Relations Contact: Tristan Garrick 020 8359 2454

**ASSURANCE GROUP**

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## ORDER OF BUSINESS

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| 2.      | Absence of Members   |           |
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| 4.      | Public Question and Comments (if any)  |           |
| 5.      | Dispensations Granted by the Monitoring Officer (if any)                                     |           |
| 6.      | Members' Items (if any)  |           |
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## Decisions of the Pension Fund Committee

1 February 2024

Cabinet Members:-

AGENDA ITEM 1

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

Councillor Andreas Ioannidis      Councillor Liron Woodcock-Velleman  
Cllr Mark Shooter  
Councillor Peter Zinkin (substituting for Cllr Elliot Simberg)

Apologies for Absence

Councillor Elliot Simberg

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

**RESOLVED** that the minutes of the meeting held on 11 January 2024 be agreed as a correct record.

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

None.

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

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

Councillor Radford declared a non-pecuniary interest in Items 7 and 8 by virtue of the fact that he had a working relationship with several Schools within the Borough. He advised that schools listed in the report included those which were being considered for a family member to attend.

Councillor Anne Hutton declared a non-pecuniary interest in Items 7 and 8 by virtue of the fact that she was a school governor at one of the schools in Barnet. Councillor Liron Woodcock-Velleman made the same declaration.

Councillor Peter Zinkin declared a non-pecuniary interest in Items 7 and 8 by virtue of the fact that his wife was a school governor at Wessex Gardens Primary School.

Councillor Andreas Ioannidis declared a non-pecuniary interest in Items 7 and 8 by virtue of the fact that he was employed as a staff administrator at Middlesex University.

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

None.

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

None.

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

None.

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

The Head of Pensions and Treasury presented his report which sought approval of the amendments made to the Contribution Review Policy and for its adoption. The Committee were reminded that their Contribution Review Policy had been revised to clarify and enable the actions which were permitted under regulation 64 of the Local Government Pension Scheme Regulations 2013, which permits a 'Tax raising body' to review contribution rates for Pension Funds.

There was an extensive consultation period which involved all the interested parties and advice was sought from Legal Services and a specialist legal firm regarding proposed changes to the Policy. Officers advised that an employer's meeting had been used to promote the consultation and an email was also sent to all employers to launch its start. Employers were able to respond directly regarding revisions and there was a meeting held with the Finance Director from Middlesex University. A maintained school provided feedback and was satisfied with the proposed revisions.

The Chair thanked the Committee for their contributions and input with the revision of the Contribution Review Policy.

**RESOLVED**

That the proposed changes to the Contribution Review Policy (set out in Appendix A) be formally adopted.

**8. CONTRIBUTION REVIEW (Agenda Item 8):**

The Head of Pensions and Treasury presented his report which requested the Committee to consider the Council's request to change the Rates and Adjustment Certificate.

The Committee was circulated papers which contained the most recent financial information regarding budgets and was provided an update from the S151 Officer on this area.. The Fund Actuary provided an update to the Committee during the meeting information on how the contribution rate adjustment was calculated.

The Committee agreed that the conditions set out in the new Contributions Review Policy for an application to review Pensions Deficit contributions had been met. Members noted that the Committee had agreed to several conditions in relation to reducing the contributions and these included that the contribution rate increased after a two-year period, that there be regular reviews undertaken about funding rate and appropriate

actions be taken following changes to market conditions. The Committee requested that an action plan be devised which would ensure that the mentioned conditions are implemented, and they receive update on its contents (**ACTION**). The Section 151 Officer suggested that the over the period to 31 March 2026 that Committee be given the same information as the Overview and Scrutiny Committee on how the Council was performing on delivering savings (**ACTION**).

The Committee agreed that schools should be made aware that Pensions Deficit Contributions was for a two-year period only and that their budgets would need to be adjusted following this period. (**ACTION**)

The Chair thanked Counsel, Officers, and the Committee for their contribution in reviewing the Contributions Review Policy and considering the request to amend the Rates and Adjustment Certificate for the Council.

## **RESOLVED**

Having considered the financial situation of the Council (as presented by the Head of Paid Services and through discussions within the Council more generally), legal advice, the Fund's revised Policy on contribution reviews and actuarial advice, the Committee agreed that:-

Subject to the changes to the Contribution Review Policy being agreed by the Committee (proposal to amend the Policy is being considered as a separate item ahead of this paper) it is recommended to change the Fund's Rates and Adjustment Certificate so that the London Borough of Barnet's employer contribution rate is amended as per Table 2 – i.e. an 8% reduction in contribution rate during 24/25 and 25/26. To be clear, this is a profile that the Actuary would have been able to certify for the 31 March 2022 valuation without relying on post-valuation experience.

This recommendation is also subject to the Council agreeing to implement the mitigations suggested in Table 3 of the cover report for this item.

## **9. EXTERNAL AUDIT AND ACCOUNTS UPDATE (Agenda Item 9):**

The Finance Manager presented his report which sought approval of the 2022/23 Draft Annual Report and confirmation on whether it would be appropriate to publish the Report based on current audit status. The Committee was advised that legal advice was sought on which Member of the Committee should sign the Annual Fund Report and Annual Accounts and were informed there were no regulations in relation to this area. The Committee were advised that it would be good practice for the sitting Chair to sign these documents.

The Committee noted that their Investment Policy would be superseded and agreed that this be reflected in their Annual report (**ACTION**)

## **RESOLVED**

1. That the Pension Fund Committee approved the 2022/23 Draft Annual Report.
2. The Pension Fund Committee approved the publishing of the 2022/23 Draft Annual Report.

**10. MOTION TO EXCLUDE PRESS AND PUBLIC (Agenda Item 10):**

None.

**11. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT (Agenda Item 11):**

None.

The meeting finished at 7.40 pm





# Pension Fund Committee AGENDA ITEM 7

**18 April 2024**

|                                |  |
|--------------------------------|--|
| <b>Title</b>                   | <b>External Audit and Accounts Update</b>                                  |
| <b>Date of meeting</b>         | 18 April 2024  |
| <b>Report of</b>               | Interim Executive Director of Resources (S151 officer)                     |
| <b>Wards</b>                   | All  |
| <b>Status</b>                  | Public   |
| <b>Urgent</b>                  | No   |
| <b>Appendices</b>              | Appendix 1- Grant Thornton Audit Plan                                      |
| <b>Officer Contact Details</b> | Adam McPhail, Finance Manager, 0208 359 7639<br>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.

Grant Thornton are the Pension Fund's appointed external auditors for the 2023/24 financial year. Grant Thornton will be attending the meeting to present their audit plan for the 2023/24 audit.

## 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 note the 2023/24 audit plan presented by Grant Thornton.**

### 1. Reasons for the Recommendations

- 1.1** Under Section 151 of the Local Government Act 1972 - "...every local authority shall make arrangements for the proper administration of their financial affairs...". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to

issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts.

#### **2020/21 External Audit Update**

- 1.2 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.
- 1.3 BDO have provided a number of updates at previous Local Pension Board and at Pension Fund Committees.
- 1.4 To date officers have still not received the completed audit report.
- 1.5 BDO have advised the Pension Fund committee that the Pension Fund Accounts are ready to sign off, when the Council Accounts are ready to be signed off.
- 1.6 BDO have advised the Governance, Audit, Risk Management and Standards Committee on 27<sup>th</sup> November 2023. In their report they noted 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.
- 1.7 Officers asked BDO for an update on 26<sup>th</sup> March 2024, where BDO have advised the completed report has been delayed, and is now estimated to be complete in August.

#### **2021/22 and 2022/23 External Audit**

- 1.8 BDO are the appointed external auditor for the 2021/22 and 2022/23 external audit.
- 1.9 Due to the delays in completing the 2020/21 audit, BDO have advised that an audit plan report is not yet available.
- 1.10 The Department for Levelling Up, Housing and Communities (DULCH) have proposed a backstop to outstanding Local Government Audits of the 30<sup>th</sup> September. If this gets agreed then it is likely BDO will issue a modified or disclaimed opinion on the Council and Pension Fund accounts for 2021/22 and 2022/23.
- 1.11 More details around this can be found at [Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit)

Officers have asked BDO on 26<sup>th</sup> March to provide an update on the status of the 2021/22 and 2022/23 Pension Fund audits. BDO have advised that they expect to issue disclaimed audit opinions on these accounts, due to the DULCH backstop.

#### **2023/24 Accounts and External Audit**

- 1.12 The Pension Fund has been given a deadline from the Council to provide draft Pension Fund accounts by the 24<sup>th</sup> May 2024.
- 1.13 This is the same deadline as 2022/23 and therefore officers currently have no concerns this deadline will not be met.
- 1.14 Grant Thornton PLC are the appointed auditors for the 2023/24 audit. Discussions and meetings have already taken place between officers and Grant Thornton, with Grant Thornton expecting to complete the audit by the end of September 2024.
- 1.15 Grant Thornton are presenting their 2023/24 audit plan at the 15<sup>th</sup> April 2024 GARMS committee, and are attending this meeting to present their audit plan for the 2023/24 audit plan.

|   |
|---|
| <b>2. Alternative Options Considered and Not Recommended</b>  |
| 2.1 None  |
| <b>3. Post Decision Implementation</b>  |
| 3.1 None- The external auditor will report to the Committee following the conclusion of the audit.  |
| <b>4. Corporate Priorities, Performance and Other Considerations</b>  |
| <p><b>Corporate Plan</b></p> <p>4.1 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’</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 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.</p> <p><b>Insight</b></p> <p>4.6 Not applicable in the context of this report</p> <p><b>Social Value</b></p> <p>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.</p> |
| <b>5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)</b>   |
| <p>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.</p> <p>5.2 The external audit fees for 2021/22 are £35,789 (£36,170 for 2020/21).</p> <p>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.</p> <p>5.4 The ISA 260 report must be considered by “those charged with governance” before the external auditor can sign the accounts”.</p>   |

|  |  |
|--|--|
| <b>6. Legal Implications and Constitution References</b> |  |
| <b>6.1</b>   | 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".  |
| <b>6.2</b>   | 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.  |
| <b>6.3</b>   | 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.   |
| <b>6.4</b>   | 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   |
| <b>7. Consultation</b>                                   |  |
| <b>7.1</b>   | Not required   |
| <b>8. 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. Background Papers</b>                              |  |
| <b>9.1</b>   | None   |

# Indicative External Audit Plan

Year ending 31 March 2024

London Borough of Barnet Pension  
Fund

April 2024

# Contents



## Your key Grant Thornton team members are:

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## Section

Key matters

Introduction and headlines

Significant risks identified

Other matters

Our approach to materiality

IT audit strategy & ISA 315R

Audit logistics and team

Independence and non-audit services

Communication of audit matters with those charged with governance

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our indicative audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## National context

The national and international economic context continues to present challenges for pension funds. Inflationary pressures at home and abroad and wider geo-political issues mean there is volatility in global markets with a consequential impact on the investments held by pension funds.

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. For Barnet Pension Fund, the valuation was undertaken by Hymans Robertson LLP, and showed that primary contribution rates increased since the last valuation due to inflation and secondary contributions rates had decreased slightly due to strong investment performance since the last valuation. The valuation also showed a 71% likelihood of the pension fund investment returns being c4.9% pa, which is the required return in order to achieve the funds investment strategy of 100% funded.

In November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of their consultation on local government pension scheme investments. The government will now implement proposals which include revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, regulation to require funds to set a plan to invest up to 5% of assets in levelling up the UK and revised investment strategy statement guidance to require funds to consider investments to meet the government's ambition of a 10 % allocation to private equity. The Chancellor has also outlined plans that local government pension funds will be invested in pools of £200bn or more by 2040.

DLUHC have also consulted on proposals to require local government pension scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Climate risk (TCFD) reporting in the LGPS is expected to commence from 1 April 2024, with first reports due in late 2025.

As part of our planning assessment, we will take account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

# Key matters

## Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

Local authorities which administer local government pension funds are required to publish full pension fund accounts in the same document as their local authority accounts. This requirement means that the audited accounts of the host authority and related fund cannot be finalised until both audits have been completed. This co-dependency has compounded delays in the conclusion of pension fund audits and publication of audited accounts and annual reports.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.



# Key matters - continued

## Our Responses

- In 2023, PSAA awarded a contract of audit for Barnet Pension Fund to begin with effect from 2023/24, whereby Grant Thornton have been appointed as your auditors. As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this indicative audit plan will be agreed with the Executive Director of Strategy & Resources (S151 Officer). Page 17 of this indicative audit plan, sets out the four contractual stage payments for this fee, with payment based on delivery of specified audit milestones.
- To ensure close working with our local audited bodies and an efficient audit process, our preference as a firm is to work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Executive Director of Strategy & Resources (S151 officer) quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your GARMS Committee, to brief them on the status and progress of the audit work to date.
- We will continue to provide you and your GARMS Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our GARMS Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- We have identified a significant audit risk relating to the valuation of level 3 investments on page 9.

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# Key matters - continued

## Timing of Unsigned Prior Year Audits

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We have considered as part of our risk assessment and planning the impact of the backstop date implemented by Government, whereby all outstanding audits prior to 2023-24 are to be signed by 30th September 2024. We recognise that there may be some overlap between the predecessor audits of prior financial periods and our audit of 2023-24. Therefore, we have considered this report as an indicative audit plan on the basis we that we are unable to complete our required procedures in relation to review of the predecessor auditors work, however, have contacted the predecessor auditor to understand if there are any matters, including that of an ethical nature for which would impact our ability to proceed with our engagement take-on for Barnet Pension Fund. We have received a response and have not identified any concerns in respect of this.

As a result of the timings of when we propose to perform our audit of 2023-24 financial statements (as detailed on page 18) and the backstop date of signing prior year audits, we will require to perform additional procedures on opening balances and triennial valuation data. At the time of drafting this audit plan DLUCH and the NAO have not yet confirmed the extent of procedures required to be performed by auditors under these circumstances.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Barnet Pension Fund ('the Pension Fund') for those charged with governance.

## Respective responsibilities

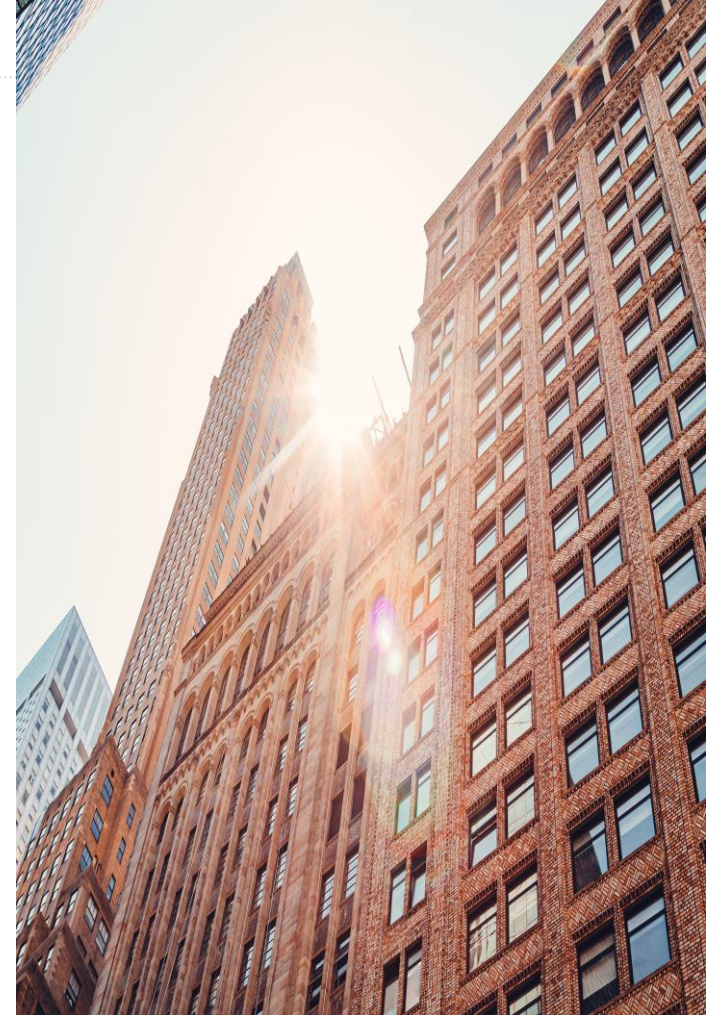
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. This indicative audit plan sets out the implications of the revised code on this audit. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. We draw your attention to these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (Governance, Audit, Risk Management and Standards Committee (GARMS)).

The audit of the financial statements does not relieve management or the GARMS Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of Level 3 Investments
- The revenue cycle includes fraudulent transactions – this has been rebutted on page 8
- Triennial valuation

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £22.35m for the Pension Fund, which equates to 1.5% of your gross investment assets as at 31 March 2023. We have determined a lower specific planning materiality for the Fund Account of £9.3m, which equates to 10% of prior year gross expenditure on the fund account.

We are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. As part of our risk assessment, we have considered the impact of unaudited prior year accounts and as this is the first year as your auditors, we have set performance materiality at a reduced level of 70% of headline materiality, at £15.65m.

Our trivial threshold has been set at £1.1m.

## Audit logistics

Our planning visit took place during January – March 2024 and our final visit will take place in July – September 2024. Our key deliverables are this indicative audit plan and our Audit Findings Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £84,070 for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Custodian independently values some of the Pension Funds (Level 1/Level 2) Investments. This means we will be able to triangulate some of the valuations included in the financial statements for these investments to custodian and investment manager confirmations. However, where we are not able to triangulate valuations, we will carry out further audit procedures to gain assurance over the valuations of these investments, similar to that performed over level 3. See page 9 for further details regarding our approach to auditing the valuation of Level 3 Investments.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Risk                             | Reason for risk identification   | Key aspects of our proposed response to the risk   |
|----------------------------------|--|--|
| Management over-ride of controls | <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Pension Fund faces external scrutiny of its spreading and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals.</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals.</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> |

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

# Significant risks identified - continued

| Risk  | Reason for risk identification   | Key aspects of our proposed response to the risk   |
|---|--|--|
| Presumed risk of fraud in revenue recognition<br>ISA (UK) 240 | Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.<br>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the Barnet Pension Fund, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the London Borough of Barnet Pension Fund.</p> |

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Significant risks identified - continued

| Risk                             | Reason for risk identification   | Key aspects of our proposed response to the risk  |
|----------------------------------|--|---|
| Valuation of Level 3 Investments | <p>You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £115.7 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as of 31 March.</p> <p>We therefore have identified Valuation of Level 3 Investments as a significant risk.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes and design &amp; implementation of relevant controls for valuing Level 3 investments.</li> <li>• Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met.</li> <li>• Independently request year-end confirmations from investment managers and the custodian.</li> <li>• For a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports as at that date. Reconcile those values to the values on 31 March 2024 with reference to known movements in the intervening period.</li> <li>• We will evaluate the completeness, capabilities and objectivity of the valuation expert.</li> <li>• Where available review investment manager service auditor report on design and operating effectiveness of internal controls.</li> </ul> |

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

# Significant risks identified - continued

| Risk                | Reason for risk identification  | Key aspects of our proposed response to the risk  |
|---------------------|---|---|
| Triennial Valuation | <p>Every 3 years the pension fund is required to have a full valuation performed by the actuary. The main purpose is to monitor the assets of the Fund against the liabilities of the pension benefits payable. Contribution rates to be paid for the following 3 years are then determined. The last triennial valuation was performed in 2019, and therefore a valuation was required as of 31<sup>st</sup> March 2022.</p> <p>Due to the timings of the 2023-24 audit and depending on the completion of the predecessor's prior year audits, we are unable to review the predecessors work performed on the triennial valuations including the testing performed on membership data for purposes of rolling forward. As there is highly material estimation uncertainty involved, we will need to carry out additional procedures during the 2023-24 audit to gain sufficient assurance that the valuation is not materially misstated.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate managements processes, and design &amp; implementation of controls put in place for the triennial valuation</li> <li>• Evaluate the instructions issued by management to their management expert (an actuary) for the valuation and the scope of the actuary's work.</li> <li>• Assess the competence, capabilities and objectivity of the actuary who carried out the triennial valuation.</li> <li>• Obtain and review the triennial valuation report</li> <li>• Test the accuracy and completeness of membership data used to determine the triennial valuation</li> </ul> |

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.



# Other matters

## Other work

The Pension Fund is administered by London Borough of Barnet Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2023/24 financial statements, consider and decide upon any objections received in relation to the 2023/24 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

| Matter | Description  | Planned audit procedures  |
|--------|--|---|
| 1      | <p><b>Determination</b></p> <p>We have determined financial statement materiality by applying a reasonable measurement percentage to an appropriate benchmark. Materiality at the planning stage of our audit is £22.35m, which equates to 1.5% of your gross investment assets as at 31 March 2023.</p> | <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;</li> <li>– assist in establishing the scope of our audit engagement and audit tests;</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul> <p>We are required to assess our materiality against admitted bodies materiality (adjusted for their share of the pension fund) to ensure we are able to provide assurances to admitted bodies. At this stage, the admitted bodies materiality is not available to us, so we will need to reassess at stage of receiving the draft financial statements and when the admitted bodies materiality has been assessed.</p> |
| 2      | <p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>   | <p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <p>We have determined a lower specific planning materiality for the Fund Account of £9.3m, which equates to 10% of prior year gross expenditure on the fund account. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied.</p>  |

# Our approach to materiality

| Matter | Description   | Planned audit procedures   |
|--------|---|--|
| 3      | <p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>   | <p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>   |
| 4      | <p><b>Other communications relating to materiality we will report to the GARMS Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the GARMS Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> | <p>We report to the Governance, Audit, Risk Management and Standards Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.1m. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance, Audit, Risk Management and Standards Committee to assist it in fulfilling its governance responsibilities.</p> |

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.



|   | Amount  | Qualitative factors considered  |
|---|---------|---|
| <b>Materiality for the financial statements</b> | £22.35m | <p>Headline materiality equates to approximately 1.5% of your gross investment assets as at 31 March 2023.</p> <p>In determining this threshold, we have considered the nature of the pension fund, including the types of complex investments held that could impact upon the gross asset figures within the financial statements. As well as any other risks or matters identified from our risk assessment and planning performed to date that could have a significant and/or pervasive impact upon the accounts, including the pensions funds going concern basis.</p> |
| <b>Materiality for the fund account</b>         | £9.3m   | <p>This equates to approximately 10% of prior year gross expenditure on the fund account.</p> <p>We have determined a lower specific materiality for the fund account for the audit of the pension fund on the basis that this area of the accounts is deemed of high interest and could reasonably be expected to influence the economic decisions of financial statement users.</p>   |

# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 16.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

| IT system             | Audit area                                    | Planned level IT audit assessment   |
|-----------------------|---|---|
| Integra               | Financial reporting                           | Full testing of design and implementation of the ITGCs, including each of the following areas: <ul style="list-style-type: none"> <li>• Review of security management</li> <li>• Review of change management</li> <li>• Review of batch scheduling</li> </ul> |
| Active Directory (AD) | User authentication on organization's network | Limited testing of ITGC's will be performed on AD, with a focus on security management.   |
| Civica UPM            | Pensions Administration                       | Full testing of design and implementation of the ITGCs  |

# ISA315 Revised

ISA 315 (revised July 2020) takes effect for accounting periods starting on or after the 15<sup>th</sup> December 2021. This ISA deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements. The revisions made in the ISA have increased the level of work required of auditors and detail of this extra work is set out below.

| Area   | What's changed?  | Impact on the audit   |
|--|--|---|
| Information Technology Environment                                       | <p>The new requirement states certain aspects of the IT environment must be understood and documented for each significant classes of transactions, account balances and disclosures (SCOT+).</p> <p>The auditor is required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response.</p>  | <p>The audit team will be required to:</p> <ul style="list-style-type: none"> <li>• perform walkthroughs of the IT environment;</li> <li>• identify and review relevant controls within the IT environment to ensure they are operational;</li> <li>• obtain details of the relevant IT / technical infrastructure (i.e., server location, database type); and</li> <li>• obtain details of the processes that operate within the IT environment (i.e., process to manage user access or manage a program or IT environment change).</li> </ul> |
| Considering IT risks related to internal controls relevant to the audit. | <p>The auditor is required to identify controls within a business process and identify which of those controls are controls relevant to the audit. For each internal control relevant to the audit, the auditor is required to evaluate the design of the control and evidence effective implementation of the control.</p> <p>The auditor is required to evaluate the design and determine the implementation of the general IT controls (ITGCs) that address the risks arising from the use of IT.</p> | <p>This requirement will lead to a significant change in practice, to the level of detail in which we will be required to understand the risks arising from the use of IT and associated general IT controls (ITGCs).</p> <p>There has been a significant increase in the number of detailed ITGC assessments required.</p>   |
| Control reliance   | <p>In previous years, where we had performed a walkthrough of your controls (such as operating expenditure), we were able to use the review of these controls to obtain comfort over the design effectiveness of your system. This would usually result in smaller sample sizes. The changes made to the ISA mean that design effectiveness will no longer grant a benefit when determining sample sizes.</p>  | <p>There will be larger sample sizes across a number of areas. Key areas where we will likely see the biggest increase are:</p> <ul style="list-style-type: none"> <li>• operating expenditure and payables;</li> <li>• property, plant and equipment;</li> <li>• non-contract income.</li> </ul> <p>This is not a complete list but these will be the areas we expect to be most affected.</p>   |

# Audit logistics and team



## Parris Williams, Key Audit Partner

Parris is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the GARMS Committee, and the Executive Director of Strategy & Resources. He will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Members and the Audit and Standards Advisory Committee.



## Samantha Morgan, Audit Manager

Samantha is responsible for overall audit management, quality assurance of audit work and output, and liaison with the GARMS Committee and finance team. She will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable.



## Kieran McDermid, In-Charge Associate

Kieran will lead the onsite team and will be the day to day contact for the audit. Kieran will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Kieran will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work.

## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes and the Annual Report
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on slide 5) and respond promptly and adequately to audit queries.

# Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for London Borough of Barnet Pension Fund to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2023/24 audit is £76,540.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft indicative audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here

<https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

## Assumptions

In setting these fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.



# Audit fees

|  | Proposed fee 2023/24 |
|--|----------------------|
| <u>Barnet Pension Fund Audit</u>                   | £76,540              |
| ISA 315*   | 7,530                |
| Potential impact of delayed 2022/23 audit opinion* | TBC                  |
| Total audit fees (excluding VAT)                   | £84,070              |

\* Subject to approval with PSAA

## Previous year

If the opinion on the 2022/23 (and 2021/2022) audit is disclaimed due to the imposition of a backstop date, we will need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise. Additional fees in respect of this will be subject to approval of PSAA.

## Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

## Other services

No other services provided by Grant Thornton were identified

# Communication of audit matters with those charged with governance

| Our communication plan  | indicative audit plan | Audit Findings |
|---|-----------------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance   | •                     |                |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters  | •                     |                |
| Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons  | •                     | •              |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | •                     | •              |
| Significant matters in relation to going concern  | •                     | •              |
| Significant findings from the audit   |                       | •              |
| Significant matters and issue arising during the audit and written representations that have been sought  |                       | •              |
| Significant difficulties encountered during the audit   |                       | •              |
| Significant deficiencies in internal control identified during the audit  |                       | •              |
| Significant matters arising in connection with related parties  |                       | •              |

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the indicative audit plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

# Communication of audit matters with those charged with governance

| Our communication plan  | indicative audit plan | Audit Findings |
|---|-----------------------|----------------|
| Identification or suspicion of fraud( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements |                       | •              |
| Non-compliance with laws and regulations  |                       | •              |
| Unadjusted misstatements and material disclosure omissions  |                       | •              |
| Expected modifications to the auditor's report, or emphasis of matter   |                       | •              |

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

# Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

## Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

## Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

## Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

## Step 4 - Escalation to the GARMS Committee (at next available GARMS Committee meeting or in writing to GARMS Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the GARMS Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

## Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.



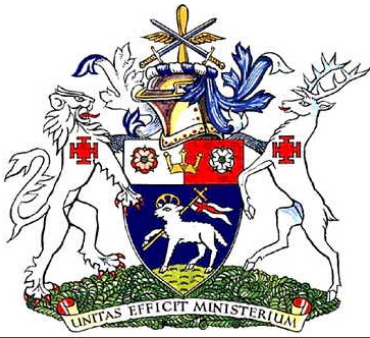
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**Pension Fund Committee** AGENDA ITEM 8  
**18 April 2024**

|                                |   |
|--------------------------------|---|
| <b>Title</b>                   | <b>Direction Order for Barnet &amp; Southgate College</b>   |
| <b>Date of meeting</b>         | 18 April 2024   |
| <b>Report of</b>               | Interim Executive Director of Resources (S151 officer)  |
| <b>Wards</b>                   | All   |
| <b>Status</b>                  | Public  |
| <b>Urgent</b>                  | No  |
| <b>Appendices</b>              | Appendix A - Actuary Letter - Southgate College to Barnet College   |
| <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 details of the proposed transfer of assets from the Enfield Pensions Fund to the Barnet Fund resulting from the merger of Barnet and Southgate Colleges in 2011.

### Recommendations

**That the Pension Fund Committee approve the transfer of assets and liabilities from Enfield resulting from the merger of Barnet and Southgate Colleges (subject to the Actuary confirming that the resulting transfer does not lead to an adverse funding outcome for Barnet & Southgate College).**

#### 1. Reasons for the Recommendations

##### Background

- 1.1 Barnet College and Southgate College merged on 31 October 2011.
- 1.2 Before the merger, Barnet College participated in the Barnet Pension Fund and Southgate College participated in the Enfield Pension Fund. Southgate College ceased to exist at the merger date and all its staff and operations were transferred to Barnet College.

- 1.3 The merged Barnet and Southgate College continued to participate in the Barnet Pension Fund from the merger date. All Southgate College staff who were employed at the merger date and transferred to the merged college were admitted to the Barnet Pension Fund from the merger date.
- 1.4 To date, no transfer payment has been received from the Enfield Pension Fund for the past service of actives members who were admitted to the Barnet Fund.
- 1.5 Southgate College's deferred and pensioner members remained in the Enfield Pension Fund. Southgate College did not trigger an exit debt to the Enfield Pension Fund as the LGPS regulations at the merger date did not provide for an exit debt.

#### **Historic actions since the merger**

- 1.6 Since 2011, there has been an ongoing discussion between Barnet and Enfield concerning the treatment of the former Southgate staff who were deferred member or pensioners in the Enfield Fund and the appropriate transfer value to be paid to compensate Barnet for taking on the liability for past service of active members who transferred to the Barnet Pension Fund.
- 1.7 Initially, the Enfield Fund position was that the Barnet Fund should pay Enfield an estimated transfer value of £4.2 million.
- 1.8 When the Enfield Fund's actuary undertook this calculation, they calculated that for Southgate College there were insufficient assets to cover the deferred member and pensioner liabilities by £2.287 million as at October 2011. This liability has been inflated by missed investment returns since 2011 and as at mid-2018 was estimated at £4.2 million.
- 1.9 Normally, the transfer value would be paid by the Enfield Fund to the Barnet Fund as the latter would be taking on pension liabilities that had been accumulated in the Enfield Fund.
- 1.10 The rationale for the 'reverse' transfer value was due to the approach taken by Enfield in calculating the value of assets that they require to pay former Southgate staff who were pensioners or deferred members of the Enfield Fund as at the merger date.
- 1.11 Discussion on the appropriate methodology for the transfer value concluded in October 2015, with the Barnet Pensions Team and Barnet & Southgate College agreeing to the preferred Enfield methodology. This was notified to Enfield and a formal agreement letter was drafted but not signed.
- 1.12 The Barnet Fund actuary at the time was then asked to verify the calculation of the transfer value. However, in 2017 the Barnet Pensions Team were made aware that Enfield has taken two years to provide their Actuary with the relevant membership data that was subsequently passed on the Barnet actuary to review.
- 1.13 Subsequently, the Barnet Fund has changed actuary to Hymans Robertson and delays occurred due to the previous actuary being unwilling to release data they received to allow Hymans to undertake calculations of the various options.
- 1.14 A proposal was apparently agreed by Barnet & Southgate College and the Barnet Pensions Team college that the Barnet Pension Fund pay the £4.2 million to Enfield to balance their retained liabilities and that Barnet would receive no assets for taking on the active liabilities. This would have increased Barnet & Southgate College's contribution rate going forward.
- 1.15 Due to the passage of time and staff changes, the College claim no knowledge of this agreement and subsequently expressed a disagreement with the Enfield's proposal.



## **Current Position**

- 1.16 In July 2021, Hymans were asked by the Barnet Pensions Team to provide indicative analysis of the impact on the funding position of Barnet and Southgate College if the residual deferred and pensioner liabilities and residual assets transferred from the Enfield Fund.
- 1.17 Hymans analysis showed that there would be a significant improvement in the funding position for Barnet & Southgate College in the Barnet Fund, up from 85% at the 31 March 2019 valuation to 98% in July 2021.
- 1.18 Based on current market conditions, this estimated funding position for the College will have almost certainly improved further since July 2021, however, we are awaiting analysis from the Actuary that confirms this.
- 1.19 The Barnet Pensions Team have now reached agreement with the Enfield Pension Fund to transfer all of Southgate College's assets and liabilities from the Enfield Pension Fund to the Barnet Pension Fund on terms agreed by the actuaries of the Barnet Pension Fund and the Enfield Pension Fund.
- 1.20 Under the provisions of Schedule 3, Part 2, Paragraph 3, of the Local Government Pension Scheme Regulations 2013, the Secretary of State for the Department for Levelling Up, Housing & Communities (DLUHC) is required to issue a retrospective "Direction Order" that the London Borough of Barnet should be substituted for the London Borough of Enfield as the administering authority for all Southgate College members in the Enfield Pension Fund with effect from an "Effective Date" and the pension assets and liabilities of both of these colleges will be combined in the Barnet Pension Fund with effect from this date.
- 1.21 The proposed "Effective Date" is to be determined.
- 1.22 The asset transfer from the Enfield Pension Fund to the Barnet Pension Fund will be on the terms agreed by the actuaries to the Barnet Pension Fund and the Enfield Pension Fund and this is attached as Appendix A.
- 1.23 The transfer payment will be Southgate College's notional share of assets held in the Enfield Pension Fund at the merger date updated in line with investment returns in the Enfield Pension Fund between the merger date and the payment date, adjusted appropriately to reflect benefit payments made and intra-fund membership movements prior to the transfer date.
- 1.24 Legal advice received has confirmed that this approach is acceptable.
- 1.25 The transfer payment (ie the market value of assets in the Enfield Pension Fund notionally attributable to the Southgate College at the merger date) previously calculated was £9,252,000. We are waiting for the Actuary to confirm an updated figure.
- 1.26 The Pensions Team's recommendation is that the retrospective Direction Order is applied for and request that the Committee approve the transfer of assets and liabilities between the Enfield Pension Fund and the Barnet Fund resulting from the merger of Barnet and Southgate Colleges. This recommendation is subject to the Actuary confirming that there is no adverse funding impact on Barnet & Southgate College in making the transfer (no adverse outcome is expected).

## **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 Under the Council’s Constitution Part 2B Section 15.1, 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.

6.2 The Pension Fund commissioned specialist legal advice who have advised that this is an acceptable approach.

## 7. Consultation

7.1 Not applicable in the context of this report.

## 8. Equalities and Diversity

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

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

## 9. Background Papers

9.1 None

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# London Borough of Enfield Pension Fund

## Transfer of members from the London Borough of Enfield Pension Fund to the London Borough of Barnet Pension Fund

Actuary's letter in respect of the bulk transfer of members from Southgate College to Barnet College.

### Introduction and Context

On 31 October 2011, Southgate College, an employer in the *Enfield Pension Fund*, merged with Barnet College, an employer in the *Barnet Pension Fund*. The Secretary of State for Levelling Up, Housing & Communities has directed that the assets and liabilities of Southgate College (including those for former members) are transferred to the *Barnet Pension Fund*.

This letter sets out the terms on which the asset transfer in respect of the *Transferring Members*, whose liabilities transferred from the *Enfield Pension Fund* to the *Barnet Pension Fund* on the *Effective Date*, will be calculated.

The proposed terms reflect our understanding that it has been agreed that the transfer will be Southgate College's notional share of assets held in the *Enfield Pension Fund* at the *Merger Date* (the *Transfer Amount*) updated in line with investment returns in the *Enfield Pension Fund* between the *Merger Date* and the *Payment Date*, adjusted appropriately to reflect benefit payments made and intra-Fund membership movements prior to the *Benefits Payments Transfer Date*.

***Terms in italics are defined in the Definition of terms.***

### Direction Order

Assets and Liabilities in the *Enfield Pension Fund* in respect of the *Transferring Members* became the responsibility of the *Barnet Pension Fund* with effect from the *Effective Date*.

Prepared for: Hymans Robertson LLP

Prepared by: Joel Duckham FIA

Date: 29 November 2022

London Borough of Enfield Pension Fund

**Process**

The addressee is requested to confirm acceptance of the basis by signing and returning a copy of this letter.

**Basis**

The *Enfield Pension Fund* will transfer the *Accumulated Transfer Payment* to the *Barnet Pension Fund* on the *Payment Date*.

The accumulated value of any money purchase AVCs made by or in respect of the *Transferring Members*, if applicable, has or will be paid in addition to the *Accumulated Transfer Payment*.

These terms do not apply to any *Unfunded Benefits* (if applicable) and until alternative arrangements are made and agreed by both parties, any such payments that are paid by London Borough of Enfield on behalf of the *Previous Employer* should continue to be reimbursed by the *Previous Employer*.

**Signed on behalf of Aon Solutions UK Limited**  
(Enfield Pension Fund Actuary)

DocuSigned by:  
*Joel Duckham*  
ACA732C3260D46B...  
Joel Duckham FIA

Date: 29 November 2022

.....

**Signed on behalf of Hymans Robertson LLP**  
(Barnet Pension Fund Actuary)

DocuSigned by:  
*Steven Scott*  
AA6CAE8F2DE64D8...  
Steven Scott FFA

Dec 7, 2022  
Date: .....

# Definition of terms



## Definitions of items in italics.

| Term  | Meaning  |
|---|--|
| <i>Accumulated Transfer Payment</i>                 | (The <i>Transfer Amount</i> multiplied by the <i>Market Adjustment Factor</i> )<br>LESS (for each <i>Time Period</i> )<br>(the <i>Benefit Payments in the relevant Time Period</i> multiplied by the <i>Market Adjustment Factor for the relevant Time Period</i> )  |
| <i>Barnet Pension Fund</i>                          | The Local Government Pension Fund administered by the London Borough of Barnet, in its capacity as Administering Authority, in accordance with the <i>Regulations</i> .  |
| <i>Barnet Pension Fund Actuary</i>                  | Steven Scott FFA of Hymans Robertson LLP, or another actuary or firm of actuaries appointed by the <i>Barnet Pension Fund</i> for the purpose of this transfer.  |
| <i>Benefit Payments in the relevant Time Period</i> | The total benefits paid by the <i>Enfield Pension Fund</i> to beneficiaries of the <i>Previous Employer</i> over a <i>Time Period</i> (inclusive of amounts that have been notionally transferred from the Southgate asset share of the <i>Enfield Pension Fund</i> to other employers within the <i>Enfield Pension Fund</i> over that <i>Time Period</i> , e.g. as a result of an aggregation option). |
| <i>Benefits Payments Transfer Date</i>              | A date as agreed between the <i>Enfield Pension Fund</i> and <i>Barnet Pension Fund</i> from which the <i>Barnet Pension Fund</i> becomes responsible for making all benefit payments to the <i>Transferring Members</i> . This will be a date falling either on or after the <i>Effective Date</i> .  |
| <i>Enfield Pension Fund</i>                         | The Local Government Pension Fund administered by the London Borough of Enfield, in its capacity as Administering Authority, in accordance with the <i>Regulations</i> .   |
| <i>Enfield Pension Fund Actuary</i>                 | Joel Duckham FIA of Aon Solutions UK Limited, or another actuary or firm of actuaries appointed by the <i>Enfield Pension Fund</i> for the purpose of this transfer.   |
| <i>Effective Date</i>                               | The effective date of the Direction Order made on behalf of the Secretary of State in relation to this transfer.   |

| Term   | Meaning   |
|--|---|
| <i>Market Adjustment Factor</i>                              | <p>The total investment return achieved by the assets of the <i>Enfield Pension Fund</i> between the <i>Merger Date</i> and the day before the <i>Payment Date</i>. The total return will comprise the cumulative return in relation to the following:</p> <ul style="list-style-type: none"> <li>▪ the return on the <i>Notional Portfolio</i> from the start of the first working day following the <i>Merger Date</i> to the close of business the working day before the next <i>Net Investment Return</i> is available (<i>A%</i>).</li> <li>▪ the actual <i>Net Investment Return</i>, where known for the complete calendar quarters between the <i>Merger Date</i> and the close of business on the working day before the <i>Payment Date</i> (<i>B%</i>).</li> <li>▪ the return on the <i>Notional Portfolio</i> from the end of the last quarter for which the actual gross return is available to the close of business the working day before the <i>Payment Date</i> (<i>C%</i>).</li> </ul> <p>The <i>Market Adjustment Factor</i> would be <math>(1+A\%) \times (1+B\%) \times (1+C\%)</math></p> |
| <i>Market Adjustment Factor for the relevant Time Period</i> | <p>The square root of (1 plus the total % investment return achieved by the assets of the <i>Enfield Pension Fund</i> between the start of business on the first working day of the relevant <i>Time Period</i> and the close of business of the last working day of the relevant <i>Time Period</i>), multiplied by</p> <p>(1 plus the total % investment return achieved by the assets of the <i>Enfield Pension Fund</i> between the start of business on the first working day following the end of the relevant <i>Time Period</i> and the close of business on the last working day before the <i>Payment Date</i>)</p> <p>If the <i>Net Investment Return</i> is not available for any period covered by the above formula, the return on the <i>Notional Portfolio</i> shall be used between the start of the first working day from which the <i>Net Investment Return</i> is not available and the end of the last working day before which the <i>Net Investment Return</i> is next available (or the end of the last working day before the <i>Payment Date</i> if sooner).</p>                       |
| <i>Merger Date</i>   | 31 October 2011   |
| <i>Net Investment Return</i>                                 | The quarterly gross investment return achieved by the assets of the <i>Enfield Pension Fund</i> reduced by 0.05% (equivalent to 0.2% per annum). Returns to be  |





| Term                      | Meaning   |
|---------------------------|---|
|                           | allowed for are shown in the Asset Returns table below.   |
| <i>Notional Portfolio</i> | <p>The <i>Notional Portfolio</i> will be assumed to be invested in the following indices:</p> <ul style="list-style-type: none"> <li>▪ 30% in the FTSE Actuaries All Share Total Return Index</li> <li>▪ 15% in the FTSE Actuaries Over 5 years Index-Linked Gilt Total Return Index</li> <li>▪ 15% in the FTSE Actuaries Over 15 Year Gilt Total Return Index</li> <li>▪ 40% in the FTSE All World ex UK Total Return Index</li> </ul> <p>The index values used will be as published in the Financial Times (or as available on Datastream for indices that are not published in the Financial Times) on the business day following the dates defined above and below. In the event that the indices are not published on such dates the indices to be used will be those published on the most recent preceding date.</p> <p>If any index is discontinued the <i>Enfield Pension Fund Actuary</i> and the <i>Barnet Pension Fund Actuary</i> will agree an alternative index.</p> |
| <i>Payment Date</i>       | An agreed date when the <i>Accumulated Transfer Payment</i> is settled between the <i>Enfield Pension Fund</i> and the <i>Barnet Pension Fund</i>   |
| <i>Previous Employer</i>  | Southgate College, an employer in the <i>Enfield Pension Fund</i>   |
| <i>Regulations</i>        | <p>The Local Government Pension Scheme Regulations 2013 (as subsequently amended).</p> <p>The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as subsequently amended).</p>  |
| <i>Time Period</i>        | <p>The following periods are <i>Time Periods</i>:</p> <ul style="list-style-type: none"> <li>▪ Between the <i>Merger Date</i> and 31 March 2012</li> <li>▪ Whole Scheme years between 31 March 2012 and the 31 March before the <i>Payment Date</i></li> <li>▪ Between the last 31 March prior to the <i>Payment Date</i> and the <i>Payment Date</i></li> </ul>  |
| <i>Transfer Amount</i>    | £9,252,000, being the market value of assets in the <i>Enfield Pension Fund</i> notionally attributable to the <i>Previous Employer</i> at the <i>Merger Date</i> .   |



| Term                       | Meaning  |
|----------------------------|--|
| <i>Transferring Member</i> | A former employee of the <i>Previous Employer</i> , in relation to whom liability has been transferred to the <i>Barnet Pension Fund</i> on the <i>Effective Date</i> .  |
| <i>Unfunded Benefits</i>   | <p>Discretionary benefits that are paid on behalf of the <i>Previous Employer</i> in relation to benefits awarded outside the provisions of the <i>Enfield Pension Fund</i> and paid for on a pay as you go basis. Examples of such benefits are those awarded under:</p> <ul style="list-style-type: none"> <li>▪ The Local Government (Discretionary Payments) Regulations 1996</li> <li>▪ The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000</li> <li>▪ The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006</li> <li>▪ The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011</li> </ul> <p>which have not been converted to funded benefits under the <i>Regulations</i>.</p> |



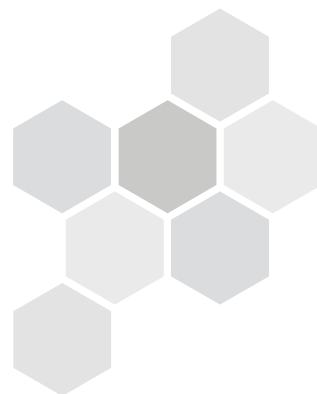
## Asset Returns

The table below shows the known gross asset returns achieved by the assets of the *Enfield Pension Fund* for complete quarters from the *Transfer Date*.

| Period ending     | Gross Investment Return | Expense Allowance | Net Investment Return |
|-------------------|-------------------------|-------------------|-----------------------|
| 31 March 2012     | 4.70%                   | 0.00%             | 4.70%                 |
| 30 June 2012      | (1.30)%                 | 0.00%             | (1.30)%               |
| 30 September 2012 | 2.00%                   | 0.00%             | 2.00%                 |
| 31 December 2012  | 2.20%                   | 0.00%             | 2.20%                 |
| 31 March 2013     | 8.60%                   | 0.00%             | 8.60%                 |
| 30 June 2013      | (0.30)%                 | 0.05%             | (0.35)%               |
| 30 September 2013 | 0.50%                   | 0.05%             | 0.45%                 |
| 31 December 2013  | 3.10%                   | 0.05%             | 3.05%                 |
| 31 March 2014     | 1.30%                   | 0.05%             | 1.25%                 |
| 30 June 2014      | 1.30%                   | 0.05%             | 1.25%                 |
| 30 September 2014 | 3.30%                   | 0.05%             | 3.25%                 |
| 31 December 2014  | 3.80%                   | 0.05%             | 3.75%                 |
| 31 March 2015     | 4.60%                   | 0.05%             | 4.55%                 |
| 30 June 2015      | (2.20)%                 | 0.05%             | (2.25)%               |
| 30 September 2015 | (0.70)%                 | 0.05%             | (0.75)%               |
| 31 December 2015  | 4.00%                   | 0.05%             | 3.95%                 |
| 31 March 2016     | 1.60%                   | 0.05%             | 1.55%                 |
| 31 March 2017*    | 17.60%                  | 0.20%             | 17.40%                |
| 30 June 2017      | 1.12%                   | 0.05%             | 1.07%                 |
| 30 September 2017 | 0.70%                   | 0.05%             | 0.65%                 |
| 31 December 2017  | 2.89%                   | 0.05%             | 2.84%                 |
| 31 March 2018     | (2.48)%                 | 0.05%             | (2.53)%               |
| 30 June 2018      | 3.56%                   | 0.05%             | 3.51%                 |
| 30 September 2018 | 3.41%                   | 0.05%             | 3.36%                 |
| 31 December 2018  | (4.16)%                 | 0.05%             | (4.21)%               |
| 31 March 2019     | 4.66%                   | 0.05%             | 4.61%                 |
| 30 June 2019      | 3.46%                   | 0.05%             | 3.41%                 |
| 30 September 2019 | 3.04%                   | 0.05%             | 2.99%                 |
| 31 December 2019  | (0.06)%                 | 0.05%             | (0.11)%               |



| Period ending     | Gross Investment Return | Expense Allowance | Net Investment Return |
|-------------------|-------------------------|-------------------|-----------------------|
| 31 March 2020     | (9.40)%                 | 0.05%             | (9.45)%               |
| 30 June 2020      | 10.09%                  | 0.05%             | 10.04%                |
| 30 September 2020 | 2.16%                   | 0.05%             | 2.11%                 |
| 31 December 2020  | 5.20%                   | 0.05%             | 5.15%                 |
| 31 March 2021     | 2.29%                   | 0.05%             | 2.24%                 |
| 30 June 2021      | 4.44%                   | 0.05%             | 4.39%                 |
| 30 September 2021 | 2.69%                   | 0.05%             | 2.64%                 |
| 31 December 2021  | 3.38%                   | 0.05%             | 3.33%                 |
| 31 March 2022     | (1.60)%                 | 0.05%             | (1.65)%               |
| 30 June 2022      | (5.06)%                 | 0.05%             | (5.11)%               |
| 30 September 2022 | (0.91)%                 | 0.05%             | (0.96)%               |



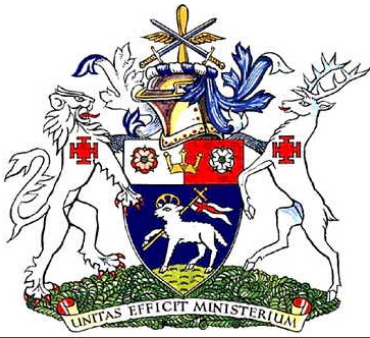
\* For the year to 31 March 2017 we received an annual figure as opposed to four quarterly figures.

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## Pension Fund Committee AGENDA ITEM 9

**18 April 2024**

|                                |  |
|--------------------------------|--|
| <b>Title</b>                   | <b>Investment Strategy</b>   |
| <b>Date of meeting</b>         | 18 April 2024  |
| <b>Report of</b>               | Interim Executive Director of Resources (S151 officer)                     |
| <b>Wards</b>                   | All  |
| <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<br>adam.mcphail@barnet.gov.uk |

### Summary

This report provides a summary of the investment transactions made in the 2 months from December 2023 to February 2024, 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 31<sup>st</sup> December 2023 to 29<sup>th</sup> February 2024, 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 December 2023 to February 2024.
  - The planned further investment transactions in 2024

### Investment Transactions from December 2023 to February 2024

- 1.3 Below is a summary of the investments made by the Pension Fund from December 2023 to February 2024:

| Fund Name                                   | Amount Invested (£m) |
|---|----------------------|
| LCIV Long Term Buy and Maintain Credit Fund | £150.000             |
| LCIV Renewable Infrastructure               | £1.308               |
| <b>Total</b>                                | <b>£151.308</b>      |

- 1.4 Below is a summary of the disinvestments the Pension Fund made from December 2023 to February 2024:

| Fund Name                 | Amount Disinvested (£m) |
|---------------------------|-------------------------|
| Schroders Corporate Bonds | £165.470                |
| Partners 2015             | £0.004                  |
| Partners 2017             | £0.065                  |
| Partners 2019             | £2.347                  |
| <b>Total</b>              | <b>£167.886</b>         |

The disinvestments from Partners are distributions from the fund manager, as each fund is currently winding down.

Cash balances have increased by £20.0m since December 2023, officers will be reviewing this with Hymans, with the potential view to increase investments in Trade Finance funds.

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

- 4.10 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.
- 4.11 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long-term financial health of contributing employees on retirement.

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

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

## **6. Legal Implications and Constitution References**

- 6.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) to review and if necessary, revise the investment strategy.
- 6.2 The Council's Constitution – Part 2B 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:
- to ensure compliance with all Local Government Pension Scheme statutes, regulations, and best practice.
  - to consider approval and act in accordance with the Investment Strategy Statement and
  - 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.
  - to appoint and monitor Investment advisors and Pension Fund investment managers.

## **7. Consultation**

- 7.1 Not required

## **8. Equalities and Diversity**

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

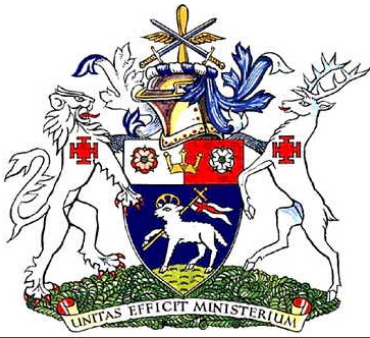
## 9. Background Papers

9.1 None

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| Fund  | Dis-investment* | Investment* | Timing                | Method               | Primary Driver | Source of Funding |
|---|-----------------|-------------|-----------------------|----------------------|----------------|-------------------|
| Adams Street - Private Eq                   |                 | 37          | Expect by end of 2024 | Over next 18-months  | Strategy       | Cash              |
| LCIV - Renewable Inf                        |                 | 21          | Expect by end of 2024 | Manual - when called | Strategy       | Cash              |
| LCIV - Private debt                         |                 | 20          | Expect by end of 2024 | Manual               | Strategy       | Cash              |
| <b>Total</b>                                | <b>-</b>        | <b>78</b>   |                       |                      |                |                   |
| Shortfall (disinvestments less investments) |                 |             | - 78                  |                      |                |                   |
| Cash at bank                                |                 |             | 104                   |                      |                |                   |
| Balance (i.e. unfunded transitions)         |                 |             | 26                    |                      |                |                   |
| *Pending Committee Approval                 |                 |             |                       |                      |                |                   |

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**Pension Fund Committee** AGENDA ITEM 10  
**18 April 2024**

|                                |   |
|--------------------------------|---|
| <b>Title</b>                   | <b>Risk Management Review</b>   |
| <b>Date of meeting</b>         | 18 April 2024   |
| <b>Report of</b>               | Interim Executive Director of Resources (S151 Officer)  |
| <b>Wards</b>                   | All   |
| <b>Status</b>                  | Public  |
| <b>Urgent</b>                  | No  |
| <b>Appendices</b>              | <p>Appendix A – London Borough of Barnet Pension Fund – Pensions Administration Risk Register – updated February 2024</p> <p>Appendix B – London Borough of Barnet Pension Fund – Non-Administration Risk Register – updated February 2024</p> <p>Appendix C - London Borough of Barnet Pension Fund – Non-Administration Risk Register (old version)</p> |
| <b>Officer Contact Details</b> | <p>Mark Fox, Pensions Manager – 0208 359 3341 – <a href="mailto:mark.fox@barnet.gov.uk">mark.fox@barnet.gov.uk</a></p> <p>Adam McPhail, Pensions Finance Manager – 0208 359 7639 – <a href="mailto:Adam.mcphail@barnet.gov.uk">Adam.mcphail@barnet.gov.uk</a></p>   |

### Summary

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

### Recommendations

1. That the Pension Fund Committee note the most recent administration and non-administration risk registers.
2. That the Pensions Fund Committee note the revised format of the non-administration risk register and provide feedback on the updated format.

## 1. Reasons for the Recommendations

- 1.1 It is important that the Council maintain Pension Fund Risk Registers to help protect employers and members of the Local Government Pension Scheme (LGPS). The purpose of risk management is to identify potential problems before they occur, so that risk handling activities can be planned and invoked as required to mitigate adverse impacts.
- 1.2 The current Pensions Administration Risk Register can be found in Appendix A. T
- 1.3 The current Non-Administration Risk Register has been revised and updated in the same format and can be found as Appendix B. For reference, the previous Non-Administration Risk Register is attached as Appendix C.
- 1.4 Both risk registers are reviewed at each meeting of the Local Pensions Board.
- 1.5 Risk Velocity is defined as the time to impact (i.e., an estimate of the timeframe within which a risk may occur). There have been no updates to risk velocity since the last Board meeting.
- 1.6 The risk scores are based on a four-point scale on the likelihood of the risk occurring and the impact caused should the risk occur. The risk score is calculated as likelihood multiplied by impact. Once the risk score is calculated, and the risk evaluated, there are plotted on risk matrix (page 2 of the pensions administration risk register).
- 1.7 Prompt action will be taken on those risks that fall into the red zone. Action will also be considered for “yellow” risks, while “green” risks are regarded as acceptable, with sufficient mitigation in place.

### Updates on the administration risks

- 1.8 The LBB Pensions Team reviewed the Administration Risk register in February 2024 and will review this quarterly going forward. Updates from this review and shown in red on the risk register.
- 1.9 Following the latest review, the following updates have been made to the risk scores:
  - ADM05 – Failure to pay contributions** – The lowest possible risk score has been increased to 4. This aligns with the current risk score meaning that no further mitigations or actions can be taken would reduce this risk.
  - ADM12 – Non-compliance with GDPR** - The lowest possible risk score has been increased to 4.
  - ADM13 - Cyber security breach** – Both the current and lowest possible scores have changed to 3. This means that there are no further mitigations or actions that can be taken would reduce this risk.
  - ADM14 – Impact of staffing issues on admin** – The lowest possible risk score changed to 4. Again, this aligns with the current risk score meaning that no further mitigations or actions can be taken would reduce this risk.
  - ADM16 - Risk of Fraud** – The current risk score has changed to 3. This means that there are no further mitigations or actions that can be taken would reduce this risk.
  - ADM17 - Effect of new pensions legislation and LGPS regulations** – Again, the current risk score has changed to 3, meaning that there are no further mitigations or actions that can be taken would reduce this risk.
- 1.10 There are also two new risks identified on the updated Administration Risk Register:



**ADM19 - Employer unable to pay contributions** – This risk is if an employer is unable to pay their contributions to the Fund, based on the rate set by the Actuary at the last valuation and the actions that can be taken by the employer and the Fund to reduce this risk. This risk has been included following the recent request by the Council to temporarily reduce its contributions to the Fund.

**ADM20 – Business Continuity for the LBB Pensions Team** – This risk is if members of the LBB Pensions Team were to no longer be in post and the effect that this would have on the stakeholders to the Fund, including the Board.

#### **Updates on non-administration risks**

- 1.11 The non- administration risk register has been reviewed and updated in the new format.
- 1.12 There are several risks were there are no immediate actions due.
- 1.13 The Pensions welcome feedback from the Board on the new style non administration risk register.

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

- 2.1 Not applicable in the context of this report.

## **3. Post Decision Implementation**

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

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

### **Corporate Plan**

- 4.1 The Pension Fund Committee supports the delivery of the Council’s strategic objectives and priorities as expressed through the Corporate Plan, by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund.
- 4.2 By monitoring the risk registers of the Barnet Pension Fund, good governance of the Pension Fund is maintained. This is because good governance ensures the smooth running of the Fund with the benefits will be equitably split between all employers, thus enabling funds to be directed to Council priorities as set out in the Corporate Plan.

### **Corporate Performance / Outcome Measures**

- 4.3 Not applicable in the context of this report.

### **Sustainability**

- 4.4 Not applicable in the context of this report.

### **Corporate Parenting**

- 4.5 Not applicable in the context of this report.

### **Risk Management**

- 4.6 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet

future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

**Insight**

4.7 Not applicable in the context of this report.

**Social Value**

4.8 Not applicable in the context of this report.

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

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

**6. Legal Implications and Constitution References**

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

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

6.3 Under the Council's Constitution Part 2B, Section 15.1 of the terms of reference of the Pension Fund Committee include:

- To have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund.

**7. Consultation**

7.1 Not applicable in the context of this report.

**8. Equalities and Diversity**

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

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

## 9. Background Papers

9.1 None

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# London Borough of Barnet Pension Fund Pension Administration Risk Register

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

Date Updated: February 2024

# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Evaluating risks and Risk Matrix

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

|            |                    |             |                             |                         |                  |
|------------|--------------------|-------------|-----------------------------|-------------------------|------------------|
| Likelihood | 4 – Almost Certain |             |                             |                         |                  |
|            | 3 - Likely         |             | <u>18</u>                   |                         |                  |
|            | 2 - Unlikely       |             | <u>5, 6, 10, 14, 19, 20</u> | <u>2, 8, 11, 12,</u>    | <u>15</u>        |
|            | 1 - Rare           |             | <u>4, 7, 9</u>              | <u>1, 3, 13, 16, 17</u> |                  |
|            |                    | 1 - Trivial | 2 - Medium                  | 3 - Major               | 4 - Catastrophic |
|            |                    | Impact      |                             |                         |                  |

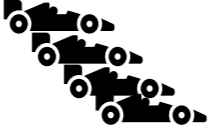


### Risks

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

# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Velocity

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

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

### Risks

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






## Risk Scores

The risk scores are calculated as Likelihood x Impact.

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

# London Borough of Barnet Pension Fund – Pension Administration Risk Register






## Summary of Risks

| Risk  | Description   | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner                  | Date Risk Identified |
|---|---|--------------------|----------------------------|---|-----------------------------|----------------------|
| <b>ADM01</b><br>Operational disaster (Fire / flood etc)             | An event occurs that would impact the ability to deliver all / parts of the pension service.  | <b>3</b><br>[3,1]  | <b>3</b><br>[3.1]          |    | WYPF                        | August 2017          |
| <b>ADM02</b><br>Incomplete or inaccurate member data                | To fulfil legal obligations, the pension service is dependent on receiving accurate information and data from scheme employers, and for the administrator to maintain member records. | <b>6</b><br>[2.3]  | <b>3</b><br>[1.3]          |    | WYPF                        | August 2017          |
| <b>ADM03</b><br>Administration process failure/maladministration    | Administration of the pension scheme should be in line with the Local Government Pension Scheme (LGPS) rules.   | <b>3</b><br>[1,3]  | <b>3</b><br>[1,3]          |  | WYPF                        | August 2017          |
| <b>ADM04</b><br>Excessive charges by suppliers                      | The cost of running the pension scheme should not exceed the agreed budget.   | <b>2</b><br>[1,2]  | <b>2</b><br>[1.2]          |  | Head of Pensions & Treasury | August 2017          |
| <b>ADM05</b><br>Employer's failing to pay contributions to the fund | If the fund does not receive the correct contributions from employers to fund pension liabilities, this could lead to a scheme deficit.   | <b>4</b><br>[2,2]  | <b>4</b><br>[2,2]          |  | Finance Manager - Pensions  | August 2017          |







# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Summary of Risks

| Risk  | Description   | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner                    | Date Risk Identified |
|---|---|--------------------|----------------------------|---|-------------------------------|----------------------|
| <b>ADM06</b><br>Failure of non-public sector employers                                | Should admitted bodies default on payments, the fund is left with additional pension liabilities.                                   | 4<br>[2,2]         | 2<br>[2,2]                 |    | Pensions Manager, LBB         | August 2017          |
| <b>ADM07</b><br>Failure to interpret rules or legislation correctly                   | The Board does not have the level of pension knowledge to perform their role effectively.   | 2<br>[1,2]         | 2<br>[1,2]                 |    | Senior Pensions Officer - LBB | August 2017          |
| <b>ADM08</b><br>Appropriate personnel in place to perform in designated and key roles | WYPF does not comply with statutory obligations and is unable to evidence appropriate governance.                                   | 6<br>[2,3]         | 3<br>[1,3]                 |  | WYPF                          | August 2017          |
| <b>ADM09</b><br>Conflicts of interest   | Decisions made may be influenced by other factors and may be subject to challenge.  | 2<br>[1,2]         | 2<br>[1,2]                 |  | Pensions Manager, LBB         | August 2017          |
| <b>ADM10</b><br>Admission agreements & bonds not arranged in good time                | If a new employer is not admitted to the Fund in a timely manner, then employees will not be able to have access to their benefits. | 4<br>[2,2]         | 2<br>[1,2]                 |  | Pensions Manager, LBB         | January 2019         |





# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Summary of Risks

| Risk   | Description  | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner                  | Date Risk Identified |
|--|--|--------------------|----------------------------|---|-----------------------------|----------------------|
| <b>ADM11</b><br>Commercial viability of strategic suppliers          | If the commercial viability of a strategic supplier declines this could lead to operational failings resulting in service disruption / reduction, failure to complete statutory duties and financial costs.                              | 6<br>[2,3]         | 4<br>[2,2]                 |    | Head of Pensions & Treasury | March 2019           |
| <b>ADM12</b><br>Non-compliance with GDPR                             | Failure to adhere to GDPR may lead to the breach of GDPR regulations (e.g. breach of personal information), which will result in enforcement action from TPR and the ICO, resulting in financial and reputational impact on the Council. | 6<br>[2,3]         | 4<br>[2,2]                 |    | Pensions Manager, LBB       | March 2019           |
| <b>ADM13</b><br>Negative media exposure and member experience        | Negative media attention may lead to ineffective media management impacting on the reputation of the Council and impacting on staff morale.  | 3<br>[1,3]         | 3<br>[1,3]                 |  | Pensions Manager, LBB       | March 2019           |
| <b>ADM14</b><br>Impact of staffing issues on pensions administration | WYPF staff absence (due to both illness and leave) should be managed to ensure that the service levels are maintained so there is no detrimental effect on the payment of members benefits and general service levels.                   | 4<br>[2.2]         | 4<br>[2,2]                 |  | Pensions Manager, LBB       | April 2020           |

# London Borough of Barnet Pension Fund – Pension Administration Risk Register



## Summary of Risks

| Risk   | Description  | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner                    | Date Risk Identified |
|--|--|--------------------|----------------------------|---|-------------------------------|----------------------|
| <b>ADM15</b><br>Cyber security breach  | The Fund holds large amounts of personal data which can make them a target for fraudsters and criminals. Steps need to be taken to protect members which includes protecting them against the 'cyber risk'.  | 8<br>[2,4]         | 4<br>[1,4]                 |    | Head of Pensions & Treasury   | March 2019           |
| <b>ADM16</b><br>Risk of fraud by paying pensions to ineligible individuals or transferring fraudulent arrangements | The Fund should evaluate the various forms of fraud in relation to pensions administration and then arrange for the implementation of appropriate controls that are proportionate.   | 3<br>[1,3]         | 3<br>[1,3]                 |    | Pensions Manager, LBB         | March 2019           |
| <b>ADM17</b><br>Effect of new pensions legislation and LGPS regulations  | New pensions legislation or updates to the LGPS regulations can affect members pension benefits within the Fund.   | 3<br>[1,3]         | 3<br>[1,3]                 |  | Pensions Manager, LBB         | March 2019           |
| <b>ADM18</b><br>Failure to produce compliant annual report and accounts within deadline                            | The Accounts and Audit Regulations 2015 (2022 amendment) require audited accounts to be published on the 30 September after the year end. The risk of the Pension Fund Accounts not being published is that the Council Accounts will not be complete. | 6<br>[3,2]         | 2<br>[1,2]                 |  | Pensions Finance Manager, LBB | April 2020           |

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# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Summary of Risks

| Risk   | Description   | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner                  | Date Risk Identified |
|--|---|--------------------|----------------------------|---|-----------------------------|----------------------|
| <b>ADM19</b><br>Employer unable to pay contributions             | If an employer is unable to pay the contributions on behalf of their members, this could lead to a cessation for that employer in the Fund with members earning no future pension benefits.   | 4<br>[2,2]         | 4<br>[2,2]                 |  | Head of Pensions & Treasury | Feb 2024             |
| <b>ADM20</b><br>Business Continuity for the Barnet Pensions Team | There should be adequate business continuity planning within the Council for the Barnet Pensions Team to ensure that the service provided to all stakeholder to the fund is not reduced which could lead to member, employer and investment issues. | 4<br>[2,2]         | 4<br>[2,2]                 |  | Head of Pensions & Treasury | Feb 2024             |



# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Details

| Risk   | Nature of Risk      | Controls in Place  | Actions to mitigate risk  | Action Owner   | Action Completion Date  |
|--|---------------------|--|---|--|---|
| <b>ADM01</b><br>Operational disaster<br>(Fire / flood etc) | Business Continuity | <ul style="list-style-type: none"> <li>WYPF has Business Continuity Procedures and Disaster Recover Plans in place, which are reviewed and tested regularly.</li> </ul>                  | <ul style="list-style-type: none"> <li>WYPF have advised that two further tests will take place in the summer of 2023. The LBB Pensions Team will review the reports when available. <b>Feb 24 - Reports have been chased</b></li> </ul>  | WYPF<br>Mark Fox   | Oct 2023<br>March 2024  |
| <b>ADM02</b><br>Incomplete or inaccurate member data       | Governance          | <ul style="list-style-type: none"> <li>Common and Conditional data analysis provided monthly by WYPF.</li> <li>Regular updates provided by WYPF on the Data Improvement Plan.</li> </ul> | <ul style="list-style-type: none"> <li>WYPF to update the LBB Pensions Team when employers are not providing the relevant information, so appropriate action can be taken.</li> <li>The LBB Pensions Team continue to work with employers who still have unprocessed leavers.</li> <li>Regular updates provided by WYPF on progress on the data improvement plan.</li> <li>Employers to be reminded of their responsibilities at each employer forum meeting.</li> <li>Process for rectification historical records documented. <b>Feb 24 – The new process is being followed by WYPF and LBB staff.</b></li> </ul> | WYPF<br>Jim Nokku<br>WYPF<br>Mark Fox<br>Mark Fox/Jim Nokku/<br>WYPF | Ongoing - Monthly<br>March 2024<br>Ongoing - Monthly<br>Ongoing - Biannually<br>Ongoing - Monthly |

# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Details

| Risk   | Nature of Risk | Controls in Place   | Actions to mitigate risk   | Action Owner         | Action Completion Date              |
|--|----------------|---|--|----------------------|-------------------------------------|
| <b>ADM03</b><br>Administration process failure / maladministration | Statutory Duty | <ul style="list-style-type: none"> <li>Formal agreement in place with WYPF, including agreed SLA's.</li> <li>WYPF authority levels agreed with clear definition of delegated authorities and individual approval authorities.</li> <li>Scheme Event Calendar in place to ensure regulatory deadlines are achieved.</li> <li>WYPF staff training plans in place to ensure processing in accordance with LGPS requirements.</li> <li>Monthly reports by WYPF provided to LBB Pensions Manager.</li> </ul> | <ul style="list-style-type: none"> <li>The LBB Pensions Team to review the latest WYPF ISO9001 and ISO27001 reports , when available, which details the controls in place at WYPF. <b>Feb 24 - Reports have been chased</b></li> <li>WYPF to update the LBB Pensions Team on any errors or issues in the monthly report, or earlier, if deemed appropriate. <b>Feb 24 – Reviewed by LBB Pensions Team with no further actions</b></li> </ul> | Mark Fox<br><br>WYPF | March 2024<br><br>Ongoing - Monthly |
| <b>ADM04</b><br>Excessive charges by suppliers                     | Finance        | <ul style="list-style-type: none"> <li>Pension scheme budget agreed annually.</li> <li>Periodic review of suppliers.</li> </ul>   | <ul style="list-style-type: none"> <li>LBB Pensions Team to review supplier charges – looking at budgets and value for money. <b>Feb 24- Business plan and strategy on fees, including asking for budgets from suppliers, is in progress.. To be shared with Board and Committee when review complete.</b></li> </ul>  | David Spreckley      | April 2024                          |

# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Details

| Risk  | Nature of Risk | Controls in Place  | Actions to mitigate risk   | Action Owner                 | Action Completion Date                             |
|---|----------------|--|--|------------------------------|--|
| <b>ADM05</b><br>Employer's failing to pay contributions to the fund | Financial      | <ul style="list-style-type: none"> <li>\Recised .</li> </ul>   | <ul style="list-style-type: none"> <li>The LBB Pensions Team check monthly that employers pay the correct contributions rates.</li> <li>New Admitted Bodies are asked to commence paying contributions(at a temporary rate) prior to the Admission Agreement being to avoid delays in payment.</li> </ul>  | Adam McPhail<br><br>Mark Fox | Ongoing – Monthly<br><br>Ongoing – when applicable |
| <b>ADM06</b><br>Failure of non-public sector employers              | Financial      | <ul style="list-style-type: none"> <li>The LBB Pension Team monitor employer covenant and business strength.</li> <li>The LBB Pensions Team have access to a Hymans modeller, enabling the employer contribution rate to be calculated quicker.</li> </ul> | <ul style="list-style-type: none"> <li>The LBB Pensions Team to ensure all admitted bodies have an appropriate bond/guarantee is in place. <b>Feb 24 – new process with effect from April 2024 means that new admissions (with less than 100 members) will be on a pass-through basis which eliminate the need for new employers to provide a bond/guarantee.</b></li> </ul> | Mark Fox                     | Ongoing – when applicable                          |

# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Details

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



# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Details

| Risk   | Nature of Risk | Controls in Place   | Actions to mitigate risk   | Action Owner | Action Completion Date |
|--|----------------|---|--|--------------|------------------------|
| <b>ADM09</b><br>Conflicts of interest                                  | Compliance     | <ul style="list-style-type: none"> <li>All Pension Board members to declare any conflicts and potential conflicts before each meeting and recorded in the conflict-of-interest register.</li> <li>All pension board members to complete and renew relevant educational material.</li> </ul> | <ul style="list-style-type: none"> <li>No further actions required; risk has reached its target score and is being tolerated with the existing controls and mitigations in place.</li> </ul>   | Mark Fox     | N/A                    |
| <b>ADM10</b><br>Admission agreements & bonds not arranged in good time | Governance     | <ul style="list-style-type: none"> <li>The LBB Pensions Team now have access to a Hymans modeller, enabling calculation of the employer's contribution rate, thus speeding up the admission process.</li> </ul>   | <ul style="list-style-type: none"> <li>LBB Pensions Team to review and update the Admissions, Bonds and Cessations process to make it less labour intensive and more efficient. <b>Feb 24 – new process with effect from April 2024 means that new admissions will be processed quicker and more efficiently going forward.</b></li> </ul> | Mark Fox     | Ongoing - Monthly      |

# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Details

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

# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Details

| Risk   | Nature of Risk      | Controls in Place  | Actions to mitigate risk  | Action Owner             | Action Completion Date                               |
|--|---------------------|--|---|--------------------------|--|
| <b>ADM13</b><br>Negative media exposure and member experience        | Governance          | <ul style="list-style-type: none"> <li>External Communications team to liaise with S151 Officer should a media enquiry arises.</li> <li>WYPF to refer any media enquiries to the LBB Pensions Team for action.</li> </ul>  | <ul style="list-style-type: none"> <li>Press releases to be shared with Local Pension Board and Pension Fund Committee members prior to publication (if possible).</li> <li>Member experience to be measured by quarterly satisfaction surveys and feedback by WYPF.</li> </ul>   | Mark Fox<br><br>WYPF     | Ongoing – when applicable<br><br>Ongoing – Quarterly |
| <b>ADM14</b><br>Impact of staffing issues on pensions administration | Business Continuity | <ul style="list-style-type: none"> <li>WYPF have developed their own Business Continuity plan which considers staff absence.</li> <li>The LBB Pensions Team monitor service levels through regular reports and calls with WYPF. This information is also reported to the Local Pension Board.</li> </ul> | <ul style="list-style-type: none"> <li>The LBB Pensions Team to continue to regularly monitor WYPF performance levels, complaints and resourcing levels.</li> <li>Should there be any issues, these will be raised with senior management at WYPF and Commercial Team at the LBB. <b>Feb 24 – the LBB Pensions Team speak at least quarterly with WYPF on staffing levels.</b></li> </ul> | Mark Fox<br><br>Mark Fox | Ongoing – Monthly<br><br>Ongoing - quarterly         |

# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Details

| Risk  | Nature of Risk | Controls in Place   | Actions to mitigate risk   | Action Owner                           | Action Completion Date                                      |
|---|----------------|---|--|--|---|
| <b>ADM15</b><br>Cyber security breach   | Compliance     | <ul style="list-style-type: none"> <li>WYPF, as part of its Information Governance Toolkit, has adopted a Cyber Security policy which outlines how the Fund protects members' data from incidents of Cyber Crime and risk of hacking together with outlining the Fund's control mechanisms for its pension administration software system.</li> </ul> | <ul style="list-style-type: none"> <li>The LBB Pensions Team to the updated WYPF Cyber Security Report when available. <b>Feb 24 – Report now received.</b></li> <li>The LBB Pensions Team to check whether the WYPF policy is updated in line with the TPR cyber security principles.</li> </ul>  | Mark Fox<br><br>Mark Fox               | n/a<br><br>March 2024                                       |
| <b>ADM16</b><br>Risk of fraud by paying pensions to ineligible individuals or fraudulent arrangements | Governance     | <ul style="list-style-type: none"> <li>WYPF run annual pensioner existence exercises.</li> <li>Pension transfer documentation includes the "pension scam" literature from TPR.</li> <li>WYPF administration processes to ensure proper checks on the receiving arrangement before making payment.</li> </ul>  | <ul style="list-style-type: none"> <li>WYPF to regularly update the LBB Pensions Team the results of the pensioner existence exercise. <b>Feb 24 – update received</b></li> <li>The LBB Pensions Team to review all transfer payments every six months.</li> <li>WYPF have confirmed that they will be signing up to TPR Pensions Pledge, which is a new initiative to raise awareness of the risks of scams. <b>Feb 24 – LBB Pensions Team to consider issuing communications on pension scams to members.</b></li> </ul> | WYPF<br><br>Mark Fox<br>WYPF /Mark Fox | Ongoing – quarterly<br><br>Ongoing – Biannually<br>Nov 2023 |

# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Details

| Risk  | Nature of Risk | Controls in Place  | Actions to mitigate risk  | Action Owner      | Action Completion Date    |
|---|----------------|--|---|-------------------|---------------------------|
| <b>ADM17</b><br>Effect of new pensions legislation and LGPS regulations                 | Statutory Duty | <ul style="list-style-type: none"> <li>The LBB Pensions Team to monitor and review updates to pensions legislation to determine the impact on members benefits.</li> <li>The LBB will work with other stakeholders and bodies ensure relevant communication is sent to appropriate parties.</li> </ul>                                   | <ul style="list-style-type: none"> <li>WYPF to provide updates of any new relevant regulations that will affect the Barnet Fund through monthly reports and regular meetings.</li> <li>The LBB Pensions Team to attend quarterly meetings of the London Pension Officers Group (LPOG) to share best practice on LGPS regulations. <b>Feb 24 – LBB Pensions Team hold monthly training sessions on pensions related subjects.</b></li> <li><b>Feb 24 - The LBB Pensions Team attend training sessions to complete CPD required by professional bodies</b></li> </ul> | WYPF              | Ongoing – when applicable |
|   |                |  |   | Mark Fox          | Ongoing - Quarterly       |
| <b>ADM18</b><br>Failure to produce compliant annual report and accounts within deadline | Statutory Duty | <ul style="list-style-type: none"> <li>The LBB Pensions Team will ensure all working papers and data is in place when preparing the accounts, so that when the audit commences, the process is more efficient.</li> <li>The LBB Pensions Team to agree an audit program with the Auditors and ensure that this is adhered to.</li> </ul> | <ul style="list-style-type: none"> <li>The Auditors and the LBB Pensions Team to maintain regular communication throughout the audit.</li> <li>Ensure that the Auditors are employing suitably qualified staff to undertake the audit.</li> </ul>   | LBB Pensions Team | Ongoing – when applicable |
|   |                |  |   | Adam McPhail      | Ongoing – when applicable |

# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Details

| Risk   | Nature of Risk      | Controls in Place  | Actions to mitigate risk  | Action Owner    | Action Completion Date    |
|--|---------------------|--|---|-----------------|---------------------------|
| <b>ADM19</b><br>Employer unable to pay contributions             | Financial           | <ul style="list-style-type: none"> <li>The Pension Fund recently approved an updated contribution review policy, which sets out the process that can be followed by an employer if they are unable to pay pension contributions to the Fund (such as paying reduced pension contributions).</li> </ul> | <ul style="list-style-type: none"> <li><b>Feb 24 - The revised contribution review policy has been sent to all employers, along with Q&amp;As on what an employer should consider if it wants to request a reduced contribution rate.</b></li> </ul>                    | David Spreckley | Ongoing – when applicable |
| <b>ADM20</b><br>Business Continuity for the Barnet Pensions Team | Business Continuity | <ul style="list-style-type: none"> <li>Review of the internal resources required by LBB to manage the Barnet Pension Fund undertaken by senior LBB management.</li> </ul>  | <ul style="list-style-type: none"> <li>Feb 24 – LBB Management Team to be asked to confirm that there is appropriate business continuity planning for the LBB Pensions Team. Updates to be provided to both Local Pensions Board and Pension Fund Committee.</li> </ul> | David Spreckley | Ongoing – when applicable |

# London Borough of Barnet Pension Fund Pension Non-Administration Risk Register

Updated by: Adam McPhail, Pensions Manager, London Borough of Barnet

Date Updated: February 2023

# London Borough of Barnet Pension Fund – Pension Non-Administration Risk Register

## Evaluating risks and Risk Matrix

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

|            |                    |             |                         |                         |                                  |                                  |                         |
|------------|--------------------|-------------|-------------------------|-------------------------|----------------------------------|----------------------------------|-------------------------|
| Likelihood | 4 – Almost Certain |             |                         |                         |                                  |                                  |                         |
|            | 3 - Likely         |             | Inv09<br>Inv10<br>ESG01 | GEN04                   | Inv03<br>FUN02<br>ESG02          |                                  |                         |
|            | 2 - Unlikely       |             | Inv01<br>Inv05<br>FUN04 | GOV05<br>ESG03<br>GEN05 | Inv02<br>Inv04<br>Inv06<br>Inv07 | FUN01<br>FUN03<br>GOV02<br>GOV03 | GOV04<br>GEN01<br>GEN03 |
|            | 1 - Rare           |             | GOV01                   |                         | Inv08<br>FUN05                   | GEN02                            |                         |
|            |                    | 1 - Trivial | 2 - Medium              | 3 - Major               | 4 - Catastrophic                 |                                  |                         |
|            |                    |             |                         |                         |                                  |                                  |                         |

### Risks

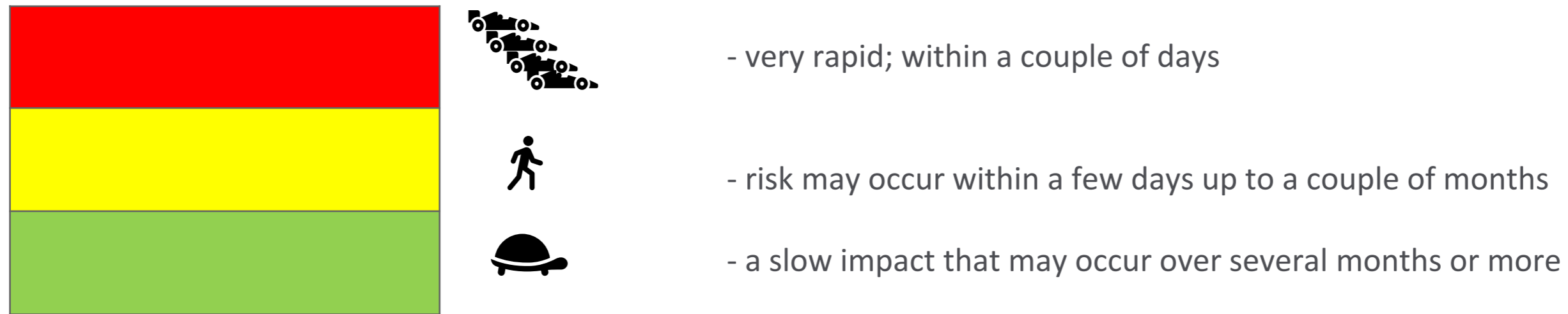
- INV01 Signatory Lists
- INV02 Redemption Protocols
- INV03 Investment Performance
- INV04 Strategic Allocation
- INV05 Pooling
- INV06 Education
- INV07 Liquidity
- INV08 Cash Management
- INV09 Diversification of Assets
- INV10 Fund Performance Drift
- FUN01 Economic Assumptions
- FUN02 Inflation
- FUN03 Longevity
- FUN04 Triennial Valuation
- FUN05 Actuarial Approach
- GOV01 Committee/Board Papers
- GOV02 Committee/Board Papers Accuracy
- GOV03 Knowledge and Understanding
- GOV04 Risk Register
- GOV05 Conflicts of Interest
- ESG01 Convergence to NetZero Model Portfolio
- ESG02 Data Quality
- ESG03 Role of Model Portfolio
- ESG04 ESG Opportunity/Risk - TBA
- ACC01 Record Keeping
- ACC02 Accounts Deadlines
- ACC03 Expenses
- ACC04 Business Continuity
- ACC05 Regulations
- GEN01 Key Person
- GEN02 Resourcing
- GEN03 Advisors
- GEN04 Charges and Fees
- GEN05 Service Levels



# London Borough of Barnet Pension Fund – Pension Administration Risk Register

## Risk Velocity

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







## Risk Scores

The risk scores are calculated as Likelihood x Impact.

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





# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Investment Risks

## Summary of Risks

| Risk                            | Description  | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner       | Date Risk Identified |
|---------------------------------|--|--------------------|----------------------------|---|------------------|----------------------|
| INV01<br>Signatory Lists        | Signatory lists not up-to-date or vulnerable to fraud  | 4<br>[2,2]         | 2<br>[1,2]                 |    | Head of Pensions | November 2023        |
| INV02<br>Redemption Protocols   | Funds cannot be accessed when they are needed  | 6<br>[2,3]         | 3<br>[1,3]                 |    | Head of Pensions | November 2023        |
| INV03<br>Investment Performance | Investments underperform their relative benchmarks, increasing the risk of the fund going into deficit | 9<br>[3,3]         | 9<br>[3,3]                 |  | Head of Pensions | November 2023        |
| INV04<br>Strategic Allocation   | Strategic Allocation not appropriate given Council's and other employers risk budget                   | 6<br>[2,3]         | 6<br>[2,3]                 |  | Head of Pensions | November 2023        |



# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Investment Risks

## Summary of Risks

| Risk                     | Description   | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner       | Date Risk Identified |
|--------------------------|---|--------------------|----------------------------|---|------------------|----------------------|
| INV05<br>Pooling         | Relationship with Pool not appropriate, Pool underperforms                                  | 4<br>[2,2]         | 4<br>[2,2]                 |    | Head of Pensions | November 2023        |
| INV06<br>Education       | Committee Members/Officers do not understand the investments where decisions are being made | 6<br>[2,3]         | 3<br>[1,3]                 |    | Head of Pensions | November 2023        |
| INV07<br>Liquidity       | Liquidity is insufficient to meet cashflow  | 6<br>[2,3]         | 3<br>[1,3]                 |  | Finance Manager  | November 2023        |
| INV08<br>Cash Management | Cash Management is ineffective, leading to liquidity issues/poor performance                | 3<br>[1,3]         | 3<br>[1,3]                 |  | Finance Manager  | November 2023        |

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Investment Risks






## Summary of Risks

| Risk                               | Description  | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner       | Date Risk Identified |
|------------------------------------|--|--------------------|----------------------------|---|------------------|----------------------|
| INV09<br>Diversification of Assets | Diversification of Assets is not sufficient, leading to increased concentration risk | 4<br>[2,2]         | 4<br>[2,2]                 |  | Head of Pensions | November 2023        |
| INV10<br>Fund Performance Drift    | Pension Fund Performance drifts significantly from peer group                        | 4<br>[2,2]         | 4<br>[2,2]                 |  | Head of Pensions | November 2023        |

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk






## Register- Funding Risks

### Summary of Risks

| Risk                          | Description  | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner       | Date Risk Identified |
|-------------------------------|--|--------------------|----------------------------|---|------------------|----------------------|
| FUN01<br>Economic Assumptions | Economic Assumptions too optimistic or cautious leading to instable contribution rates     | 6<br>[2,3]         | 6<br>[2,3]                 |    | Head of Pensions | November 2023        |
| FUN02<br>Inflation            | Inflation not considered appropriately   | 9<br>[3,3]         | 6<br>[2,3]                 |    | Head of Pensions | November 2023        |
| FUN03<br>Longevity            | Longevity not considered appropriately   | 6<br>[2,3]         | 6<br>[2,3]                 |   | Head of Pensions | November 2023        |
| FUN04<br>Triennial Valuation  | Triennial Valuation produces surprising results  | 4<br>[2,2]         | 4<br>[2,2]                 |  | Head of Pensions | November 2023        |
| FUN05<br>Actuarial Approach   | Inconsistency between actuarial approach and assumptions underpinning investment decisions | 3<br>[1,3]         | 3<br>[1,3]                 |  | Head of Pensions | November 2023        |





# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Governance Risks

## Summary of Risks

| Risk                                     | Description  | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner       | Date Risk Identified |
|--|--|--------------------|----------------------------|---|------------------|----------------------|
| GOV01<br>Committee/Board Papers          | Committee/Board Papers do not meet the standards required by governance.               | 2<br>[1,2]         | 2<br>[1,2]                 |    | Head of Pensions | November 2023        |
| GOV02<br>Committee/Board Papers Accuracy | Committee/Board Papers contain inaccurate information, leading to poor decision making | 6<br>[2,3]         | 3<br>[1,3]                 |    | Head of Pensions | November 2023        |
| GOV03<br>Knowledge and Understanding     | Knowledge and Understanding of members and officers insufficient                       | 6<br>[2,3]         | 3<br>[1,3]                 |   | Pensions Manager | November 2023        |
| GOV04<br>Risk Register                   | Risk Register does not contain risks which it should                                   | 6<br>[2,3]         | 3<br>[1,3]                 |  | Pensions Manager | November 2023        |
| GOV05<br>Conflicts of Interest           | Conflicts of interest not declared by members or officers                              | 4<br>[2,2]         | 4<br>[2,2]                 |  | Pensions Manager | November 2023        |






# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- ESG/NetZero

## Summary of Risks

| Risk  | Description  | Current Risk Score | Lowest Possible Risk Score | Risk Velocity  | Risk Owner       | Date Risk Identified |
|---|--|--------------------|----------------------------|--|------------------|----------------------|
| ESG01<br>Convergence to NetZero Model Portfolio | Convergence to Funds Model Portfolio either too fast or too slow     | 6<br>[3,2]         | 4<br>[2,2]                 | <br> | Head of Pensions | November 2023        |
| ESG02<br>Data Quality                           | Data quality used to make decisions on ESG not of sufficient quality | 9<br>[3,3]         | 6<br>[2,3]                 |    | Head of Pensions | November 2023        |
| ESG03<br>Role of Model Portfolio                | Model Portfolio and role in decision making not understood           | 4<br>[2,2]         | 2<br>[1,2]                 |   | Head of Pensions | November 2023        |
| ESG04<br>ESG Opportunity/Risk                   | To be completed in Q1 2024   | TBA                | TBA                        |  | Head of Pensions | November 2023        |

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- Accounting

## Summary of Risks






| Risk                         | Description   | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner      | Date Risk Identified |
|------------------------------|---|--------------------|----------------------------|---|-----------------|----------------------|
| ACC01<br>Record Keeping      | Record keeping of contribution and benefit data                   | 6                  | 6                          |    | Finance Manager | November 2023        |
| ACC02<br>Accounts Deadlines  | Preparation of Accounts do not meet statutory deadlines           | 6                  | 6                          |    | Finance Manager | November 2023        |
| ACC03<br>Expenses            | Expenses information inaccurate                                   | 9                  | 6                          |   | Finance Manager | November 2023        |
| ACC04<br>Business Continuity | Chain of command of accountancy skills in team                    | 9                  | 6                          |  | Finance Manager | November 2023        |
| ACC05<br>Regulations         | The Pension Fund does not comply with CIPFA and wider regulations | 6                  | 6                          |  | Finance Manager | November 2023        |

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# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register- General

## Summary of Risks

| Risk                      | Description  | Current Risk Score | Lowest Possible Risk Score | Risk Velocity   | Risk Owner       | Date Risk Identified |
|---------------------------|--|--------------------|----------------------------|---|------------------|----------------------|
| GEN01<br>Key Person       | Key individuals are absent for an extended period of time, resulting in delays and tasks not being completed | 6<br>[2,3]         | 6<br>[2,3]                 |    | Head of Pensions | November 2023        |
| GEN02<br>Resourcing       | The Pension Fund team is insufficiently resourced  | 3<br>[1,3]         | 3<br>[1,3]                 |    | Head of Pensions | November 2023        |
| GEN03<br>Advisors         | Over-reliance on advisors, as well as risk of having too many advisors                                       | 6<br>[2,3]         | 6<br>[2,3]                 |   | Head of Pensions | November 2023        |
| GEN04<br>Charges and Fees | Advisors and external providers increase fees and charges significantly                                      | 6<br>[3,2]         | 4<br>[2,2]                 |  | Head of Pensions | November 2023        |
| GEN05<br>Service Levels   | Service levels of advisors and external providers decreases significantly                                    | 4<br>[2,2]         | 2<br>[1,2]                 |  | Head of Pensions | November 2023        |

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register

## Risk Details

| Risk                                   | Nature of Risk        | Controls in Place  | Actions to mitigate risk  | Action Owner                                 | Action Completion Date |
|--|-----------------------|--|---|--|------------------------|
| <b>INV01</b><br>Signatory Risks        | Governance            | <ul style="list-style-type: none"> <li>Fund Manager control sheet in place, containing current signatory listing, and last date reviewed.</li> <li>All funds require at least 2 signatories for any transactions.</li> </ul>                                   | <ul style="list-style-type: none"> <li>AM to diarise quarterly recurring review of control document</li> </ul>  | Adam McPhail                                 | Continuing             |
| <b>INV02</b><br>Redemption Protocols   | Strategic<br>Cashflow | <ul style="list-style-type: none"> <li>Fund manager control sheet in place, which contains the divestment protocols for each fund.</li> </ul>  | <ul style="list-style-type: none"> <li>AM to diarise quarterly recurring review of control document</li> </ul>  | Adam McPhail                                 | Continuing             |
| <b>INV03</b><br>Investment Performance | Strategic<br>Cashflow | <ul style="list-style-type: none"> <li>Quarterly Investment reporting from Hymans Robertson identifies underperforming investments</li> <li>Triennial Strategic Review (may be more frequent)</li> <li>LCIV also monitor when investing through CIV</li> </ul> | <ul style="list-style-type: none"> <li>24/25 schedule of meetings with managers with AM / DS preparing a feedback report</li> <li>Committee review and question performance reports at PFC meetings</li> </ul>                                    | Adam McPhail /<br>David Spreckley<br><br>PFC | Continuing             |
| <b>INV04</b><br>Strategic Allocation   | Strategic             | <ul style="list-style-type: none"> <li>(At least) Triennial Investment review including Asset Liability Modelling to look at probability of funding outcomes based on different investment scenarios.</li> </ul>   | <ul style="list-style-type: none"> <li>Recently moved substantial proportion of assets to Bonds and Hymans undertook Asset Liability Modelling to support decision making</li> <li>Action to review new contributions vs. asset income</li> </ul> | AM   | 31/5/2024              |

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register

## Risk Details

| Risk                               | Nature of Risk            | Controls in Place   | Actions to mitigate risk  | Action Owner                       | Action Completion Date                         |
|------------------------------------|---------------------------|---|---|------------------------------------|--|
| INV05<br>Pooling                   | Strategic                 | <ul style="list-style-type: none"> <li>Quarterly reporting from Hymans Robertson on LCIV performance</li> <li>Regular catch-ups with LCIV key stakeholders</li> <li>Attend LCIV “Business Update” meetings</li> <li>LCIV prepare substantial reports</li> </ul> | <ul style="list-style-type: none"> <li>Regular meetings building/maintaining relationship with LCIV</li> <li>Review LCIV output and consider how to ‘condense and share’ with PFC</li> <li>Regular meetings with officers within London Funds which considers LCIV</li> </ul> | David Spreckley<br>AM<br><br>DS/AM | Continuing<br><br>31/05/2024<br><br>Continuing |
| INV06<br>Education                 | Strategic                 | <ul style="list-style-type: none"> <li>Officers prepare Training Requirement and policy for Committee (inc. access to Hymans LOLA portal)</li> </ul>  | <ul style="list-style-type: none"> <li>Develop Monthly Investment Newsletter covering investment issues and broaden “focus on manager”.</li> <li>MF to consider 24/25 Training Requirements</li> </ul>  | AM<br><br>MF                       | Continuing<br><br>31/03/2024                   |
| INV07<br>Liquidity                 | Cashflow                  | <ul style="list-style-type: none"> <li>Monthly monitoring of cash balances, contributions received, and benefits paid out.</li> </ul>   | <ul style="list-style-type: none"> <li>No specific actions</li> </ul>   |                                    |  |
| INV08<br>Cash Management           | Cashflow<br><br>Strategic | <ul style="list-style-type: none"> <li>Cash Management policy in place, to ensure cash balances are controlled and maximum return is achieved with low risk.</li> </ul>   | <ul style="list-style-type: none"> <li>No specific actions</li> </ul>   |                                    |  |
| INV09<br>Diversification of Assets | Strategic                 | <ul style="list-style-type: none"> <li>Diversification considerations form part of Asset Liability Modelling</li> </ul>   | <ul style="list-style-type: none"> <li>No specific actions</li> </ul>   |                                    |  |
| INV10<br>Barnet Performance Drift  | Strategic                 | <ul style="list-style-type: none"> <li>Forms part of Triennial Investment Review.</li> </ul>  | <ul style="list-style-type: none"> <li>Recently reduced exposure to Equities.</li> <li>No specific actions but need to monitor Bond / Equity markets</li> </ul>   |                                    |  |

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register

## Risk Details

| Risk                                 | Nature of Risk | Controls in Place   | Actions to mitigate risk  | Action Owner | Action Completion Date |
|--------------------------------------|----------------|---|---|--------------|------------------------|
| <b>FUN01</b><br>Economic Assumptions | Strategic      | <ul style="list-style-type: none"> <li>Substantial process considering economic assumptions at each Triennial Valuation</li> </ul>  | <ul style="list-style-type: none"> <li>No immediate action</li> <li>Next Triennial Valuation 31 March 2025</li> </ul>   |              |                        |
| <b>FUN02</b><br>Inflation            | Strategic      | <ul style="list-style-type: none"> <li>Substantial process considering inflation assumptions at each Triennial Valuation</li> </ul> | <ul style="list-style-type: none"> <li>No immediate action</li> <li>Next Triennial Valuation 31 March 2025</li> <li>High inflation likely to lead to “strains” at 31 March 2025 valuation and so making sure Hymans Robust will be a key consideration</li> </ul> |              |                        |
| <b>FUN03</b><br>Longevity            | Strategic      | <ul style="list-style-type: none"> <li>Substantial process considering Longevity assumptions at each Triennial Valuation</li> </ul> | <ul style="list-style-type: none"> <li>No immediate action</li> <li>Next Triennial Valuation 31 March 2025</li> </ul>   |              |                        |

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register

## Risk Details

| Risk                                | Nature of Risk | Controls in Place  | Actions to mitigate risk  | Action Owner | Action Completion Date |
|-------------------------------------|----------------|--|---|--------------|------------------------|
| <b>FUN04</b><br>Triennial Valuation | Strategic      | <ul style="list-style-type: none"> <li>Annual Funding Update from Hymans</li> <li>IAS19 report provides another measure</li> <li>DS undertakes approximate analysis</li> </ul> | <ul style="list-style-type: none"> <li>No immediate action</li> </ul>   |              |                        |
| <b>FUN05</b><br>Actuarial Approach  | Strategic      | <ul style="list-style-type: none"> <li>Hymans (Actuary) consulted on funding impact of any changes</li> </ul>  | <ul style="list-style-type: none"> <li>Actuary considered impact of recent change to strategy</li> <li>No specific actions</li> </ul> |              |                        |

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register

## Risk Details

| Risk  | Nature of Risk       | Controls in Place  | Actions to mitigate risk  | Action Owner    | Action Completion Date |
|---|----------------------|--|---|-----------------|------------------------|
| <b>GOV01</b><br>Committee/Board Papers          | Governance           | <ul style="list-style-type: none"> <li>Papers cleared by chair, chief officer, legal and governance.</li> </ul>  | <ul style="list-style-type: none"> <li>Regular meetings with governance to understand requirements</li> </ul>   | David Spreckley | Continuing             |
| <b>GOV02</b><br>Committee/Board Papers Accuracy | Governance Strategic | <ul style="list-style-type: none"> <li>Papers reviewed by officers, and cleared by chair, chief officer, legal and governance.</li> </ul>  | <ul style="list-style-type: none"> <li>Discussions with external advisors to ensure accuracy of information.</li> </ul>   | David Spreckley | Continuing             |
| <b>GOV03</b><br>Knowledge and Understanding     | Training             | <ul style="list-style-type: none"> <li>Officers complete CPD for respective areas, members also required to undertake specified amount of training</li> <li>Members and officers have access to Hymans Robertson LOLA training portal</li> </ul> | <ul style="list-style-type: none"> <li>MF to consider 24/25 Training Requirements</li> </ul>  | Mark Fox        | 31/03/2024             |
| <b>GOV04</b><br>Risk Register                   | Governance           | <ul style="list-style-type: none"> <li>Risk Register regularly reviewed and presented to committee and board</li> </ul>  | <ul style="list-style-type: none"> <li>New updated risk register template, making it easier to maintain and update</li> <li>MF to set up Quarterly Review meetings (recurring)</li> </ul> | Mark Fox        | 31/03/2024             |
| <b>GOV05</b><br>Conflicts of Interest           | Governance           | <ul style="list-style-type: none"> <li>Conflicts of interest declared by members at start of year, and in committee meetings</li> </ul>  | <ul style="list-style-type: none"> <li>No immediate actions required. To be reviewed at every Committee and Board meeting</li> </ul>  | Mark Fox        | Continuing             |

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register

## Risk Details

| Risk   | Nature of Risk | Controls in Place   | Actions to mitigate risk   | Action Owner    | Action Completion Date |
|--|----------------|---|--|-----------------|------------------------|
| <b>ESG01</b><br>Convergence to Model Portfolio | Strategic      | <ul style="list-style-type: none"> <li>Model portfolio paper to be presented to Pension Fund Committee regularly, allowing for discussion and timely decisions to be made.</li> </ul>                                 | <ul style="list-style-type: none"> <li>Review of Paris Aligned Funds with Hymans</li> <li>Working with LCIV / Hymans on Natural Capital Solutions</li> <li>Looking to advise on next steps of convergence Summer 2024</li> </ul> | David Spreckley | 30/6/2024              |
| <b>ESG02</b><br>Data Quality                   | Strategic      | <ul style="list-style-type: none"> <li>Data Sourced from third party providers (LCIV / Hymans / Investment Managers)</li> </ul>   | <ul style="list-style-type: none"> <li>No immediate action but key concern for ESG01</li> </ul>  |                 |                        |
| <b>ESG03</b><br>Role of Model Portfolio        | Strategic      | <ul style="list-style-type: none"> <li>Several papers prepared from PFC on role of Model Portfolio</li> <li>When decision is being asked for, relevance of Model Portfolio to form part of decision making</li> </ul> | <ul style="list-style-type: none"> <li>Communication through monthly investment newsletter on the Model Portfolio</li> </ul>   | David Spreckley | Continuing             |
| <b>ESG04</b><br>ESG Opportunity/Risk           | Strategic      | <ul style="list-style-type: none"> <li>To be completed Q1 2024</li> </ul>   | <ul style="list-style-type: none"> <li>TBA</li> </ul>  | TBA             | TBA                    |

# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register

## Risk Details

| Risk                                | Nature of Risk | Controls in Place  | Actions to mitigate risk   | Action Owner | Action Completion Date |
|-------------------------------------|----------------|--|--|--------------|------------------------|
| <b>ACC01</b><br>Record Keeping      | Regulations    | <ul style="list-style-type: none"> <li>WYPF review contribution and benefit data, before it is sent through to the Pension Fund</li> </ul>     | <ul style="list-style-type: none"> <li>Continue to monitor contributions paid, and chase employers who have not sent returns or payments</li> </ul>  | Adam McPhail | Continuing             |
| <b>ACC02</b><br>Accounts Deadlines  | Regulations    | <ul style="list-style-type: none"> <li>LBB send through their Accounts timetable to the Pension Fund</li> </ul>                                | <ul style="list-style-type: none"> <li>Continue to communicate any issues with meeting LBB deadlines</li> <li>Provide deadlines for information from third parties</li> </ul>                  | Adam McPhail | Continuing             |
| <b>ACC03</b><br>Expenses            | Regulations    | <ul style="list-style-type: none"> <li>Fund Managers send through expenses information through the SAB Cost Transparency Initiative</li> </ul> | <ul style="list-style-type: none"> <li>Provide deadlines to Fund Managers on when their submissions need to be sent through.</li> <li>Communicate non-complying managers to the SAB</li> </ul> | Adam McPhail | Continuing             |
| <b>ACC04</b><br>Business Continuity | Regulations    | <ul style="list-style-type: none"> <li>Finance manager supported by CIPFA graduate</li> </ul>  | <ul style="list-style-type: none"> <li>Provide training on key Pension Fund accounting concepts to wider team</li> </ul>   | Adam McPhail | Continuing             |
| <b>ACC05</b><br>Regulations         | Regulations    | <ul style="list-style-type: none"> <li>Regular updates on changes in regulations provided to Pension Fund.</li> </ul>                          | <ul style="list-style-type: none"> <li>Continue to attend meetings with London Pensions officers to discuss issues and be aware of any changes in regulations</li> </ul>                       | Adam McPhail | Continuing             |



# London Borough of Barnet Pension Fund – Pension Non- Administration Risk Register

## Risk Details

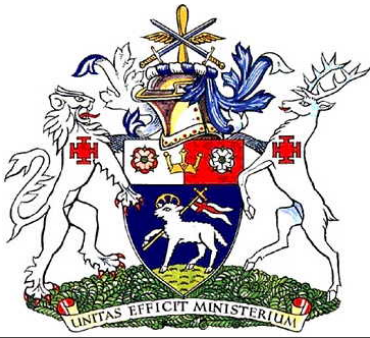
| Risk                             | Nature of Risk            | Controls in Place   | Actions to mitigate risk  | Action Owner    | Action Completion Date |
|----------------------------------|---------------------------|---|---|-----------------|------------------------|
| <b>GEN01</b><br>Key Person       | Strategic/<br>Operational | <ul style="list-style-type: none"> <li>Signatory lists in place contain multiple authorised signatories</li> <li>Regular Team Briefings so whole Team has sight of what is on the agenda</li> </ul> | <ul style="list-style-type: none"> <li>No immediate Actions</li> </ul>  |                 |                        |
| <b>GEN02</b><br>Resourcing       | Operational               | <ul style="list-style-type: none"> <li>Team has broad operating model with key roles clearly defined</li> <li>Monthly 1-2-1s to test work loads</li> <li>3x workflow meetings per week</li> </ul>   | <ul style="list-style-type: none"> <li>No immediate Actions</li> </ul>  |                 |                        |
| <b>GEN03</b><br>Advisors         | Strategic                 | <ul style="list-style-type: none"> <li>Advisor performance reviewed annually</li> </ul>   | <ul style="list-style-type: none"> <li>Annual review to be established with Provider to consider quality</li> </ul> | David Spreckley | 30/06/2024             |
| <b>GEN04</b><br>Charges and Fees | Strategic                 | <ul style="list-style-type: none"> <li>Reports on advisor performance presented annually to committee, to ensure charges are appropriate</li> </ul>   | <ul style="list-style-type: none"> <li>Prepare advisors fee budget for 2024/25 and share with advisors</li> </ul>   | David Spreckley | 31/03/2024             |
| <b>GEN05</b><br>Service Levels   | Strategic                 | <ul style="list-style-type: none"> <li>Advisor performance reviewed annually</li> </ul>   | <ul style="list-style-type: none"> <li>Annual review to be established with Provider to consider quality</li> </ul> | David Spreckley | 30/06/2024             |

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Non- Administration Risk Register - April 2021 - Investment

| Risk ID | Short-risk Title                            | Long Description  | Nature of Risk              | Controls and Mitigation in Place  | Residual Risk |                          |                   | Target Risk       |                          |                   | Further Actions  |               | Date Risk Identified |
|---------|---|---|-----------------------------|---|---------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|--|---------------|----------------------|
|         |   |   |                             |   | Impact        | Likelihood               | Risk Score        | Impact            | Likelihood               | Risk Score        | Actions  | Delivery Date |                      |
| Inv001  | Investment Strategy                         | Long-term investment strategy for the Pension Fund has low chance of delivering return required to meet fully funded objectives | Strategy                    | The investment strategy was reviewed in 2018 and changes made increased the probability of achieving full funding in 20 years from 66% to 70%. The changes are substantially implemented. The funding level at the 2019 triennial valuation improved from 73% to 86%.   | Major<br>5    | Possible<br>3            | High<br>15        | Major<br>4        | Possible<br>3            | Medium High<br>12 | Some modifications of the investment strategy have been made to help reduce risk.<br><br>An investment review will be conducted in early 2023 once actuarial valuation has been completed. | 31-Mar-23     | Initial risk         |
| Inv002  | Investment manager returns                  | Investment managers under perform relative to the benchmark over the medium term.   | Implementation & Monitoring | Quarterly investment monitoring in place to analyse market performance against the performance of the investment manager. The most volatile asset place (equities) is mostly managed on an index tracking basis to eliminate relative performance risk. The active portfolio is highly diversified to reduce the impact of single manager performance. The planned elimination of DFG's will significantly reduce the impact of single manager underperformance | Medium<br>3   | Possible<br>3            | Medium<br>9       | Major<br>3        | Possible<br>3            | Medium<br>9       | As assets are pooled with the London CIV there will be enhanced scrutiny of manager capabilities   | 31-Dec-25     | Initial risk         |
| Inv003  | ESG   | The management of ESG risk is not adequate impacting on both investment returns and reputational risk.                          | Implementation & Monitoring | The investment portfolio is highly diversified and the active managers are expected to take into consideration all risks when selecting investments. The Pension Fund Committee is currently reviewing its approach to ESG issues and is switching equities into portfolios with a greater ESG orientation.   | Major<br>4    | Unlikely / Possible<br>2 | Medium<br>8       | Low / medium<br>2 | Unlikely / Possible<br>2 | Low<br>4          | To meet regulations the Fund is required to establish climate related metrics and targets  | 31-Mar-23     | Jan-20               |
| Inv004  | Rebalancing                                 | Rebalancing of portfolios to approved asset allocations delayed due to market volatility  | Implementation & Monitoring | Scheduled timetable for sale and transfer of assets to ensure transition completed in agreed timeframe  | Medium<br>3   | Possible<br>3            | Medium<br>9       | Medium<br>3       | Possible<br>3            | Medium<br>9       | Full reporting of transition costs following significant asset transfers   | ongoing       | Initial risk         |
| Risk ID | Short-risk Title                            | Long Description  | Nature of Risk              | Controls and Mitigation in Place  | Residual Risk |                          |                   | Target Risk       |                          |                   | Further Actions  |               | Date Risk Identified |
|         |   |   |                             |   | Impact        | Likelihood               | Risk Score        | Impact            | Likelihood               | Risk Score        | Actions  | Delivery Date |                      |
| Fun001  | Achievement of Investment Return Assumption | Fund assets fail to deliver returns in line with actuarial assumptions  | Strategic                   | Annual actuarial review and triennial valuation on all employers anticipate long term returns on prudent basis. However, markets are volatile and three year returns are unpredictable. Changes to investment strategy since 2018 have increased the probability of achieving full funding while protecting downside risk.  | Major<br>4    | Possible<br>3            | Medium High<br>12 | Major<br>4        | Possible<br>3            | Medium High<br>12 | Investment strategy will be reviewed in 2023 and there may be opportunities to improve the likelihood of achieving full funding  | 31-Mar-23     | Initial risk         |
|         |   |   |                             | Manage impact by deficit spreading and phasing in of contributions rises. Council already has +/-1% annual  | Major         | Possible                 | Medium High       | Medium            | Possible                 | Medium            |  |               |                      |

| Fun002  | Contribution rate increases | Effect of possible increase in employer's contribution rate on service delivery and affordability for scheme employers | Cashflow                  | change band and pooling for academies provides some stability. Rates on average held steady at 2019 valuation with increases in primary rate offset by lower secondary contributions. Upward drift of primary rates is partly due to Government action that has increased the benefit liability.   | 4             | 3             | 12                | 3           | 3                        | 9               | Refresh following 31 March 2022 valuation   | 31-Mar-23     | Initial risk         |
|---------|-----------------------------|--|---------------------------|--|---------------|---------------|-------------------|-------------|--------------------------|-----------------|---|---------------|----------------------|
| Fun003  | Funding level               | Significant reduction in funding level following triennial actuarial valuation   | Strategic                 | The funding level increased at the 2019 valuation from 73% to 86%. Post March 2019 returns have achieved the actuary's target. A review will be undertaken at 31 March 2021 to check progress of funding level. The investment strategy will be reviewed in 2021 to ensure that the risk level is appropriate.   | Major<br>4    | Possible<br>3 | Medium High<br>12 | Medium<br>4 | Unlikely / Possible<br>2 | Medium<br>8     | Opportunities to increase the prudence level will be considered at the March 2022 triennial valuation   | 31-Mar-23     | Initial risk         |
| Fun004  | Employers' covenant         | Strength of covenant of employers /risk of financial loss to Pension Fund  | Implementation & cashflow | Ensure Bond arrangements maintained and renewed. Pension Fund Committee monitors Admission agreements bond renewals. The Council is considered a low risk and academies have a limited Government guarantee. Other employers are monitored.  | Medium<br>3   | Unlikely<br>2 | Low Medium<br>6   | Medium<br>3 | Unlikely / possible<br>2 | Low Medium<br>6 | Review process for monitoring non-tax raising employers following valuation   | ongoing       | initial risk         |
| Risk ID | Short-risk Title            | Long Description   | Nature of Risk            | Controls and Mitigation in Place   | Residual Risk |               |                   | Target Risk |                          |                 | Further Actions   |               | Date Risk Identified |
|         |                             |  |                           |  | Impact        | Likelihood    | Risk Score        | Impact      | Likelihood               | Risk Score      | Actions   | Delivery Date |                      |
| Gov001  | Knowledge and Understanding | Those involved in governance of the Pension Fund have insufficient knowledge and support to undertake their functions. | Training                  | This risk covers Pension Fund Committee, Local Pension Board, officers and advisors. Training plans are developed for the Committee and Board and members are encouraged to identify training needs. Complex agenda items are introduced via training sessions. The officer resources have recently been increased. The performance of advisors is regularly reviewed and feedback provided. | Major<br>4    | Low<br>1      | Low<br>4          | Major<br>4  | Low<br>1                 | Low<br>4        | Regular Training. Local Pension Board members complete TPR Public Sector Trustee Toolkit<br><br>LOLA training platform available to all PFC and LPB members | Ongoing       | Jan-17               |



**Pension Fund Committee** AGENDA ITEM 11  
**18 April 2024**

|                                |   |
|--------------------------------|---|
| <b>Title</b>                   | <b>Administration Performance Report And Update On Other Administration And Legislative Matters</b>             |
| <b>Date of meeting</b>         | 18 April 2024   |
| <b>Report of</b>               | Interim Executive Director of Resources (S151 officer)  |
| <b>Wards</b>                   | All   |
| <b>Status</b>                  | Public  |
| <b>Urgent</b>                  | No  |
| <b>Appendices</b>              | Appendix A – Update on the £45m Data Investigation  |
| <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

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

## 1. Reasons for the Recommendations

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

### WYPF Performance

- 1.2 In February, WYPF processed **970** cases with **c89%** cases being completed within the agreed Key Performance Indicators (KPIs) targets. Their performance against the KPIs has been consistently around the minimum target that the LBB Pensions Team expects of 90% for the past few months.
- 1.3 The LBB Pensions Team monitor the performance of WYPF monthly. As WYPF continue to process the additional work resulting from the McCloud judgement, along with completing backlogged tasks, it is expected that the performance level will remain around this level over the next few months. Ideally, in the medium term, it is hoped that WYPF performance can move up towards the 95% level.
- 1.4 The Local Pensions Board were updated on administration performance at their meeting on 11 March.
- 1.5 The number of complaints received by WYPF continue to remain very low, as does the number of Internal Dispute Resolution Procedure (IDRP) cases received, with currently two stage 1 IDRP cases in progress. There are no stage 2 cases ongoing. The Pension Ombudsman has raised three complaint cases, of which two have been processed and we are waiting their response, with the other complaint currently being worked on.
- 1.6 The LBB Pensions Team have recently adjudicated on a stage 2 IDRP case, where it was decided to offer the member compensation of £2,000. This is in line with classification of “severe” under the TPO’s “non-financial injustice guidelines. This case involved long delays and incorrect information when his retirement was processed, which lasted over a period of around 5-6 years. The member is now in receipt of his correct pension.
- 1.7 In addition, the same member also suffered a tax charge from the scheme due to the maladministration and we have also offered to reimburse the member for this charge which amounted to £2,826. The member has accepted both offers and we have arranged payment.
- 1.8 The Pensions Team have started the review of WYPF’s performance against the criteria in the Administration Strategy. This is ongoing and the Committee will be updated with the results of this review at the next meeting in July.

### Annual Benefit Statements (ABS’s)

- 1.9 The 2023 Annual Benefit Statements (ABSs) for active and deferred members exercise ended on 20 March. At this date issued of 31 August 2023. At this date, **99.4%** of ABSs had been produced.
- 1.10 This means that there are **39** members who did not receive a 2023 ABS. There are 21 members where WYPF were waiting for the employer to respond to a pay or service query. The remaining 18 members are where WYPF are waiting payment from other Councils for members who wish to link previous service.

- 1.11 The Pensions Team will contact the employers who did not respond to WYPF queries, to ascertain the issues and to ensure that the same issues are not repeated in the 2024 ABS exercise.

### **Data Improvement Plan**

- 1.12 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 13 March, this number had reduced to **c6,600**.
- 1.13 WYPF have completed two of the ten previously identified areas of data with the largest number of issues that need correcting. The next stage is still waiting for the completion of work relating to members' Guaranteed Minimum Pensions (GMPs). Once complete, this will account for nearly 2,000 items of data that needs updating. We expect that this will be finalised within the next few weeks. An update on this will be provided at the meeting.
- 1.14 WYPF will also shortly run a bulk address tracing exercise across all the funds that the administer, so missing addresses and postcodes can be updated. There are **c950** members in the Barnet Fund where there is either an incorrect or no address held.
- 1.15 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.
- 1.16 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.
- 1.17 The common data score for February 2024 was 96.3% which is above the TPR target. For conditional data, the score was 88.3%. Once the GMP work being undertaken by WYPF is completed, this will improve the conditional data score, whilst updating addresses will improve the common data scores.
- 1.18 In previous Committee meetings, the Pensions team have discussed their investigations into the £45million data experience issue identified by the Fund Actuary in the 2022 valuation report.
- 1.19 A summary of the work recently undertaken, and actions required is shown in Appendix A
- 1.20 The Pensions Team have engaged Hymans Robertson to review and reconcile the membership used in previous valuations and WYPF have been asked to provide updates on membership numbers for previous years based on the current data held.
- 1.21 This work is still ongoing and another update will be provided to the Committee at the next meeting in July.

### **Historical Leavers**

- 1.22 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**.
- 1.23 As of 1 December, this number had reduced to **298**, of which **123** are leavers who left before 1 November 2020 when WYPF took over the administration of the Fund. Included in this figure are **78** ex Council employees.

- 1.24 The Pensions Team continue to work 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.

### **Pensions Dashboard**

- 1.25 The Department for Work and Pensions (DWP) has set an ultimate deadline of 31 October 2026, for the Pension Dashboard to be implemented and the staging date for public service pension schemes will be **30 September 2025**.
- 1.26 The Pensions Team will continue to monitor and report back to the Committee at future meetings with any updates.

### **Finance Update**

- 1.27 Between April 2023 and January 2024, the fund has received £58.1m of contribution payments into the funds bank account.
- 1.28 The monthly contribution returns received from employers for the same period only totalled £61.7m, meaning that £3.6m of the contributions received relate to employers who have yet to make contribution payments or have sent in returns which do not reconcile to the amounts received. The Pensions Team continue to chase these employers to obtain missing or incomplete monthly returns.
- 1.29 For the contributions reconciled with the monthly returns, this is split as follows:
- Employer Contributions – £47.1m
  - Employee Contributions - £12.2m
  - Employee Additional Contributions - £0.053m
  - Employer Deficit Contributions - £2.3m

### **Pension Fund Engagement Strategy**

- 1.30 Recently, the LBB Pensions Team have recently undertaken the following activities in terms of engaging with members and employers:
- 1.31 **‘Pensions Myth Busting Training’** – the LBB Pensions Team ran in person training session in Colindale for staff with the aim of demystifying the world of pensions. The session included topics that were requested by staff plus information on the most common questions that asked to the Pensions Team.
- 1.32 It was attended by around 25 staff (unfortunately, it fell on a day of a train strike). Positive feedback was received, and the Pensions Team will run the session again in the summer.
- 1.33 **‘Basic guide/introduction to pensions training’** – this training was requested by employers, primarily due to several new business managers joining schools with a limited knowledge of pensions. The training was held virtually on four different dates with around 50 attendees.
- 1.34 **‘Pension Surgeries’** – the Pensions Team have started to host 1-2-1 sessions with pension fund members to discuss any pensions questions or issues they have. This is going to be a monthly exercise and will take place in the Colindale office.
- 1.35 The Pensions Team (along with WYPF) also ran a similar session for members at the Street Scene depot via MS Teams. This was well attended and will be run again in April or May.



1.36 The Pensions Team have also been asked to present to members on how the LGPS works at several schools and these will take place during the next few months.

### **TPR new Code of Practice**

1.37 On 10 January 2024, The Pensions Regulator (TPR) published its new general code of practice (the “Code”). The new code consolidates 10 of the current 15 existing codes of practice into one code setting out TPR’s expectations on scheme governance and administration. This replaces the current Code of Practice 14 that applies to public sector schemes, including the Local Government Pension Scheme (LGPS).

1.38 The new code is around 170 pages as opposed to 460 pages of the current 15 existing codes.

1.39 The new code is due to come into force on **27 March 2024**.

1.40 The new Code provides increased clarity on the definition of the governing body for public sector schemes. The new Code recognises that the governance of such schemes needs to consider the differing responsibilities of a ‘Scheme Manager’, Local Pensions Board and where appropriate, the Pension Fund Committee.

1.41 There are also several areas of good practice which sit alongside the core modules in the new Code. Whilst compliance with these good practice modules will not be a legal requirement, it is expected that schemes consider all these areas of the new Code.

1.42 The Pensions Team is analysing the new Code and are developing a plan on how the new Code will affect the Barnet Fund and we will share this with both the Committee and Local Pensions Board at future meetings.

1.43 The Pensions Team will also arrange for training to both the Board and Committee members on the new Code. This may be presented by the Barnet Pensions Team or an external source. Further details will follow in due course.

## **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 Under the Council's Constitution Part 2B Section 15.1, the terms of reference for the Pension Fund Committee, the Committee is to have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including:-

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

## **7. Consultation**

7.1 Not applicable in the context of this report.

## **8. Equalities and Diversity**

- 8.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.
- 8.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The [Public Sector Equality Duty](#) requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

## **9. Background Papers**

9.1 None

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# £45m data investigation

# Background

At the 31 March 2022 valuation the Actuary conducted an analysis of surplus which reconciled the 31 March 2019 deficit to the 31 March 2022. This analysis highlighted a £45m “balancing item” representing around c3% of the obligations. This level of balancing item is relatively high and so the Barnet Pensions Team have spent time analysing the information provided within the valuation.

This short paper summarises the analysis undertaken and recommended actions.

## Analysis undertaken

DS cross check of Analysis of Surplus. This has identified that the actual return over expected return was c£200m c/o c£160m disclosed by the Actuary. This does not help the balancing item – in fact it increases it to £80m.

**Action:** Barnet to share analysis with Actuary and confirm whether balancing item should be updated

Cross checking membership numbers against various sources. This has identified that there is a wide difference on membership numbers reported, which is concern.

**Action:** WYPF to confirm summary data at each year end since 1 April 2019.

**Action:** Hymans to reconcile 2022 data file with Barnet data file (numbers) and explain differences between data file used for 2019 valuation and 2019 membership implied by the 2022 data file.

Of note is that data reconciliation suggest Barnet had nearly 50% staff turnover over 2019 – 2022.

**Action:** check reasonableness of this against HR records.

# Analysis of Surplus review

|   | Hymans Reported | DS Estimate     |                                     |
|---|-----------------|-----------------|-------------------------------------|
| <b>Last valuation at 31 March 2019</b>    | <b>(190.00)</b> | <b>(190.00)</b> |                                     |
| Employer contributions paid in            | 167.00          | 167.88          |                                     |
| Employee contributions paid in            | 37.00           | 36.48           |                                     |
| Other cashflows (e.g. expenses)           | (5.00)          | (5.49)          |                                     |
| Expected investment returns               | 161             | 158.85          |                                     |
| Interest on benefits already accrued      | (183)           | (185.05)        |                                     |
| Accrual of new benefits                   | (145)           | (141.49)        |                                     |
| <b>Expected position at 31 March 2022</b> | <b>(158)</b>    | <b>(158.82)</b> |                                     |
| <b>Events between 2019 – 2022</b>         |                 |                 |                                     |
| Salary increases greater than expected    | 9               | 30.06           | Salary / Benefit increases combined |
| Benefits increases greater than expected  | 21              | 1.00            |                                     |
| Ill Health retirement strain              | 1               |                 |                                     |
| Early leavers less than expected          | 0               |                 |                                     |
| Commutation less than expected            | 0               |                 |                                     |
| Pensions ceasing less than expected       | (3)             | (3.00)          |                                     |
| McCloud Remedy                            | (3)             | (3.00)          |                                     |
| Other membership experience               | (45)            | (79)            | Actuary to review                   |
| Higher than expected investment returns   | 169             | 203.48          |                                     |
| Change in discount rate assumption        | 49              | 50.40           |                                     |
| Change in inflation                       | (100)           | (100.76)        |                                     |
| Change in Salary increases                | (3)             | (3.00)          |                                     |
| Longevity                                 | (7)             | (7.00)          |                                     |
| Other                                     | (2)             | (2.00)          | Orange Cells not analysed           |
| <b>Actual position at 31 March 2022</b>   | <b>(72)</b>     | <b>(72)</b>     |                                     |

# Membership Statistics

There are three sources of membership data:

- Members reported in Report and Account (sourced from administrators, includes prior year)
- Numbers reported within the Actuary's Valuation Report
- Numbers implied by data file sent to Actuary

A summary of these is provided below for the years 2019 – 2022 (inclusive)

|              | 31/03/2019                  |                          |                             | 31/03/2020     |                             | 31/03/2021     |                             | 31/03/2022                  |                          |                |
|--------------|-----------------------------|--------------------------|-----------------------------|----------------|-----------------------------|----------------|-----------------------------|-----------------------------|--------------------------|----------------|
|              | Actuary's Valuation Report* | 2022 Data File (implied) | 2020 Accounts* (prior year) | 2020 Accounts* | 2021 Accounts* (Prior Year) | 2021 Accounts* | 2022 Accounts* (Prior Year) | Actuary's Valuation Report* | 2022 Data File (implied) | 2022 Accounts* |
| Actives      | 7,523                       | 7,823                    | 8,630                       | 7,828          | 7,828                       | 8,184          | 8,184                       | 7,214                       | 7,113                    | 8,782          |
| Deferreds    | 12,112                      | 10,007                   | 10,803                      | 11,695         | 10,202                      | 10,032         | 11,014                      | 13,113                      | 11,875                   | 9,721          |
| Pensioners   | 7,475                       | 6,883                    | 8,082                       | 8,318          | 8,318                       | 8,587          | 7,605                       | 8,808                       | 7,770                    | 8,116          |
| Dependants   |                             | 945                      |                             |                |                             |                |                             |                             | 1,239                    |                |
| Frozen       |                             | 1,009                    |                             |                |                             |                |                             |                             | 1,223                    |                |
| <b>Total</b> | <b>27,110</b>               | <b>26,667</b>            | <b>27,515</b>               | <b>27,841</b>  | <b>26,348</b>               | <b>26,803</b>  | <b>26,803</b>               | <b>29,135</b>               | <b>29,220</b>            | <b>26,619</b>  |

\* Dependants / Frozen records not separately identified

Not a single data source agrees. Big inconsistency between Accounts (from year to year) and between 2021 and 2022.

### Actions:

- WYPF provide summaries for each year-end based on current data records
- Hymans reconcile Barnet 2022 data file (2019 Implied Membership) with actual data file used to prepare 2019 valuation and reconcile 2022 data file with actual data file used for 2022 Valuation



# Member movements (2022 Data File)

|   | Actives        | Deferreds      | Pensioners   | Dependants   | Frozen       | Total         |
|---|----------------|----------------|--------------|--------------|--------------|---------------|
| <b>2019</b>   | <b>7,823</b>   | <b>10,007</b>  | <b>6,883</b> | <b>945</b>   | <b>1009</b>  | <b>26,667</b> |
| <b>Leavers 2019 -2022</b>                           | <b>(3,254)</b> | <b>(1,261)</b> | <b>546</b>   | <b>172</b>   | <b>27</b>    | <b>5,260</b>  |
| Active - deferred                                   | (2,433)        |                |              |              |              |               |
| Active – pensioner                                  | (491)          |                |              |              |              |               |
| Active - Dependant                                  | 0              |                |              |              |              |               |
| Active - Exit                                       | (281)          |                |              |              |              |               |
| Deferred – pensioner                                |                | (922)          |              |              |              |               |
| Deferred – Dependant                                |                | 0              |              |              |              |               |
| Deferred - Exit                                     |                | (336)          |              |              |              |               |
| Deferred - Active                                   |                | (3)            |              |              |              |               |
| Pensioner – dependant                               |                |                | 0            |              |              |               |
| Pensioner - Exit                                    |                |                | (546)        |              |              |               |
| Dependant - Exit                                    |                |                |              | (172)        |              |               |
| Frozen - Exit                                       |                |                |              |              | (27)         |               |
| <b>Additions 2019 – 2022</b>                        | <b>2,544</b>   | <b>3,129</b>   | <b>1,433</b> | <b>466</b>   | <b>241</b>   | <b>7,813</b>  |
| New Active  | 2,544          |                |              |              |              |               |
| New Deferred (from active)                          |                | 2,509          |              |              |              |               |
| New Deferred (date of deferment after 1 April 2019) |                | 22             |              |              |              |               |
| New Deferred (recorded as FZN at 2019)              |                | 6              |              |              |              |               |
| New Deferred (No status 2019)                       |                | 592            |              |              |              |               |
| New Pensioner (from active)                         |                |                | 491          |              |              |               |
| New Pensioner (from deferred)                       |                |                | 921          |              |              |               |
| New Pensioner (Other status 2019)                   |                |                | 21           |              |              |               |
| New Dependant (Source unclear)                      |                |                |              | 466          |              |               |
| New Frozen (Source unclear)                         |                |                |              |              | 241          |               |
| <b>2022</b>   | <b>7,113</b>   | <b>11,875</b>  | <b>7,770</b> | <b>1,239</b> | <b>1,223</b> | <b>29,220</b> |
| <b>Net Change</b>                                   | <b>(710)</b>   | <b>1,868</b>   | <b>887</b>   | <b>294</b>   | <b>214</b>   | <b>2,553</b>  |

**Action:** Barnet / WYPF to check credibility of Red Cells.

Also to check Active Leavers against HR records – suggest nearly 50% Turn Over!

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## Pension Fund Committee

### 18 April 2024



|                                |   |
|--------------------------------|---|
| <b>Title</b>                   | <b>Responsible Investment Update</b>  |
| <b>Date of meeting</b>         | 18 April 2024   |
| <b>Report of</b>               | Interim Executive Director of Resources (S151 Officer)  |
| <b>Wards</b>                   | All   |
| <b>Status</b>                  | Public  |
| <b>Urgent</b>                  | No  |
| <b>Appendices</b>              | Appendix A – Investment Framework Discussion Document   |
| <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 paper and Appendix provide an update on the work being undertaken to progress the Fund's Responsible Investment approach.

Specifically, Officers have considered with the Chair and our advisors the broader governance implications from considering Paris Aligned Equity Funds and Nature Based Assets like Timberland.

In particular, there may be an inherent risk of divergence from a "balanced market" approach when investing in Paris Aligned funds. The Committee should understand these risks with supported evidence before proceeding with such investments and this paper sets out some of these considerations which will be explored more formally through advice over the summer.

More broadly, considering Paris Aligned funds has prompted a wider discussion around investment philosophy and governance considerations for the Fund. Appendix A expands on this together with suggested next steps.

We will use time at the Committee meeting to talk through this work and we would welcome Committee views on this approach during the meeting.

## Recommendations

The Committee is asked to consider and comment on the approach set out within Appendix A. and to note the contents of this report.

### 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. Background papers are listed in the appropriate section of this report.
- 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, although this point needs to be tested.
  - 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.
- 1.4 The Responsible Investment Paper at the January 2024 meeting set out background around Paris Aligned Funds and Nature Based assets (link to [here](#)).

#### Activity Since 11 January 2024 Committee meeting

- 1.5 Subsequent to the 11 January 2024 Committee meeting Officers have considered, with the Chair and the Fund's advisors Hymans, the broader governance implications from considering Paris Aligned Equity Funds and Nature Based Assets like Timberland.
- 1.6 In context, for its equity investments, the fund adopts, broadly, a passive market balanced investment approach and switching to Paris Aligned Funds could mean that, over time, the Fund deviates away from this.

#### What is a "Passive Balanced Market Approach"?

- 1.7 A passive balanced market approach for equities involves constructing a diversified portfolio of stocks that mirrors the overall market while also accounting for different sector exposures and risk factors. This strategy typically begins by allocating assets across various sectors of the economy, such as technology, healthcare, consumer goods, and financials, among others. By spreading investments across different sectors, investors aim to reduce the impact of sector-specific risks on their portfolio's performance. This sector allocation is often based on the relative weights of sectors in a broad market index (e.g. MSCI World Index).
- 1.8 In addition to sector diversification, a passive balanced market approach for equities may also incorporate exposure to different risk factors or investment styles, such as value stocks or

growth stocks. These factors have been shown to influence stock returns over time and can provide additional diversification benefits. For instance, an investor may allocate a portion of their portfolio to value stocks, which are characterized by lower price-to-earnings ratios and higher dividend yields, and another portion to growth stocks, which typically exhibit higher earnings growth rates. By including exposure to various factors, investors aim to capture different sources of returns and mitigate the impact of market cycles and fluctuations on their portfolio's performance.

- 1.9 Overall, this approach seeks to provide a well-rounded exposure to the equity market while maintaining a passive investment stance and minimizing active management decisions.

### **Implications of moving equity holdings away from a broadly passive market balanced approach**

- 1.10 A Paris Aligned fund can be expected to deviate away from a market balanced approach as it prioritises investing in companies that are meeting their commitments under the Paris Agreement at the expense of those that do not.
- 1.11 Deviating from a purely market-balanced approach to equities in a pension scheme can have significant implications, particularly if the strategy takes an intrinsic position different from a balanced market approach. Here are some considerations specific to the equity element of the investment strategy:
- 1.12 **Concentration Risk:** If the pension scheme tilts its equity portfolio towards specific sectors, industries, or regions, it increases concentration risk. While this may lead to outperformance if those areas perform well, it also heightens vulnerability if those segments underperform or face adverse market conditions.
- 1.13 **Factor Exposure:** Departing from a balanced market approach may involve emphasizing certain investment factors, such as value, growth, size, or momentum. Each factor carries its own risks and potential returns. For instance, a tilt towards value stocks might lead to higher returns if value stocks outperform, but it could underperform if growth stocks dominate the market.
- 1.14 **Active Management Complexity:** Moving away from a passive, market-balanced approach to a strategy with intrinsic positions often entails active management. This shift introduces complexity, requiring skilled portfolio managers capable of identifying mispriced securities or exploiting market inefficiencies to generate alpha. (note that there are Passively run Paris Aligned Funds that could mitigate this risk)
- 1.15 **Performance Expectations:** Pension schemes must carefully consider the performance expectations associated with deviating from a balanced approach. While the strategy might aim for higher returns, there's also the possibility of underperformance relative to benchmarks, which could impact the scheme's ability to meet its long-term obligations.
- 1.16 **Volatility and Risk Management:** An intrinsic position in equities could result in heightened volatility compared to a market-balanced approach. Pension schemes need robust risk management frameworks to assess and mitigate the increased volatility, ensuring it remains within acceptable tolerance levels.
- 1.17 **Stakeholder Communication:** Communicating the rationale behind the shift in equity strategy is essential to manage stakeholder expectations. Pension scheme members, employers and other stakeholders need to understand the reasoning behind the decision, as well as the potential implications and risks involved.

- 1.18 **Costs and Fees:** Transitioning to a strategy with intrinsic positions may involve higher costs, including fees associated with management, research, and trading. The Fund would need to evaluate whether the potential benefits of the new strategy outweigh the additional costs incurred.
- 1.19 **Monitoring and Evaluation:** Ongoing monitoring and evaluation of the equity strategy are essential to ensure it remains aligned with the scheme's objectives and risk tolerance. Regular performance reviews, risk assessments, and adjustments may be necessary to maintain the effectiveness of the chosen approach.
- 1.20 In summary, moving to a Paris Aligned Fund, which may imply moving away from a broadly balanced approach, is not trivial and has caused Officers to reflect and try to articulate what it believes is the broad investment philosophy for the Fund and play this back to the Committee for clarity.

**Presentation on the Fund's Investment Philosophy**

- 1.21 Appendix A, which the Head of Pensions and Treasury will talk through in the meeting, attempts to articulate a broad framework which we will look to evolve and incorporate into the Fund's Investment Strategy Statement.
- 1.22 Appendix A also sets out next steps for considering Paris Aligned Funds and Nature Based Assets

**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 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 London Barnet Pension fund, including, but not limited to the following: To ensure compliance with all Local Government Pension Scheme statutes, regulations and best practice."

## **7. Consultation**

7.1 Not applicable in the context of this report.

## **8. Equalities and Diversity**

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

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

## 9. Background Papers

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

Pension Fund Committee 31 January 2023:

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

Pension Fund Committee 4 July 2023

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

Pension Fund Committee 11 January 2024

[20240111 - Responsible Investment Update Governance.pdf \(modern.gov.co.uk\)](#)



# Articulating the Fund's Investment Approach

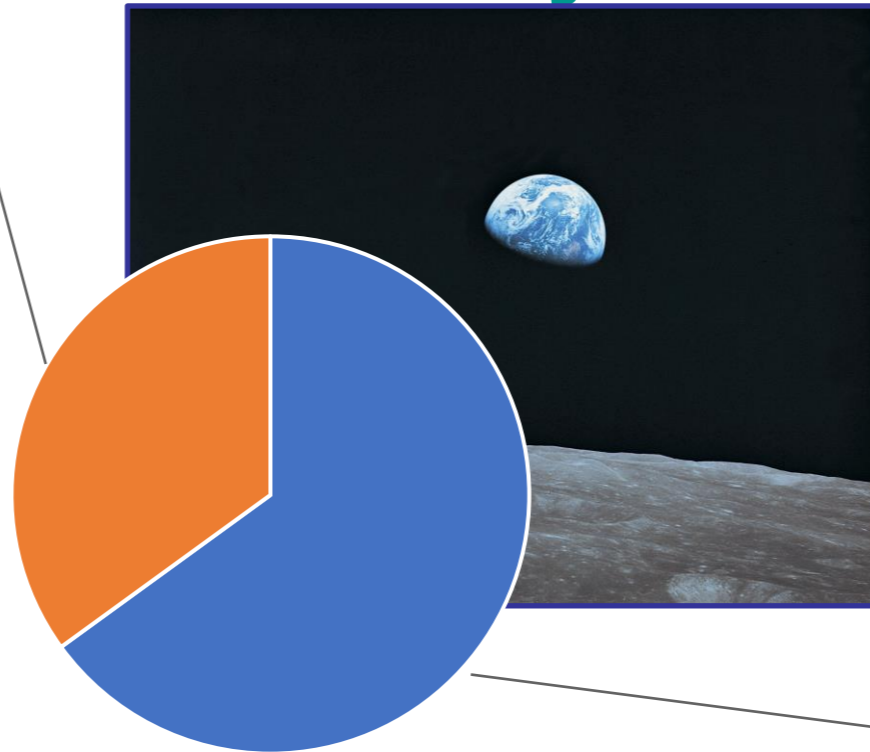
# Context

- Following the work on our NetZero Model Portfolio we have been considering whether to invest towards Paris Aligned Equity Funds and also considering Nature Based Assets (Timberland) with LCIV.
- Necessarily, making an investment towards a Paris Aligned equity fund will mean that the Fund's equity investments may drift (potentially significantly) away from market (as the Fund selects certain companies more aligned towards the Paris Agreement at the expense of others). This means that the Fund's equity holdings could concentrate towards assets in specific areas. This potentially creates risk (positive or negative) that the Fund may under / over perform relative to market.
- Deviating from market is, in itself, allowable for LGPS funds, however, it is important that the Pension Fund Committee does this knowingly and with a sound investment basis for the decision – the sound investment case may be, for example, that the deviation is not expected to be material and / or the Committee has a belief that the deviation would outperform the market. These views would need to be substantiated by evidence.
- The Fund has over 21 very different Mandates and considering the Paris Aligned piece has caused the Pensions Team to step back and consider why the Fund invests in the way it does.
- Through discussions with the Chair, within the Pensions Team and with Hymans, we have tried to articulate our broader investment philosophy e.g. in terms of whether the Fund wishes to take a position relative to market, and our overall approach to investing towards Private assets.
- This paper sets out the broad conclusion of this work and overlays some further thinking instigated by Cllr Radford that splits the investment portfolio into Core assets and a Satellite portfolio.
- The reason for identifying a Core / Satellite split to the investment strategy is that the investment objectives for each of these different categories will be different and so our approach to governance and fund selection will also be different and we should not conflate the two approaches when making investment decisions.
- Finally, we set out the next steps to move forward our investigation towards Paris Aligned Funds and Nature Based Funds.

# Core / Satellite - Summary

## Satellite:

- Return profile bespoke to each investment opportunity
- Because bespoke likely to have higher governance
- Illiquid / Less liquid
- Where possible, investments aligned to Council's priorities (detail to be clarified)



## Core:

- Low(er) governance
- Passive / market balanced as starting point (i.e. as a default not looking to take position relative to market)
- Where active management or off-market approach taken, then this needs to be justified / substantiated by evidence
- Balanced style (e.g. growth vs. value stocks, geography, sectors) unless justified
- Likely to be highly liquid (and therefore may be used to pay for pension as Fund matures)

Balance between Core / Satellite to be determined and will depend on:

- Liquidity requirements (e.g. over 10 year period)
- Overall diversification
- Funding level
- Return outlook for investment classes
- Investment opportunities available (e.g. via pooling)
- Governance bandwidth

In investment parlance, our Core Portfolio will look to develop “Beta” returns (i.e. returns generated by the market) and our Satellite Portfolio will look to develop our “Alpha” returns (i.e. returns incremental to market)

# Core Assets - Philosophy

|                                |  |   |
|--------------------------------|--|---|
| Governance                     | Low governance, passively managed where possible   |   |
| Market bias                    | No active position taken unless justified through strategic reasons<br>i.e. Balanced towards market as a default unless alternative justified  |   |
| Asset Classes                  | Listed Equity<br>Listed Bonds<br>Cash instruments<br>Property / Real Estate  |   |
| <b>Current Strategic tilts</b> |  | <b>2024 Review?</b>                       |
| Equity                         | Fundamental weighted approach via RAFI Fund<br>Sustainable Tilt through Future Worlds / Sustainable Exclusion<br>Emerging Market – active manager as believe market inefficiencies within emerging markets can be exploited / need to be managed | Yes, as part of Paris Aligned work        |
| Bonds                          | Active Global Bond Fund (all duration) [LCIV Fund / ESG focus]<br>Buy and Maintain [To lock into high yields when Bonds Purchased (23/24)]   | No.<br><br>May review if Bond yields drop |
| Cash                           | MMF (liquid)<br>Trade Finance (balance between liquidity / return/ credit exposure)  | No  |
| Real Estate                    | Actively managed through two Funds (ABRDN / CBRE)  | No  |

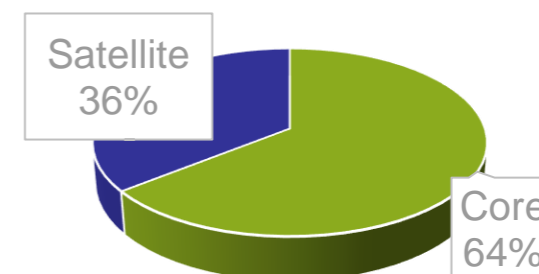
# Satellite Assets - Philosophy

|                 |   |
|-----------------|---|
| Governance      | High governance / Bespoke investments<br><br>Tend to be relatively illiquid without tradeable market.   |
| Market bias     | Investment taken on a case-by-case basis  |
| Asset Classes   | Private Equity<br>Private Debt / Credit<br>Infrastructure   |
| Strategic tilts | Allocation set after considering Asset Liability Modelling undertaken by Hymans (optimise yield / risk relative to liabilities)<br><br>Future consideration:<br>Investments to dovetail with Council's objectives<br>[Detail to be worked up] |
| Number          | 11 Broad mandates representing 36% of Fund Value  |

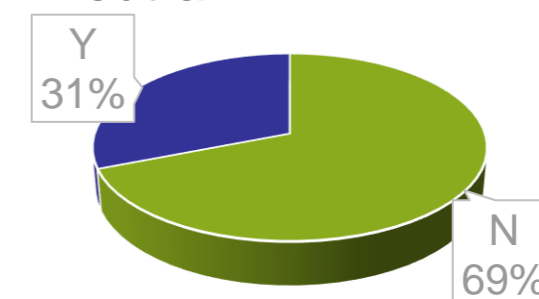
# Current Allocation – 31 December 2023

| Manager                       | £'m      | Core / Satellite | Income / Growth | Sustainable Tilt |
|-------------------------------|----------|------------------|-----------------|------------------|
| RAFI (LGIM)                   | 100.70   | Core             | Growth          | N                |
| Future Worlds (LGIM)          | 213.70   | Core             | Growth          | Y                |
| LCIV Sustainable Exclusion    | 41.70    | Core             | Growth          | Y                |
| LCIV Emerging Markets         | 44.60    | Core             | Growth          | N                |
| Adam Street                   | 78.80    | Satellite        | Growth          | N                |
| IFM                           | 102.80   | Satellite        | Income          | N                |
| LCIV Renewable Infrastructure | 21.30    | Satellite        | Income          | N                |
| ABRDN - Long Lease            | 24.90    | Core             | Income          | N                |
| CBRE                          | 31.10    | Core             | Income          | N                |
| Fiera                         | 26.70    | Satellite        | Income          | N                |
| Barings Multi Credit          | 42.30    | Satellite        | Income          | N                |
| LCIV MAC                      | 65.60    | Satellite        | Income          | N                |
| Insight - Secured Finance     | 97.90    | Satellite        | Income          | N                |
| LCIV B&M Credit               | 246.10   | Core             | Income          | N                |
| LCIV ESG Bonds                | 236.30   | Core             | Income          | Y                |
| Alcentra                      | 11.20    | Satellite        | Income          | N                |
| Partners MAC                  | 37.70    | Satellite        | Income          | N                |
| LCIV Private Debt             | 46.90    | Satellite        | Income          | N                |
| Barings Special Situations    | 35.60    | Satellite        | Income          | N                |
| Cash                          | 28.70    | Core             | Income          | N                |
| Allianz                       | 27.10    | Core             | Income          | N                |
| Pemberton                     | 27.10    | Core             | Income          | N                |
|                               | 1,588.80 |                  |                 |                  |

Core / Satellite



Sustainable / Neutral

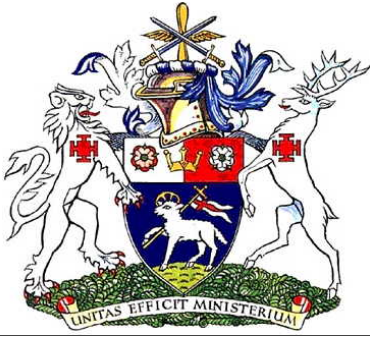


# Next Steps

| Action   | When                                 |
|--|--------------------------------------|
| <p><b>Paris Aligned Funds</b><br/>           Review performance of Fundamental / Sustainable tilted approaches (relative to market) and consider fee impact of deviations.<br/>           Explain reasons for any differences. Seek confirmation from Hymans on appropriateness of retaining this tilt<br/>           Examine likely deviation from Market of Paris Aligned Funds and consider how this might impact returns relative to market (positive / negative).<br/>           Make decision whether deviation can be justified from an investment perspective.</p> | <p>May / June</p> <p>Summer 2024</p> |
| <p><b>Nature Based Capital</b><br/>           Continue to feed into LCIV Seed investor group<br/>           Legal Advice on whether Fund can 'retire' carbon credits</p>   | <p>Ongoing</p> <p>Summer 2024</p>    |
| <p><b>More generally</b><br/>           Develop framework for selecting Satellite Assets and begin pipeline generation<br/>           Review optimal mix of Satellite versus Core asset based on liquidity requirements<br/>           Review optimal mix of Core assets and triggers for amending these<br/>           Incorporate the thinking within this paper into the Fund's Investment Strategy Statement</p>   | <p>Summer 2024</p>                   |

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**Pension Fund Committee** AGENDA ITEM 13  
**18 April 2024**

|                                |  |
|--------------------------------|--|
| <b>Title</b>                   | <b>Admissions, Cessations and Bond Status Update</b>   |
| <b>Date of meeting</b>         | 18 April 2024  |
| <b>Report of</b>               | Interim Executive Director of Resources (S151 officer)   |
| <b>Wards</b>                   | All  |
| <b>Status</b>                  | Public   |
| <b>Urgent</b>                  | No   |
| <b>Appendices</b>              | Appendix A – Update on Admission Agreements<br>Appendix B – Update on Cessations<br>Appendix C – Update on Bond renewals |
| <b>Officer Contact Details</b> | Mark Fox, Pensions Manager – 0208 359 3341 –<br><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.

### Recommendations

**That the Pension Fund Committee note the progress on outstanding admissions, cessations and bond agreements/renewals.**

## 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 have been no new admissions advised since the last update to the Committee, although the LBB Pensions Team have been made aware of potential new admissions that may start in the summer.
- 1.4 In addition, the Pensions Team have been informed of four schools looking to convert to academies in the near future which, should the conversion proceed, will require calculations from the Fund Actuary and revised contribution rates.
- 1.5 There are currently three admission agreements with HB Law to arrange signing and sealing on behalf of the Council. HB Law have recently advised the Pensions Team of a change of procedure for sealing agreements, that had been in place since the pandemic. This has meant the Pensions Team contacting some employers for additional information.
- 1.6 The LBB Pensions Team continue to set target dates for the outstanding work to complete the Admission Agreements.
- 1.7 The LBB Pensions Team will provide further updates to the Committee at future meetings.

### Cessations

- 1.8 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.
- 1.9 An update on progress is on cessation valuations is included as **Appendix B**.
- 1.10 Since the last update to the Committee, and following approval by the Committee, exit credit payments have been made to:
- Absolute Catering (St James' Catholic School)
  - Caterlink (Totteridge Academy)
  - Grasvenor Avenue Infants School
  - Caterlink (Holly Park School)
- 1.11 There have been no new cessations since the last update to the Committee.
- 1.12 The LBB Pensions Team are waiting for a submission from Caterlink following the cessation of their contract at The Compton School, on why they believe the full exit credit payment of £127,000 should be made. The Committee will be updated on this at the next meeting.

## **Bonds and Bond Renewals**

- 1.13 An update on Bonds and Bond renewals is provided as **Appendix C**.
- 1.14 Hymans have recently calculated updated bond values for seven employers and these have or will soon be provided to these employers.
- 1.15 Bonds are put in place for a three-year period before being recalculated.
- 1.16 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**

- 1.17 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.
- 1.18 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.  |
|   | <b>Insight</b>   |
| 4.8   | Not applicable in the context of this report.  |
|   | <b>Social Value</b>  |
| 4.9   | Not applicable in the context of this report.  |
| <b>5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)</b> |  |
| 5.1   | Risks that are not mitigated or managed can have a financial penalty to the Fund.  |
| <b>6. Legal Implications and Constitution References</b>  |  |
| 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'.  |
| <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 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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**Update on Admission Agreements –  
April 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                 | Change in process by HB Law in getting admission agreements sealed – waiting revised document from Olive Dining.   | Olive Dining                       |
| 2  | Sancroft Community Care Ltd                       | 01/06/2019                 | Committee approved admission to be on a ‘pass through’ basis at 11 January 2024 meeting. Pending signed Admission Agreement from employer. Deadline set for <b>30 April 2024</b> . | Sancroft Community Care Ltd        |
| 3  | Innovate (Blessed Dominic School)                 | 01/09/2019                 | Change in process by HB Law in getting admission agreements sealed – waiting revised document from Innovate.   | Innovate                           |
| 4  | Tenon (St Michaels School)                        | 01/04/2021                 | Admission Agreement with Tenon for signing. Tenon requested some minor amendments – revised agreement returned for signing. Deadline set for <b>19 April 2024</b> .                | Tenon                              |
| 5  | Capita Shared Services Limited                    | 01/11/2022                 | Signed Admission Agreement received from Employer. HB Law to arrange for signing and sealing. Deadline set for <b>30 April 2024</b> .  | HB Law                             |
| 6  | Chequers Cleaning                                 | 01/12/2022                 | Admission Agreement with HB Law for sealing. Chased HB Law. Deadline set for <b>19 April 2024</b> .  | 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>19 April 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>19 April 2024</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>30 April 2024</b> .   | Nourish Contract Catering          |
| 10 | LBL After School Club (Manorside School)          | 01/09/2023                 | Signed Admission Agreement received from Employer. HB Law to arrange for signing and sealing. Deadline set for <b>30 April 2024</b> .  | HB Law                             |
| 11 | Harrison Catering Services (The Compton School)   | 30/10/2023                 | Waiting for employer to sign and return the Admission Agreement. Deadline set for <b>19 April 2024</b> .   | Harrison Catering Services Limited |

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**Update on Cessation Valuations  
- April 2024**

|   | Employer                                      | Cessation Date | Surplus/deficit | Update  | Action Required by? |
|---|---|----------------|-----------------|---|---------------------|
| 1 | Absolute Catering (St James' Catholic School) | 31/07/2019     | <b>-£47,000</b> | Payment received on 9 February 2024.  | n/a                 |
| 2 | Caterlink (Totteridge Academy)                | 23/02/2020     | <b>£10,000</b>  | Exit Credit payment of <b>£2,000</b> made to Caterlink on 1 February 2024.  | n/a                 |
| 3 | Ashlyns (St Andrew's C of E School)           | 31/07/2022     | <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 have provided data to Hymans to calculate cessation valuation. Deadline is <b>30 April 2024.</b>   | Hymans              |
| 5 | Atlas Cleaning (Claremont)                    | 31/03/2022     | n/k             | WYPF have provided data to Hymans to calculate cessation valuation. Deadline is <b>30 April 2024.</b>   | Hymans              |

Appendix B - Update on Cessation Valuations

|    |   |            |           |  |                                    |
|----|---|------------|-----------|--|------------------------------------|
| 6  | City and County Healthcare Group        | 08/06/2022 | £22,000   | Cessation valuation completed and sent to employer. Query with employer on whether pass-through agreement was previously agreed. Deadline for a response by <b>19 April 2024</b> | 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 set for <b>30 April 2024</b>   | Alliance in Partnership            |
| 8  | Grasvenor Avenue Infants School         | 31/08/2022 | -£272,000 | Payment received on 4 April 2024.  | n/a                                |
| 9  | Capita Re                               | 31/03/2023 | n/k       | WYPF to submit cessation data to Hymans. Four outstanding member cases to be processed. Deadline for completion is <b>30 June 2024</b>   | WYPF                               |
| 10 | Caterlink (Holly Park School)           | 31/03/2023 | £24,000   | Exit Credit payment of £6,200 made to Caterlink on 1 February 2024.  | n/a                                |

Appendix B - Update on Cessation Valuations

|    |                                       |                   |                 |   |           |
|----|---------------------------------------|-------------------|-----------------|---|-----------|
| 11 | Enigma CCTV Limited                   | 19/07/2023        | n/k             | WYPF have provided data to Hymans to calculate cessation valuation. Deadline is <b>30 April 2024</b> .  | 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 for submission is <b>30 April 2024</b> for discussion at the next Committee meeting. | Caterlink |

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## Appendix C - Update on Bond Renewals – April 2024

| Employer                                      | Expiry Date | Value (italics - previous value - being recalculated) | Current Position  |
|---|-------------|---|---|
| HCL Catering - Copthall School                | 31/03/2026  | £23,000   | Revised Bond sent to employer. Waiting a response. Deadline of <b>30 April 2024</b> .                     |
| ISS   | 31/03/2026  | £506,000  | New Bond calculated. The LBB Pensions Team are checking as to whether the Council will provide guarantee. |
| Olive Dining (Archer Academy)                 | 31/03/2026  | £19,000   | New Bond calculated. LBB Pensions Team to send to employer by <b>30 April 2024</b> .                      |
| Barnet Education and Learning Services (BELS) | 31/03/2026  | £1,168,000  | New Bond calculated. 'Pas through' agreement in place.  |
| Tarmac Kier JV                                | 31/03/2026  | £173,000  | New Bond calculated. 'Pass through' agreement in place.   |
| NSL Limited                                   | 31/03/2026  | £1,250,000  | Revised Bond sent to employer. Waiting for new Bond. Deadline of <b>18 April 2024</b> .                   |
| Greenwich Leisure Limited                     | 31/12/2023  | £52,000   | Revised Bond sent to employer. Waiting a response. Deadline of <b>30 April 2024</b> .                     |
| Tenon (St Michaels)                           | 01/04/2024  | £8,000  | To be recalculated nearer expiry date. 'Pass through' agreement in place.                                 |
| 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. 'Pass through' agreement in place.                                 |
| Innovate (Blessed Dominic School)             | 09/12/2024  | £61,000   | To be recalculated nearer expiry date.  |
| Capita CSG                                    | 24/11/2025  | £1,897,000  | New Bond in place.  |
| 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 – April 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)   | 29/10/2026 | £70,000 | Pending employer to provide a Bond or Guarantee (following recent admission). |

## Pension Fund Committee 18 April 2024



|                                |   |
|--------------------------------|---|
| <b>Title</b>                   | <b>Knowledge and understanding</b>  |
| <b>Date of meeting</b>         | 18 April 2024   |
| <b>Report of</b>               | Interim Executive Director of 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> | Jim Nokku, Senior Pensions Officer - 0208 359 6437 – <a href="mailto:jim.nokku@barnet.gov.uk">jim.nokku@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 London Borough of Barnet (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 30 June 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 logs all training undertaken by Committee members. The Pensions Team will contact Committee members every two months requesting training undertaken over the previous couple of months. This will ensure that the training log is kept up to date.
- 1.8 The next request for details of training undertaken will be sent in early April for the months of January and February.
- 1.9 If Committee members have been on any training courses or webinars, it would be useful for both other Committee members and the LBB Pensions Team if they could provide feedback on the sessions attended.
- 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 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 30 June 2024.

As mentioned in the Administration Performance Report, the Pension Team will be arranging training on The Pensions Regulator's new Code of Practice for Committee and Board members.



| Name                  | Course Name                                  | Course Enrolment Status | Course First Access Date | Course Last Access Date | Course Progress (%) |
|-----------------------|--|-------------------------|--------------------------|-------------------------|---------------------|
| Anne Hutton           | Module 4 - Funding and Actuarial Matters     | Completed               | 24/10/2022               | 01/11/2022              | 71%                 |
| Anne Hutton           | Module 6 - Current Issues                    | In Progress             | 25/10/2022               | 27/10/2023              | 14%                 |
| Anne Hutton           | Module 3 - Administration & Fund Management  | Completed               | 18/10/2022               | 18/10/2022              | 70%                 |
| Anne Hutton           | Module 2 - LGPS Governance & Oversight Board | Completed               | 22/08/2022               | 22/08/2022              | 71%                 |
| Anne Hutton           | Module 5 - Investments                       | Completed               | 02/09/2022               | 27/10/2023              | 70%                 |
| Anne Hutton           | Module 1 - An introduction to the LGPS       | Completed               | 15/08/2022               | 25/10/2022              | 83%                 |
| Andreas Ioannidis     | Module 5 - Investments                       | Completed               | 20/03/2023               | 20/03/2023              | 94%                 |
| Andreas Ioannidis     | Module 2 - LGPS Governance & Oversight Board | Completed               | 01/01/2023               | 20/03/2023              | 100%                |
| Andreas Ioannidis     | Module 1 - An introduction to the LGPS       | Completed               | 24/12/2022               | 31/01/2023              | 100%                |
| Andreas Ioannidis     | Module 4 - Funding and Actuarial Matters     | Completed               | 20/03/2023               | 20/03/2023              | 100%                |
| Andreas Ioannidis     | Module 3 - Administration & Fund Management  | Completed               | 20/03/2023               | 20/03/2023              | 100%                |
| Andreas Ioannidis     | Module 6 - Current Issues                    | Completed               | 20/03/2023               | 20/03/2023              | 55%                 |
| Elliot Simberg        | Module 5 - Investments                       | Enrolled                |                          |                         | 0%                  |
| Elliot Simberg        | Module 4 - Funding and Actuarial Matters     | Enrolled                |                          |                         | 0%                  |
| Elliot Simberg        | Module 3 - Administration & Fund Management  | Enrolled                |                          |                         | 0%                  |
| Elliot Simberg        | Module 1 - An introduction to the LGPS       | Enrolled                |                          |                         | 0%                  |
| Elliot Simberg        | Module 6 - Current Issues                    | Enrolled                |                          |                         | 0%                  |
| Elliot Simberg        | Module 2 - LGPS Governance & Oversight Board | Enrolled                |                          |                         | 0%                  |
| Liron Woodck-Velleman | Module 2 - LGPS Governance & Oversight Board | Completed               | 30/07/2023               | 28/09/2023              | 100%                |
| Liron Woodck-Velleman | Module 3 - Administration & Fund Management  | Completed               | 28/09/2023               | 28/09/2023              | 100%                |
| Liron Woodck-Velleman | Module 4 - Funding and Actuarial Matters     | Completed               | 28/09/2023               | 28/09/2023              | 100%                |
| Liron Woodck-Velleman | Module 6 - Current Issues                    | In Progress             | 29/09/2023               | 29/09/2023              | 35%                 |
| Liron Woodck-Velleman | Module 1 - An introduction to the LGPS       | Completed               | 04/07/2023               | 04/07/2023              | 100%                |
| Liron Woodck-Velleman | Module 5 - Investments                       | Completed               | 28/09/2023               | 29/09/2023              | 100%                |
| Mark Shooter          | Module 6 - Current Issues                    | Enrolled                |                          |                         | 0%                  |
| Mark Shooter          | Module 4 - Funding and Actuarial Matters     | Enrolled                |                          |                         | 0%                  |
| Mark Shooter          | Module 3 - Administration & Fund Management  | Enrolled                |                          |                         | 0%                  |
| Mark Shooter          | Module 5 - Investments                       | In Progress             | 05/12/2023               | 07/12/2023              | 0%                  |
| Mark Shooter          | Module 2 - LGPS Governance & Oversight Board | Enrolled                |                          |                         | 0%                  |
| Mark Shooter          | Module 1 - An introduction to the LGPS       | Completed               | 01/03/2023               | 02/03/2023              | 83%                 |
| Simon Radford         | Module 3 - Administration & Fund Management  | Completed               | 16/03/2023               | 17/03/2023              | 100%                |
| Simon Radford         | Module 5 - Investments                       | Completed               | 25/03/2023               | 26/03/2023              | 100%                |
| Simon Radford         | Module 1 - An introduction to the LGPS       | Completed               | 24/02/2023               | 28/02/2023              | 100%                |
| Simon Radford         | Module 6 - Current Issues                    | Completed               | 28/03/2023               | 31/03/2023              | 55%                 |
| Simon Radford         | Module 4 - Funding and Actuarial Matters     | Completed               | 17/03/2023               | 17/03/2023              | 100%                |
| Simon Radford         | Module 2 - LGPS Governance & Oversight Board | Completed               | 10/03/2023               | 16/03/2023              | 100%                |

## 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

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**APPENDIX A**

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

| <b>Training Opportunity</b>                                       | <b>Description</b>  | <b>Approx. hours</b>           | <b>PFC</b>   | <b>LPB</b>  |
|---|---|--------------------------------|--|---|
| <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<br/>23.5 hours Recommended</b> | <b>3.5 hours Mandatory<br/>30 hours Recommended</b> |

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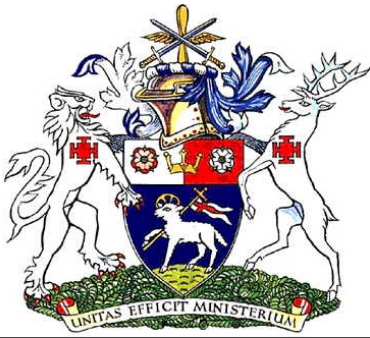
**London Borough of Barnet**  
**Pension Fund Committee Work Programme**  
**May 2023 – May 2024**

| Title of Report                                | Overview of decision  | Report Of ( <i>officer</i> ) | Issue Type (Non- key/Key/Urgent) |
|--|---|------------------------------|----------------------------------|
| <b>18 April 2024</b>                           |   |                              |                                  |
| 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                          |
| Administration Performance Report              | To update the Committee on the performance of the administration service.   | Chief Financial Officer      | Non-key                          |
| Review of Pension Fund Risk Register           | To review the management of pension fund risks.   | 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                          |
| External Audit and Accounts Update             | To provide an update the Pension Fund Committee on the 2020/21 audit, and on the plan for the 2021/22 and 2022/23 audit.  | Chief Financial Officer      | Non-key                          |
| Direction Order for Barnet & Southgate College | To provide details of the proposed transfer of assets from the Enfield Pensions Fund to the Barnet Fund resulting from the merger of Barnet and Southgate Colleges in 2011. | Chief Financial Officer      | Non-key                          |



| <b>Subject</b>                             | <b>Decision requested</b>  | <b>Report Of</b>        | <b>Issue Type (Non-key/Key/Urgent)</b> |
|--|--|-------------------------|--|
| Pension Fund Investment Performance Report | To provide an update on the investment activities and performance of the Pension Fund to 29 February 2024. | Chief Financial Officer | Non-key                                |
| Advisor Costs                              | To review budgets for advisors and service providers for 24/25.  | Chief Financial Officer | Non-key                                |

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**Pension Fund Committee** AGENDA ITEM 16  
**18 April 2024**

|  |   |
|--|---|
| <b>Title</b>   | <b>Pension Fund Investment Performance Report</b>   |
| <b>Date of meeting</b>   | 18 April 2024   |
| <b>Report of</b>   | Interim Executive Director of Resources (S151 officer)  |
| <b>Wards</b>   | N/A   |
| <b>Status</b>  | Public with Exempt Appendices C   |
| <b>Urgent</b>  | No  |
| <b>Appendices</b>  | <p>Appendix A – Asset Allocation as of 29th February 2023</p> <p>Appendix B – Review of Investment Managers’ Performance for Q4 2023 (Hymans Robertson)</p> <p>Appendix C – Review of Fund Managers (Hymans Robertson) for Q4 2023 (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<br>(adam.mcphail@barnet.gov.uk)   |
| <b>Summary</b>   |   |
| This report provides an update on investment valuations, transactions and performance to 31 December 2023 with an updated estimated valuation to 29 February 2024. |   |
| <b>Recommendations</b>   |   |
| <p>1. That the Pension Fund Committee note the investment activities and performance of the Pension Fund to 29 February 2024.</p>                                  |   |

## 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 November 2023 to February 2024 markets continued to improve and this is reflected in the valuation increasing by an estimated £76.2m (5.0% increase). Investments in LCIV Sustainable Equities, LGIM Future Worlds and LGIM RAFI were the main performers over the 3 months (11.8%, 10.6%, and 8.8% respectively).
- 1.3 Hymans Robertson have provided their report for Q4 2023 (appendix B), which gives an update on the overall market in the quarter to December 2023. The fund had a return of 5.3% over the quarter, which is 0.3% above benchmark.
- 1.4 The main drivers of absolute returns continue to be listed equities and Multi-Asset Credit funds.
- 1.5 The quarterly underperformance against benchmark is mainly due to Abrdn Long Lease Property (-11.5%) as well as IFM Global Infrastructure (-1.6 %). These funds represent 8.1% 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:
- New CFO appointed at Adams Street.
  - Re-opening of Insight Secured Finance fund to existing investors.
- 1.9 Hymans have no concerns over these updates.

### Abrdn Standard Life Long Lease Property Fund

- 1.10 Following the receipt of the Hymans report, officers visited Abrdn and met with their Long Lease Property fund's Client Manager, and Fund Manager.
- 1.11 The Pension Fund invested £27m into the fund in June 2019, and has since returned -2.2% which is -0.2% below its benchmark.
- 1.12 Officers discussed this with Abrdn, and they advised officers that the fund has been facing challenges, including having to sell more assets due to investor redemptions, which has led to short-term underperformance. This selling activity, coupled with market conditions such as oversupply and falling capital values, has contributed to the fund's underperformance against the broader real estate market. Additionally, the fund missed out on the recovery of certain sectors it does not invest in, such as multi-let industrial, retail warehouse, and private residential, causing it to lag behind the broader real estate market.

1.13 Despite this recent underperformance Abrdn expect a recovery in rental demand, especially in high-grade offices. They are also expecting investment activity in capital stocks to increase when the interest rates are expecting to fall in late 2024.

1.14 A document which contains more details about the discussions, the fund, and Abrdn will be circulated to committee members in due course.

#### **Strategic Allocations**

1.15 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**

1.16 Under the current allocation as at 29 February 2024, the fund is currently underweight in all but one asset class, most notably Illiquid Alternatives (-5.02%). The fund is currently overweight in Equities (1.13%), Trade Finance (3.43%), and Cash (3.13%).

1.17 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.

## **9. Background Papers**

- 9.1 None

## Appendix A- Asset Allocation as at 29 February 2024

|  | 30-Sep-23 Transactions |                | 30-Nov-23 Transactions |                 | 29-Feb-24        |             | Target Allocation |            |              |
|--|------------------------|----------------|------------------------|-----------------|------------------|-------------|-------------------|------------|--------------|
|  | £'000                  | £'000          | £'000                  | £'000           | £'000            | %           | %                 | %          | %            |
| <b>Equities</b>  |                        |                |                        |                 |                  |             | <b>31.13%</b>     |            | <b>30.00</b> |
| LGIM RAFI  | 93,440                 |                | 96,599                 |                 | 105,141          | 6.58%       |                   | 6.00       |              |
| LGIM Future Worlds   | 196,594                |                | 205,156                |                 | 226,970          | 14.21%      |                   | 13.00      |              |
| LCIV Emerging Markets  | 43,715                 |                | 43,370                 |                 | 44,206           | 2.77%       |                   | 3.00       |              |
| LCIV Sustainable Exclusion Equity  | 38,921                 |                | 40,039                 |                 | 44,762           | 2.80%       |                   | 3.00       |              |
| Adams Street Private Equity  | 70,505                 |                | 70,727                 | 5,572           | 76,115           | 4.77%       |                   | 5.00       |              |
| <b>Property</b>  |                        |                |                        |                 |                  |             | <b>5.23%</b>      |            | <b>6.00</b>  |
| Aberdeen Standard Long Lease   | 26,753                 |                | 26,753                 |                 | 26,753           | 1.67%       |                   | 2.00       |              |
| CBRE Global  | 30,520                 |                | 30,050                 |                 | 29,969           | 1.88%       |                   | 2.00       |              |
| Fiera Real Estate Opportunities Fund   | 25,855                 |                | 25,855                 |                 | 26,741           | 1.67%       |                   | 2.00       |              |
| <b>Multi Credit Liquid</b>   |                        |                |                        |                 |                  |             | <b>12.26%</b>     |            | <b>13.00</b> |
| Baring Global High Yield   | 40,493                 |                | 41,382                 |                 | 42,909           | 2.69%       |                   | 3.50       |              |
| LCIV MAC   | 61,970                 |                | 63,719                 |                 | 63,327           | 3.96%       |                   | 3.50       |              |
| Insight Secured Finance  | 89,530                 |                | 89,530                 |                 | 89,530           | 5.61%       |                   | 6.00       |              |
| <b>Corporate Bonds</b>   |                        |                |                        |                 |                  |             | <b>28.85%</b>     |            | <b>30.00</b> |
| Schroders Corporate Bonds  | 227,067                |                | 235,013                | -240,470        | 0                | 0.00%       |                   | 0.00       |              |
| LCIV Global Bond Fund  | 219,821                |                | 227,453                |                 | 234,421          | 14.68%      |                   | 15.00      |              |
| LCIV Long Duration Buy & Maintain Credit   | 0                      |                | 0                      | 225,000         | 226,331          | 14.17%      |                   | 15.00      |              |
| <b>Illiquid Alternatives</b>   |                        |                |                        |                 |                  |             | <b>15.98%</b>     |            | <b>21.00</b> |
| Alcentra European Direct Lending   | 11,269                 | 98             | 11,326                 |                 | 11,326           | 0.71%       |                   | 1.50       |              |
| Partners Group   | 43,028                 | -1,628         | 43,028                 | -3,671          | 37,678           | 2.36%       |                   | 5.50       |              |
| LCIV Private Debt  | 44,529                 |                | 44,529                 |                 | 46,876           | 2.93%       |                   | 4.00       |              |
| Barings Special Situations Debt  | 34,637                 |                | 34,909                 |                 | 34,642           | 2.17%       |                   | 2.00       |              |
| LCIV Renewables Infrastructure   | 20,134                 | 295            | 20,483                 | 1,826           | 22,658           | 1.42%       |                   | 3.00       |              |
| IFM Global Infrastructure  | 98,001                 |                | 98,001                 |                 | 102,065          | 6.39%       |                   | 5.00       |              |
| <b>Trade Finance</b>   |                        |                |                        |                 |                  |             | <b>3.43%</b>      |            | <b>0.00</b>  |
| Allianz ALWOCA   | 26,549                 |                | 26,890                 |                 | 27,362           | 1.71%       |                   | 0.00       |              |
| Pemberton Trade Finance  | 26,633                 |                | 26,952                 |                 | 27,438           | 1.72%       |                   | 0.00       |              |
| <b>Cash</b>  | 26,651                 |                | 31,053                 |                 | 50,075           | 3.13%       | <b>3.13%</b>      | 0.00       | <b>0.00</b>  |
| <b>Total</b>   | <b>1,496,615</b>       | <b>(1,235)</b> | <b>1,532,817</b>       | <b>(11,743)</b> | <b>1,597,295</b> | <b>100%</b> | <b>100%</b>       | <b>100</b> | <b>100</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     |                        |                |                        |                 |                  |             |                   |            |              |



# London Borough of Barnet Pension Fund

Q4 2023 Investment Monitoring Report

Yoel Deal – Investment Consultant

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Executive Summary

Fund assets totalled c.£1,588.8m at the end of Q4 2023, an increase of c.£85.6m from the end of the previous quarter.

The Fund's assets recorded a positive return of 5.3% (net of fees) and outperformed its benchmark by 0.3%.

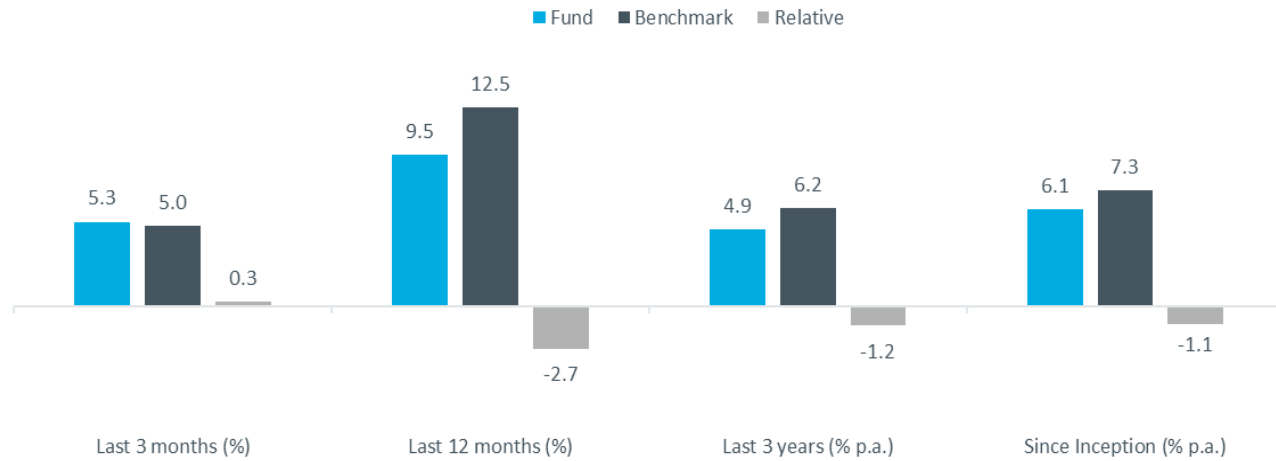
Key Actions

The following transitions took place over the quarter:

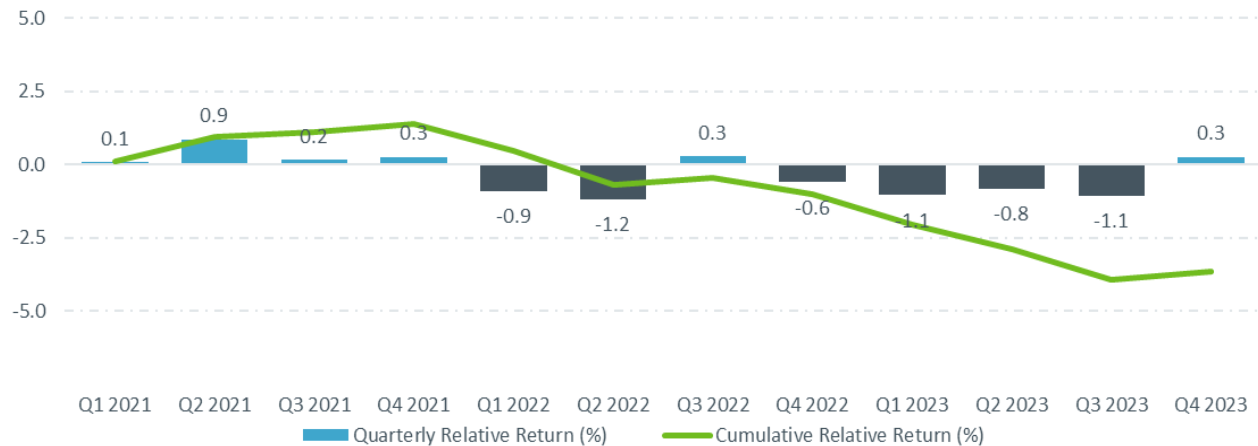
- An investment of £75m into the LCIV Long Duration Buy & Maintain Credit fund – funded by two equal disinvestment from the Schroder All Maturities Corporate Bond fund.

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

Historic quarterly performance (net of fees)



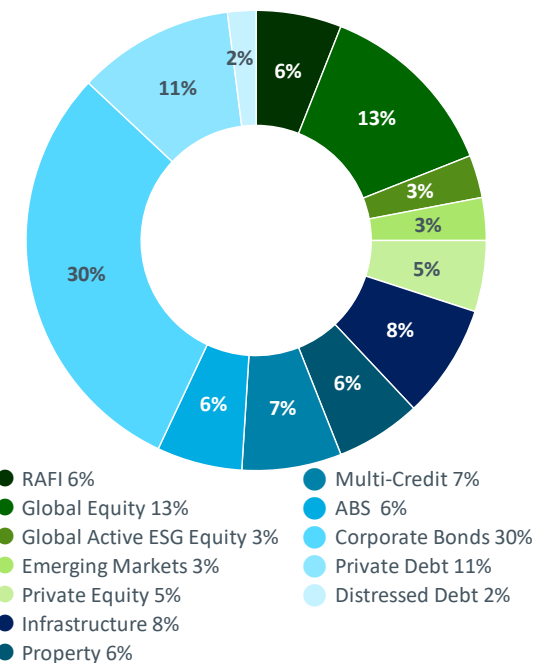
Relative quarterly and relative cumulative performance 3yr (net of fees)



## Asset allocation

| Manager  | Valuation (£m) |                | Actual Proportion | Benchmark     | Relative     |
|--|----------------|----------------|-------------------|---------------|--------------|
|  | Q3 2023        | Q4 2023        |                   |               |              |
| LGIM RAFI Carbon Pathway Index GBP Hdgd        | 93.5           | 100.7          | 6.3%              | 6.0%          | 0.3%         |
| LGIM Future World Global Equity Index          | 79.7           | 85.3           | 5.4%              | 5.2%          | 0.2%         |
| LGIM Future World Global Equity Index GBP Hdgd | 117.0          | 128.4          | 8.1%              | 7.8%          | 0.3%         |
| LCIV Sustainable Exclusion Global Equity       | 38.9           | 41.7           | 2.6%              | 3.0%          | -0.4%        |
| LCIV Emerging Markets Equity                   | 43.7           | 44.6           | 2.8%              | 3.0%          | -0.2%        |
| Adams Street 2019 Global                       | 54.6           | 57.5           | 3.6%              | 5.0%          | 0.0%         |
| Adams Street Global Secondaries                | 15.5           | 21.3           | 1.3%              |               |              |
| <b>Total Growth</b>                            | <b>443.0</b>   | <b>479.4</b>   | <b>30.2%</b>      | <b>30.0%</b>  | <b>0.2%</b>  |
| IFM Global Infrastructure                      | 102.5          | 102.8          | 6.5%              | 5.0%          | 1.5%         |
| LCIV Renewable Infrastructure                  | 20.1           | 21.3           | 1.3%              | 3.0%          | -1.7%        |
| Standard Life Long Lease Property              | 25.9           | 24.9           | 1.6%              | 2.0%          | -0.4%        |
| CBRE Global Alpha                              | 30.4           | 31.1           | 2.0%              | 2.0%          | 0.0%         |
| FREOF V  | 25.9           | 26.7           | 1.7%              | 2.0%          | -0.3%        |
| Barings Multi-Credit                           | 40.5           | 42.3           | 2.7%              | 3.5%          | -0.8%        |
| LCIV MAC                                       | 62.0           | 65.6           | 4.1%              | 3.5%          | 0.6%         |
| Insight Secured Finance                        | 95.5           | 97.9           | 6.2%              | 6.0%          | 0.2%         |
| LCIV Long Duration Buy & Maintain Credit       | 0.0            | 78.8           | 5.0%              | 15.0%         | -10.0%       |
| LCIV Global ESG Bond                           | 219.8          | 236.3          | 14.9%             | 15.0%         | -0.1%        |
| Schroder All Maturities Corporate Bond         | 227.1          | 167.3          | 10.5%             | 0.0%          | 10.5%        |
| Alcentra Direct Lending                        | 11.3           | 11.2           | 0.7%              | 1.5%          | -0.8%        |
| Partners Group MAC 2015                        | 2.7            | 2.7            | 0.2%              | 0.0%          | 0.2%         |
| Partners Group MAC 2017                        | 9.4            | 8.2            | 0.5%              | 1.0%          | -0.5%        |
| Partners Group MAC V                           | 28.2           | 26.8           | 1.7%              | 4.5%          | -2.8%        |
| LCIV Private Debt                              | 44.5           | 46.9           | 3.0%              | 4.0%          | -1.0%        |
| Barings Global Special Situations Credit       | 34.7           | 35.6           | 2.2%              | 2.0%          | 0.2%         |
| <b>Total Income</b>                            | <b>980.6</b>   | <b>1026.5</b>  | <b>64.6%</b>      | <b>70.0%</b>  | <b>-5.4%</b> |
| Allianz Trade Finance                          | 26.5           | 27.1           | 1.7%              | 0.0%          | 1.7%         |
| Pemberton Trade Finance                        | 26.6           | 27.1           | 1.7%              | 0.0%          | 1.7%         |
| Cash   | 26.5           | 28.7           | 1.8%              | 0.0%          | 1.8%         |
| <b>Total Fund</b>                              | <b>1,503.2</b> | <b>1,588.8</b> | <b>100.0%</b>     | <b>100.0%</b> | <b>0.0%</b>  |

## Strategic allocation



The Q4 23 valuation for Alcentra Direct Lending, Adams Street, CBRE Global Alpha and Barings Global Special Situations are as at Q3 23, due to a lag applied by the manager. Where applicable the valuations are adjusted for cash movements post quarter end.

Officers began implementing the agreed transition of assets from the Schroders Corporate Bond fund to the LCIV Long Duration Buy & Maintain Credit fund. The first of three main tranches for the transition took place in Q4, with the remainder planned for Q1. The benchmark target allocations have been updated in the asset allocation table to reflect the strategy following the completion of the transition.

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.

## Mandates

| Mandate                                  | Hymans Rating       | RI       | Performance | Manager Developments |
|--|---------------------|----------|-------------|----------------------|
| LGIM RAFI Carbon Pathway Index GBP Hdgd  | Preferred           | Strong   | ●           | ●                    |
| LGIM Future World Global Equity Index    | Preferred           | Strong   | ●           | ●                    |
| LCIV Sustainable Exclusion Global Equity | Unrated             | Unrated  | ●           | ●                    |
| LCIV Emerging Markets Equity             | Unrated             | Unrated  | ●           | ●                    |
| Adams Street 2019 Global                 | Preferred           | Good     | ●           | ●                    |
| Adams Street Global Secondaries          | Positive            | Good     | ●           | ●                    |
| IFM Global Infrastructure                | Preferred           | Good     | ●           | ●                    |
| LCIV Renewable Infrastructure            | Unrated             | Unrated  | ●           | ●                    |
| Standard Life Long Lease Property        | Preferred           | Good     | ●           | ●                    |
| CBRE Global Alpha                        | Preferred           | Strong   | ●           | ●                    |
| FREOF V                                  | Suitable            | Unrated  | ●           | ●                    |
| Barings Multi-Credit                     | Preferred           | Good     | ●           | ●                    |
| LCIV MAC                                 | Unrated             | Unrated  | ●           | ●                    |
| Insight Secured Finance                  | Preferred           | Good     | ●           | ●                    |
| LCIV Long Duration Buy & Maintain Credit | Unrated             | Unrated  | ●           | ●                    |
| LCIV Global ESG Bond                     | Unrated             | Unrated  | ●           | ●                    |
| Schroder All Maturities Corporate Bond   | Positive            | Good     | ●           | ●                    |
| Alcentra Direct Lending                  | Suitable - on watch | Good     | ●           | ●                    |
| Partners Group MAC 2015                  | Positive            | Good     | ●           | ●                    |
| Partners Group MAC 2017                  | Positive            | Good     | ●           | ●                    |
| Partners Group MAC V                     | Positive            | Good     | ●           | ●                    |
| LCIV Private Debt                        | Unrated             | Unrated  | ●           | ●                    |
| Barings Global Special Situations Credit | Suitable            | Adequate | ●           | ●                    |
| Allianz Trade Finance                    | Suitable            | Unrated  | ●           | ●                    |
| Pemberton Trade Finance                  | Suitable            | Unrated  | ●           | ●                    |

## Performance RAG key

- Green – broadly in line with/ahead of Hymans' expectations
- Amber – slightly behind expectations over an appropriate time horizon
- Red – significantly behind expectations over an appropriate time horizon

## Manager Developments RAG key

- Green – no ongoing concerns to raise to the Committee
- Amber – moderate concerns over recent developments with further investigation required
- Red – material concern where action (client discussion) required

On this page we show our manager and responsible investment ratings for your managers where available.

There were no performance 'RAG' changes this quarter.

## Mandate updates

- **Adams Street Partners**

ASP announced that Michael Kurlander will assume the role of partner and CFO, effective from 3 January 2024.

- **Insight Secured Finance**

Insight announced that it has reopened the Secured Finance funds only to existing investors for any further reinvestments.

We have no concerns with these updates.

## 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  |
| LCIV Emerging Markets        | P7  |
| Standard Life Long Lease     | P8  |
| CBRE                         | P9  |
| Fiera FROEF V                | P10 |
| Barings Special Sit's Credit | P11 |
| Market Background            | P12 |
| Appendix                     | P14 |

The Q4 23 performance for ASP, Alcentra Direct Lending, CBRE, Barings Global Special Situations are as at Q3 23, due to a lag applied by the manager. Hymans Robertson estimates the performance for Alcentra, LCIV Renewable Infrastructure, 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        | ◆ | 7.7                | 7.6        | 0.1        | 18.4               | 18.0        | 0.3         | 11.9                  | 11.7       | 0.3         | 8.9                      | 8.8        | 0.1         |
| LGIM Future World Global Equity Index          | ◆ | 7.1                | 7.0        | 0.1        | 16.5               | 16.2        | 0.3         | -                     | -          | -           | 7.9                      | 7.7        | 0.2         |
| LGIM Future World Global Equity Index GBP Hdgd | ◆ | 9.7                | 9.6        | 0.1        | 21.5               | 21.3        | 0.2         | -                     | -          | -           | 5.6                      | 5.4        | 0.2         |
| LCIV Sustainable Exclusion Global Equity       | ◆ | 7.2                | 6.7        | 0.5        | 4.8                | 16.8        | -10.3       | -                     | -          | -           | 0.5                      | 7.3        | -6.4        |
| LCIV Emerging Markets Equity                   | ◆ | 2.1                | 3.3        | -1.2       | 0.4                | 3.6         | -3.1        | -4.7                  | -2.8       | -1.9        | 3.5                      | 2.5        | 0.9         |
| Adams Street 2019 Global                       | ◆ | -                  | -          | -          | -                  | -           | -           | 15.4                  | 13.8       | 1.5         | 30.1                     | 12.8       | 15.4        |
| <b>Income</b>                                  |   |                    |            |            |                    |             |             |                       |            |             |                          |            |             |
| IFM Global Infrastructure                      | ■ | 0.3                | 1.9        | -1.6       | 5.7                | 8.0         | -2.1        | 14.0                  | 8.0        | 5.6         | 12.4                     | 8.0        | 4.0         |
| LCIV Renewable Infrastructure                  | ■ | 1.7                | 1.7        | 0.0        | 4.0                | 7.0         | -2.8        | -                     | -          | -           | 12.2                     | 7.0        | 4.9         |
| Standard Life Long Lease Property              | ◆ | -4.0               | 8.5        | -11.5      | -12.4              | 5.7         | -17.1       | -5.6                  | -7.2       | 1.7         | -2.2                     | -1.9       | -0.2        |
| CBRE Global Alpha                              | ■ | 2.1                | 2.2        | -0.1       | -11.4              | 9.0         | -18.7       | 6.3                   | 9.0        | -2.5        | 6.0                      | 9.0        | -2.7        |
| FROEF V  | ■ | 3.5                | 2.9        | 0.6        | 0.6                | 12.0        | -10.2       | -                     | -          | -           | 2.0                      | 12.0       | -9.0        |
| Barings Multi-Credit                           | ■ | 4.5                | 2.5        | 2.0        | 11.5               | 9.6         | 1.7         | 2.1                   | 6.8        | -4.4        | 3.6                      | 6.1        | -2.4        |
| LCIV MAC                                       | ■ | 5.8                | 2.4        | 3.4        | 11.3               | 9.3         | 1.8         | -                     | -          | -           | 9.1                      | 8.0        | 1.0         |
| Insight Secured Finance                        | ■ | 2.5                | 2.3        | 0.2        | 8.9                | 8.8         | 0.1         | 4.8                   | 6.1        | -1.2        | 3.9                      | 5.3        | -1.3        |
| LCIV Long Duration Buy & Maintain Credit       | ◆ | -                  | -          | -          | -                  | -           | -           | -                     | -          | -           | 5.0                      | 5.1        | -0.1        |
| LCIV Global ESG Bond                           | ◆ | 7.5                | 7.0        | 0.5        | -                  | -           | -           | -                     | -          | -           | 4.8                      | 4.2        | 0.5         |
| Schroder All Maturities Corporate Bond         | ◆ | 8.2                | 7.4        | 0.8        | 9.3                | 8.6         | 0.6         | -5.0                  | -4.7       | -0.3        | 4.1                      | 3.7        | 0.3         |
| Alcentra Direct Lending                        | ■ | Fund is winding up |            |            | Fund is winding up |             |             | Fund is winding up    |            |             | 4.9                      | 7.0        | -2.0        |
| Partners Group MAC 2015                        | ■ | Fund is winding up |            |            | Fund is winding up |             |             | Fund is winding up    |            |             | 6.1                      | 5.9        | 0.2         |
| Partners Group MAC 2017                        | ■ | Fund is winding up |            |            | Fund is winding up |             |             | Fund is winding up    |            |             | 4.6                      | 5.9        | -1.2        |
| Partners Group MAC V                           | ■ | 2.6                | 2.3        | 0.3        | 10.8               | 8.8         | 1.8         | 6.2                   | 6.5        | -0.2        | 6.0                      | 6.0        | 0.0         |
| LCIV Private Debt                              | ■ | 5.3                | 1.5        | 3.8        | 3.6                | 6.0         | -2.2        | -                     | -          | -           | 8.5                      | 6.0        | 2.4         |
| Barings Global Special Situations Credit       | ■ | 2.6                | 3.3        | -0.6       | 4.3                | 13.8        | -8.4        | -                     | -          | -           | 9.8                      | 13.8       | -3.5        |
| Allianz Trade Finance                          | ■ | 1.9                | 1.8        | 0.1        | -                  | -           | -           | -                     | -          | -           | 4.9                      | 5.2        | -0.3        |
| Pemberton Trade Finance                        | ■ | 1.8                | 2.0        | -0.2       | -                  | -           | -           | -                     | -          | -           | 5.3                      | 5.6        | -0.3        |
| <b>Total</b>                                   |   | <b>5.3</b>         | <b>5.0</b> | <b>0.3</b> | <b>9.5</b>         | <b>12.5</b> | <b>-2.7</b> | <b>4.9</b>            | <b>6.2</b> | <b>-1.2</b> | <b>6.1</b>               | <b>7.3</b> | <b>-1.1</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.

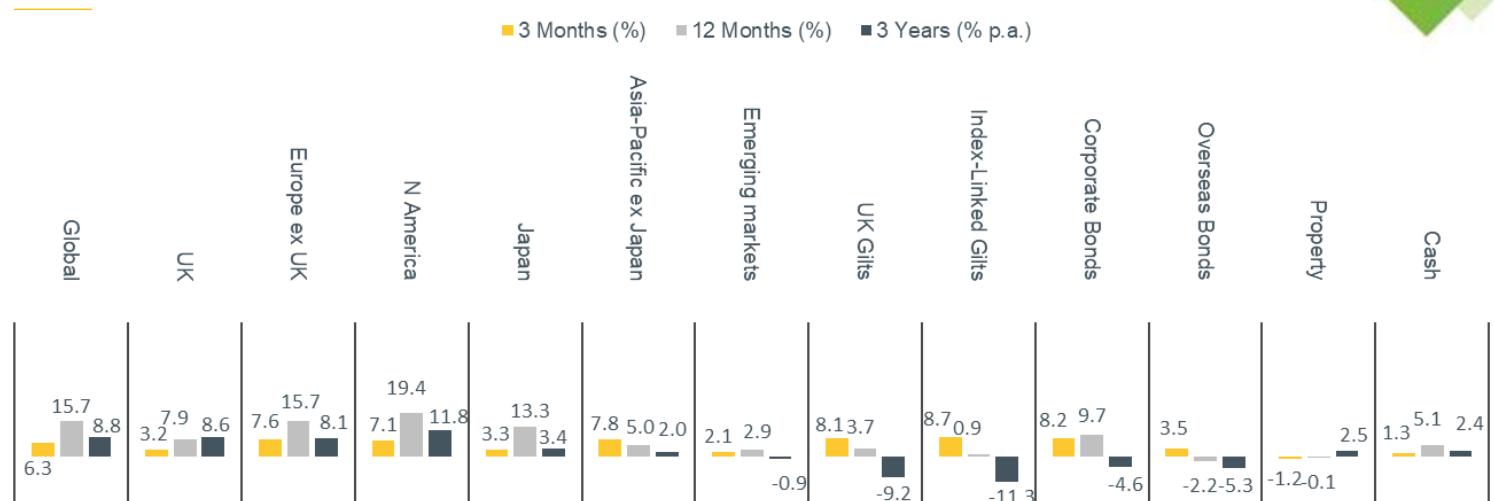
US GDP forecasts for 2023 and 2024 were again revised higher in Q4, given unexpectedly strong growth driven by consumer spending. Despite this, global growth is expected to ease to its slowest pace since the Global Financial Crisis (excluding 2020). However, it isn't expected to collapse.

Year-on-year CPI inflation in the major advanced economies fell more than expected over Q4, easing to 3.9%, 3.1%, and 2.4% in the UK, US, and eurozone in November, respectively. The main drivers were a decline in energy prices and a moderation in food prices. However, core inflation, which excludes both, also fell more than expected. The respective core measures are 5.1%, 4.0%, and 3.6% in the UK, US and eurozone.

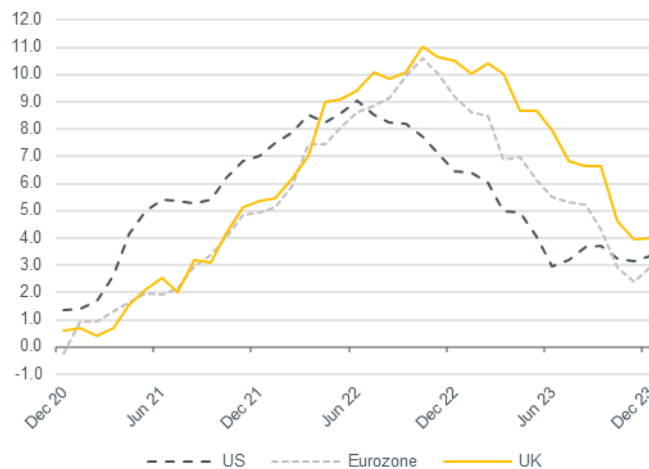
As expected, the major central banks left interest rates unchanged in Q4. Larger-than-expected falls in inflation prompted markets to price in earlier and larger rate cuts in 2024, reinforced by the Federal Reserve's mid-December revised policy projections. Despite the ECB and Bank of England reiterating a more cautious approach, markets expect a similar scale and timing of rate cuts in Europe and the UK.

Rate cut expectations and lower real yields contributed to a 3.1% fall in the trade-weighted US dollar. Equivalent sterling and euro measures rose 1.3% and 1.0%, respectively, while the equivalent yen measure strengthened 2.6% as expected interest-rate differentials with major economies narrowed.

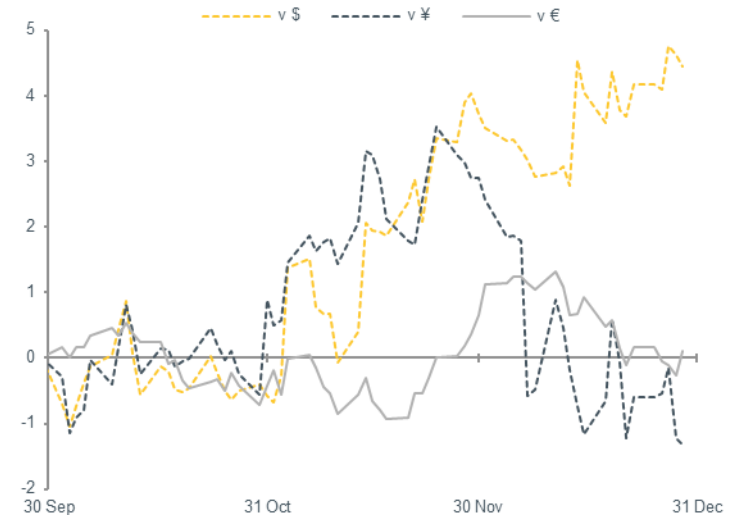
## Historic returns for world markets <sup>[1]</sup>



## 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

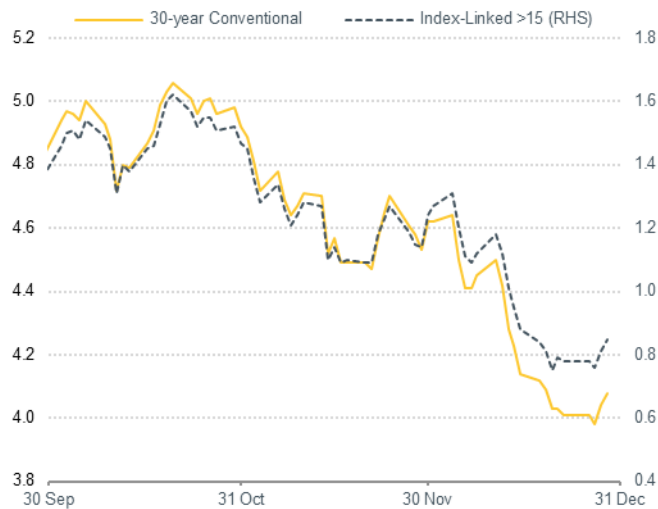
Amid expectations of larger – and sooner – rate cuts in 2024, bond prices rose and yields fell sharply. US 10-year treasury yields declined 0.7% pa over Q4 to 3.9% pa, while equivalent UK gilt yields fell 0.9% pa, to 3.5% pa. German bund yields fell 0.8% pa, to 2.0% pa. Japanese government bond yields fell less, by 0.2% pa to 0.6% pa, given potential divergence in monetary policy between Japan and the other major advanced economies.

Global investment-grade credit spreads declined 0.2% pa to 1.2% pa over Q4, while global speculative credit spreads declined by 0.6% pa to 3.8% pa. Despite a larger decline in speculative-grade credit spreads, the longer-duration investment grade market outperformed.

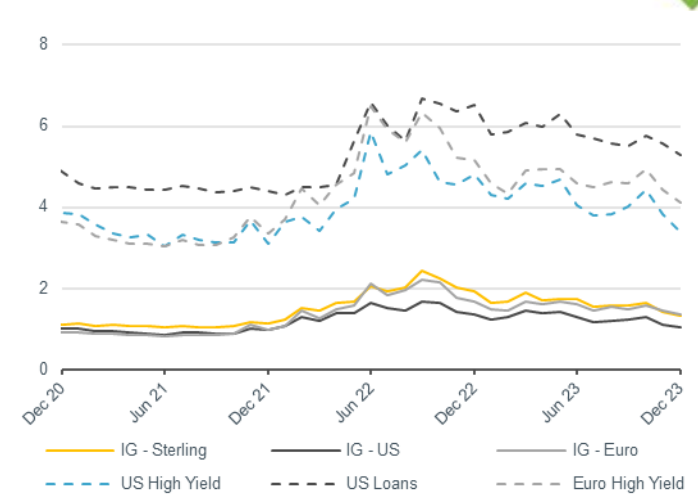
The FTSE All World Total Return Index returned 9.3% over Q4 in local-currency terms, as markets anticipated the positive impact on economic activity of rate cuts. Meanwhile, lower yields lent support to valuations. North American equity markets outperformed, given their exposure to the technology sector. All other regions underperformed, while still producing positive returns. Japan and the UK notably underperformed, given yen and sterling strength, which weighed on the high proportion of overseas earnings in both markets. UK stocks were also impacted by above-average exposure to the energy sector.

The MSCI UK Monthly Property Index fell 1.2% as income was offset by capital value declines. Values fell most sharply in the office and retail sectors, which are down 16.6% and 5.6%, respectively, over 12 months. Industrial values also declined 0.7% in Q4 following seven months of capital growth, resulting in flat growth over 12 months.

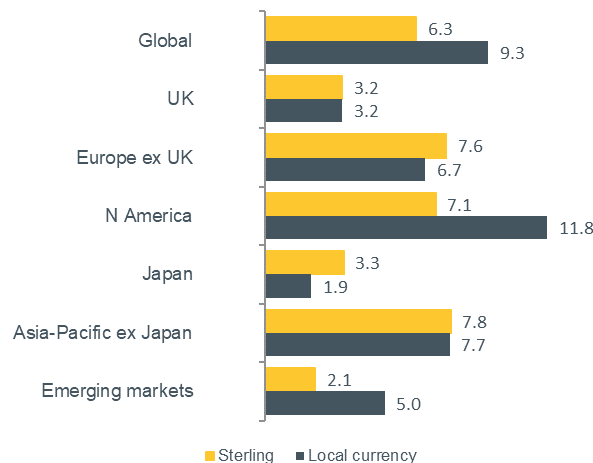
## Gilt yields chart (% p.a.)



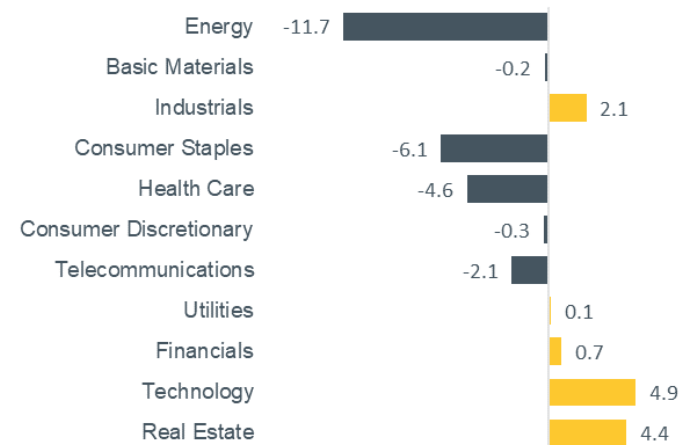
## Investment and speculative grade credit spreads (% p.a.)



## Regional equity returns [1]



## Global equity sector returns (%) [2]



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

## Risk warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

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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.



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

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# Market Brief

Quarter 1, 2024

## Q1 highlights

- ◆ Backward-looking GDP data releases showed the US economy was surprisingly robust at the end of 2023.
- ◆ That said, flash composite purchasing managers' indices (PMIs) suggest the worst may be over in Europe, as UK output expanded for the fifth consecutive month in March and the eurozone economy stabilised.
- ◆ At a global level, survey data suggest growth improved at the start of 2024, as the JP Morgan Global Composite PMI rose to an eight-month high in February.
- ◆ US inflation came in above expectations in January and February.
- ◆ Markets dramatically scaled back their expectations of the timing and size of interest-rate cuts in 2024, due to stronger US growth than expected, improving global growth momentum and signs the downtrend in inflation is slowing.
- ◆ But economic optimism and AI enthusiasm offset expectations of slower rate cuts, as equities recorded their best first quarter in five years and credit spreads fell, despite significant rises in sovereign bond yields.
- ◆ Gold prices rose 7.2% amid lingering inflation concerns, heightened geopolitical tensions and strong demand among central banks and Chinese consumers. Oil prices rose 12.5% against a backdrop of ongoing supply cuts and conflict in the Middle East.
- ◆ The trade-weighted US dollar rose around 2%, as the prospect of a sharp fall in interest rates faded. The Japanese yen fell almost 5% in trade-weighted terms.

## Market performance to end March 2024

| UK                 | Q1 24* | Q4 23 | 2024 | GLOBAL                  | Q1 24* | Q4 23 | 2024 |
|--------------------|--------|-------|------|-------------------------|--------|-------|------|
| <b>EQUITIES</b>    | 3.6    | 3.2   | 3.6  | <b>EQUITIES</b>         | 9.5    | 9.3   | 9.5  |
| <b>BONDS</b>       |        |       |      | North America           | 10.2   | 11.8  | 10.2 |
| Conventional gilts | -1.6   | 8.1   | -1.6 | Europe ex UK            | 9.5    | 6.9   | 9.5  |
| Index-linked gilts | -1.8   | 8.7   | -1.8 | Japan                   | 18.7   | 1.9   | 18.7 |
| Credit             | 0.1    | 7.3   | 0.1  | Dev. Asia ex Japan      | 3.2    | 7.7   | 3.2  |
| <b>PROPERTY**</b>  | 0.3    | -1.2  | 0.3  | Emerging Markets        | 4.1    | 5.0   | 4.1  |
| <b>STERLING</b>    |        |       |      | <b>GOVERNMENT BONDS</b> | 0.2    | 5.3   | 0.2  |
| v US dollar        | -0.9   | 4.4   | -0.9 | High Yield              | 2.0    | 6.6   | 2.0  |
| v Euro             | 1.4    | 0.1   | 1.4  | Gold                    | 7.2    | 11.2  | 7.2  |
| v Japanese yen     | 6.4    | -1.3  | 6.4  | Oil                     | 12.5   | -18.6 | 12.5 |

Percentage returns in local currency (\$ for gold and oil). All returns to 29/03/2024, \*apart from property 29/02/2024  
 Source: DataStream and Bloomberg. FTSE Indices shown: All Share, All World, W North America, AW Developed Europe ex-UK, W Japan, AW Developed Asia Pacific ex-Japan, Emerging, Fixed Gilts All Stocks, Index-Linked Gilts All Maturities, iBoxx Non-Gilts, S&P GSCI Light Energy, Crude Oil BFO, ICE BofA Global High Yield, Gold Bullion LBM, MSCI UK Monthly Property and BBG Aggregate Government Total Return.

## Fixed income markets

### £ UNITED KINGDOM

UK 10-year bond yields rose by 0.4% pa to 3.9%

### \$ UNITED STATES

US 10-year bond yields rose by 0.3% pa to 4.2%

### ¥ JAPAN

Japanese yields rose by a modest 0.1% pa to 0.7%

### € GERMANY

German yields rose 0.3% pa to 2.3% pa

#### Sovereign bond yields rose significantly

Amid expectations that interest rates might be cut less than previously anticipated, sovereign bond yields rose sharply in quarter one. UK and US 10-year bond yields rose 0.4% pa and 0.3% pa to 3.9% pa and 4.2% pa, respectively, while equivalent German yields rose 0.3% pa to 2.3% pa. Despite the Bank of Japan raising rates and ending yield curve control, Japanese yields rose by a modest 0.1% pa, to 0.7% pa. This is perhaps due to expectations that monetary policy will remain accommodative regardless, and the Bank of Japan suggesting that it will act to prevent a disorderly rise in yields.

#### Credit spreads fell towards post-pandemic lows

Credit spreads fell sharply across regions and credit ratings over Q1, reflecting the improved outlook, but strong yield-driven demand from institutional investors also played a part. Sterling and European investment-grade credit spreads fell 0.2% pa to 1.1% pa, while equivalent US spreads fell 0.1% to 0.9% pa. Speculative grade spreads fell more, with European spreads narrowing 0.4% pa to 3.5% pa and equivalent US spreads coming down 0.2% pa to 3.1% pa. Despite spread tightening, sterling investment-grade total returns were broadly flat, given the rise in underlying sovereign bond yields. Speculative-grade credit markets outperformed, with US high yield producing a total return of 1.5%. This reflects both greater spread tightening and lower interest-rate sensitivity, given the shorter duration, in speculative-grade markets.

#### Inflation expectations edged higher

UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose 0.2% pa, to 3.6% pa, as nominal yields rose more than real yields. Equivalent US implied inflation rose by the same amount, to 2.4% pa, while German implied inflation rose 0.1% pa, to 2.1% pa.

#### Moody's expects defaults to fall

Moody's predicts that the current 12-month speculative-grade default rate of 5.0% will mark the current cycle's peak. With global growth expected to stabilise at only modestly lower levels in 2024 and the prospect of interest-rate cuts on the horizon, it forecasts that the default rate will decline to 3.5% by the end of 2024, below long-term averages. The forecast is underpinned by healthy corporate balance sheets, limited near-term refinancing requirements and anticipated easing in financial conditions.

#### Hard- outperforms local-currency debt as spread tightening offsets a rise in yields

Despite a rise in underlying treasury yields, hard-currency emerging market debt, as measured by the JPM EMBI Global Diversified Index, returned 2.0% in dollar terms as credit spreads fell 0.5% pa. Local-currency debt, as measured by the JPM GBI-EM Global Diversified Traded Index, returned -2.1% in US dollar terms as yields rose modestly and index currencies, in aggregate, weakened against the dollar.



## Global equities

### Mixed sectoral pattern with technology outperforming

Global equities recorded their best first quarter in five years, with the FTSE All World Total Return Index rising 9.5% in local-currency terms, as optimism about the US economy and AI enthusiasm offset expectations of slower rate cuts. Technology stocks notably outperformed as massive earnings-beats by some high-profile US technology companies benefited the sector more broadly. Also outperforming, but to a much lesser extent, were cyclical sectors, such as financials, energy and industrials (in that order). Basic materials was the worst-performing sector, which some commentators suggest is linked to concerns about slowing demand for, and the over-supply of, electric vehicles. This has led to falls in the prices of some industrial metals, such as lithium. Outside basic materials, the main underperformers were defensive sectors, such as consumer staples, utilities, telecoms and healthcare (in that order) which tend to underperform in strong positive markets.

### Japanese outperformance continues

Japan strongly outperformed over the quarter. Further yen weakness lent support to the export-heavy index, and rising prices for domestic chip-related stocks and growing enthusiasm around corporate governance reforms led Japanese equities 18.7% higher. Given its large, above-average exposure to the technology sector, US equities outperformed, but to a lesser extent. While European equities continued to lag the US and Japan, they marginally outperformed over the quarter.

### UK and emerging stocks lag

Emerging markets underperformed as investors remained concerned about China's growth prospects amid ongoing property market weakness and disappointment with policy stimulus unveiled so far. The UK was the worst-performing region over the first quarter. Having very little exposure to the outperforming technology sector, and above-average exposure to consumer staples and basic materials, weighed on performance, but economic weakness contributed to UK-listed companies underperforming global peers across almost all sectors.

## Currencies, commodities and property

Gold prices rose 7.2% amid lingering inflation concerns, heightened geopolitical tensions, and strong demand among central banks and Chinese consumers. Oil prices rose 12.5% against a backdrop of ongoing supply cuts and conflict in the Middle East. The trade-weighted US dollar rose around 2%, as the prospect of a sharp fall in interest rates faded. The Japanese yen fell almost 5% in trade-weighted terms. While the Bank of Japan exited negative interest rates in March, monetary policy remains comparatively accommodative, and markets continue to bet on a wide interest-rate differential between Japan and its major developed market peers.

The MSCI UK Monthly Property Total Return Index rose 0.3% in the first two months of 2024, despite a 0.7% decline in capital values, in aggregate. The 12-month total return to end-February was 0.7%, as income offset a 4.9% fall in capital values. Over 12 months, capital values fell most steeply in the office sector, declining 16.5%, compared with a 5.1% fall in the retail values and a 1.5% rise in industrial values. While values continue to fall in the office sector month on month, the pace of decline in the MSCI UK Monthly Property Capital Value Index, which is now almost 26% below its June 2022 peak, has slowed in recent months.

## The global economy

Data released in the first quarter revealed that the US economy grew more quickly than previously envisaged, at an annualised quarterly pace of 3.4% in the final quarter of 2023, amid ongoing resilience in consumer spending. Meanwhile, European data showed the UK entered a technical recession, as GDP fell 0.3% in Q4 following a 0.1% contraction in Q3, and the eurozone economy flirted with one, after stagnating in Q4. The Japanese economy also narrowly escaped recession, eking out a 0.1% expansion in Q4, following a 0.8% contraction in Q3.

But survey data suggested that the worst may already be over in Europe. Flash PMIs indicate that UK output rose at a solid pace for the fifth consecutive month in March. Meanwhile, the eurozone economy stabilised as a modest recovery in service sector output gained momentum and the pace of decline in manufacturing output eased. Flash data also suggested that US business activity increased further at the end of Q1 amid a marked upturn in manufacturing production. March data added to evidence that global growth improved at the start of 2024 and also suggested the expansion is becoming more broad-based. A sustained increase in service-sector activity was accompanied by signs that a nascent recovery in global manufacturing activity is gaining traction.

Backward-looking GDP data and coincident survey data pointed to an economy with much stronger momentum than previously anticipated: consensus forecasts for year-on-year US GDP growth in 2024 jumped from 1.4% in January to 2.2% in March. At the same time, global growth forecasts for 2024 have been revised up to 2.4%. While European and UK forecasts are much weaker, the majority of economists think the worst of the downturn in Europe is in the rear-view mirror and expect the majority of economies in the region to recover, albeit

weakly, in 2024. Indeed, much better-than-expected survey data suggest the UK recession is already over and point to decent growth in Q1.

Surveys suggest that better activity data have been accompanied by a reacceleration in customer prices in both the manufacturing and services sectors in recent months. Indeed, an unexpected rise in year-on-year US headline CPI inflation, to 3.2% year on year in February, further fuelled fears that the downtrend in inflation is slowing. Equivalent UK and eurozone measures, however, eased to 3.4% and 2.6%, respectively. The equivalent core measures, which exclude volatile energy and food prices, came in at 3.8%, 4.5% and 3.1% in the US, UK and eurozone, respectively. Not only is UK core inflation still more than double the Bank of England's target, but elevated services and wage inflation, both running at 6.1% year on year, highlight persistence in underlying price pressures.

Amid better-than-expected economic data and sticky inflation data, markets have scaled back expectations for the timing and number of interest-rate cuts in 2024. At the end of Q1, markets expect two to three cuts from the major central banks in 2024 down from six to seven at the start of the year. The recent shift brings markets more closely in line with the banks' more cautious messaging as to the likely timing and extend of interest-rate cuts. In March, the Bank of Japan (BoJ) raised rates for the first time in 17 years, from minus 0.1% pa to a still accommodative 0.0–0.1% pa. Inflation has exceeded the BoJ's target for 22 months and data from annual wage negotiations bolstered the case. The BoJ also stopped yield-curve control and exchange-traded fund purchases.



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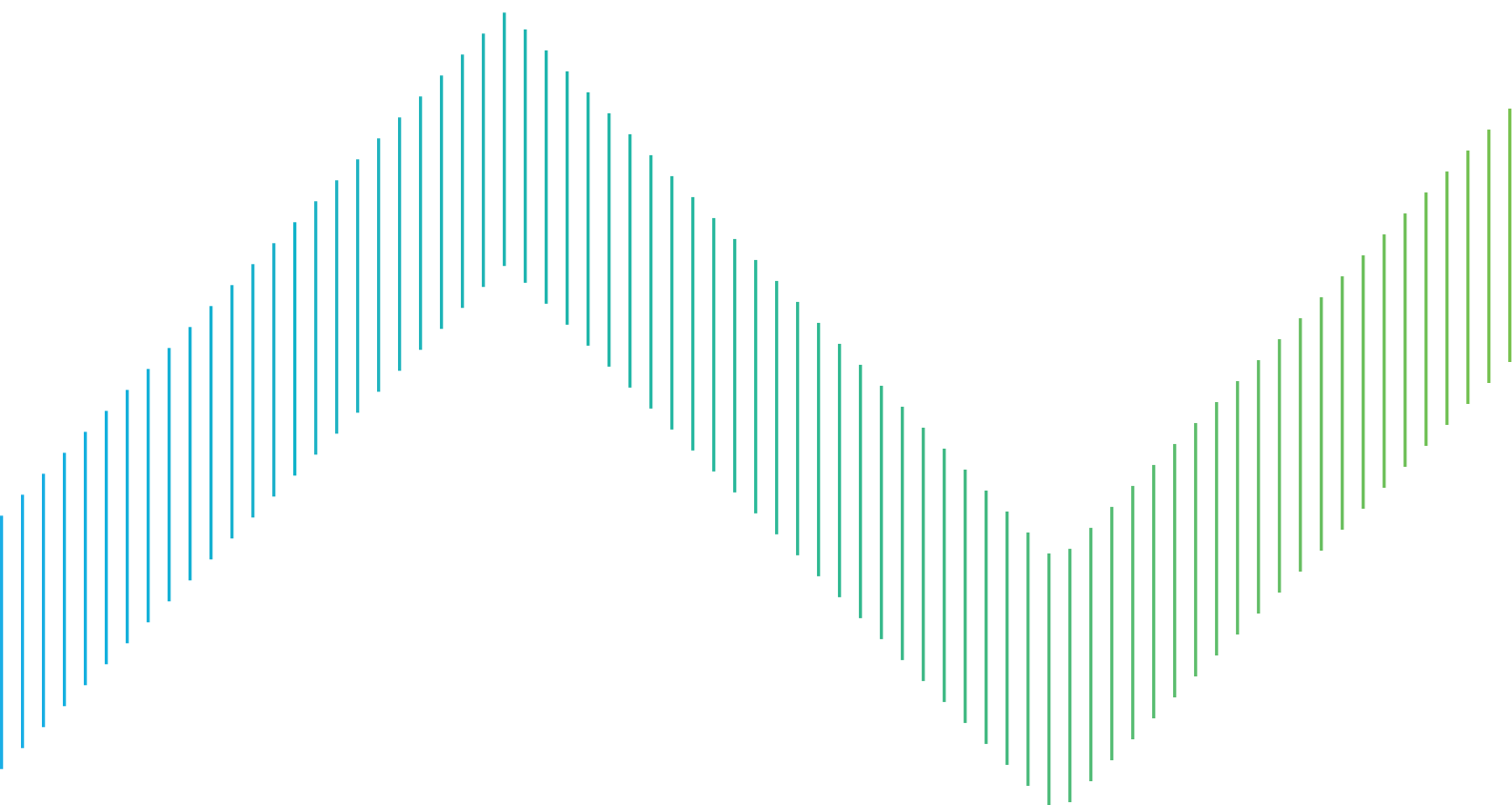
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