MEETING
PENSION FUND COMMITTEE
DATE AND TIME
WEDNESDAY 29TH NOVEMBER, 2023   **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	Mark Shooter
Elliot Simberg	Liron Woodcock-Velleman

Substitute Members

Nick Mearing-Smith	Danny Rich
Arjun Mittra	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 24 November 2023 at 10AM. Requests must be submitted to Georgina Wills, Principal Governance Officer

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

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

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ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes	5 - 12
2.	Absence of Members	
3.	Disclosable Pecuniary interests and Non Pecuniary interests	
4.	Public Question and Comments (if any)	
5.	Report of the Monitoring Officer (if any)	
6.	Members' Items (if any)	
7.	Contribution Review	13 - 70
8.	Any item(s) that the Chairman decides is urgent	

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Decisions of the Pension Fund Committee

2 November 2023

Members Present:

AGENDA ITEM 1

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

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

Apologies for Absence

Councillor Woodcock-Velleman
Councillor Elliot Simberg

1. MINUTES (Agenda Item 1):

RESOLVED that the minutes of the meeting held on 4 July 2023 be agreed as a correct record.

2. ABSENCE OF MEMBERS (Agenda Item 2):

There were none.

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

Councillor Arjun Mittra declared a non-pecuniary interest by virtue of the fact that he had small investments in funds 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 Andreas Ioannidis declared a non-pecuniary interest by virtue of the fact that he was a member of the pension scheme at Middlesex University.

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

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

There were none.

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

There were none.

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

There were none.

7. TEMPORARY EASEMENT IN CONTRIBUTION (Agenda Item 7):

The Chief Executive presented his report. The report set out a series of options for the Pensions Committee to consider on whether the London Borough of Barnet, as an employer, should have a temporary easement in deficit contributions towards the Pension Fund. The Committee was advised that an extraordinary meeting had been convened for the 29 November for the Committee to respond to the request.

The Committee were reminded that at the last triennial evaluation in 2022 the Pension Fund was 95% funded. Since the valuation, the deficit gap has been eliminated, with the Actuary estimating that at the most recent funding update at 30 September that the Fund was 127% funded. This position had arisen primarily due to increased long-term interest rates which also impacts the discount rate for measuring pension benefits. The Committee was advised that, against this background, councils' budgets throughout the Country were becoming increasingly strained. For example it was forecasted by the County Council Network that 1 out of 10 County Councils will face very significant budgetary pressures.

Officers presenting the case for an easement to deficit contributions advised that 2/3rd of the Council's overspend was on Adult Social Care and this was related to high number of hospital discharge and the Council having to accommodate social care costs. The Committee was informed that the Central Government funding formula had not kept up with the level of population growth in the outer London Boroughs

The Committee was advised that the Council had £50million in useable reserves for revenue purposes but that this amount would increasingly be needed in the future to address current revenue overspend. At present, officers are exploring ways to protect the Council's level of reserves, and this includes reviewing the council's deficit contribution rate to the Pensions Fund and not increasing the Pension Fund's current surplus beyond what might be considered prudent. The options viewed include an easement towards deficit contributions. The Committee was advised that following the 31 March 2022 valuation the Council had agreed to pay 1% more than the contribution rate strictly required by the Actuary.

The Committee held a brief discussion and commented on the following: -

- That the Committee would require detailed and robust legal and actuarial advice before it could give its response (the Head of Pensions and Treasury confirmed he had commissioned such advice)

- That any agreement would be subject to certain safeguards (e.g., around monitoring and reporting back to the Committee on the financial performance of the Fund and / or the Council, and also ensuring the Council is budgeting an appropriate amount towards pensions for the future)

- Officers advised that it was not forecasted that the Council would be serving a Sec. 114 Notice within the next 24 months.

RESOLVED

1. **That the Pension Fund Committee considered the request, in principle, of a temporary easement in employer contribution as set out in the paper.**

2. **That the Pension Fund Committee considered what additional assurances it would like in respect of any proposal in advance of any formal consideration of such an easement.**

3. **That the Pension Fund Committee considered its position in relation to the existing policy.**

8. PENSION FUND INVESTMENT PERFORMANCE REPORT (Agenda Item 8):

The Finance Manager presented his report which provided an update on investment valuations, transactions, and performance to 30 June 2023 with an updated estimated valuation to 30 September 2023.

- Members noted that the London CIV Sustainable Exclusion Global Equity Fund had underperformed the Benchmark.

- Hymans commented that this type of actively managed and relatively concentrated Fund is expected to deviate from the Benchmark performance, and could be considered inside of this range, however any underperformance should be monitored to see if it persists.

- Officers commented that other Investors within LCIV had expressed similar concerns on fund performance and that LCIV held a session with RBC, the underlying manager, to explain their performance. Officers would look to share the output of that session to the extent it was available and speak to Hymans about what actions should be taken in relation to the Fund (**ACTION**).

RESOLVED

The Pension Fund Committee noted the investment activities and performance of the Pension Fund to 30 September 2023.

9. INVESTMENT STRATEGY AND MANAGER APPOINTMENTS (Agenda Item 9):

The Finance Manager presented his report and explained that Officers had undertaken a process of consolidation of all recent changes to the Investment Strategy within a new Investment Strategy Statement and that we would be asking the Committee to approve this new document.

Rob Treich, Head of Public Markets at the London CIV and Stephanie Aymes Client Relations Manager London CIV introduced themselves and provided details about their retrospective roles. Mr Treich set out the process used to select the Fund Manager, and this included using a Managers Selection Framework which forms part of the London CIV Investment Governance Framework.

The Committee was advised that there was a wide screening of high-quality managers of credit portfolios, and this involved screening the track records in terms of credit selection and avoidance of defaults and downgrades over a sustained period. The Committee was advised that Insight Investment Management was recommended due to their capability, credit selection, track record of default avoidance over a sustained period, leadership in the market for buying maintained credit, portfolio optimisation skills and high performers in responsible investing and climate analysis in terms of credit and strong risk management capabilities.

Members discussed the following points: -

- Credit risk was discussed at length and it was noted by Insight that historic default rate in investment grades were low and that there were often long periods of companies not defaulting.
- LCIV noted that there would be no traditional benchmarking index for the new Fund and borrowers would be selected on the basis on their capacity to repay debt over the longer term. There would be opportunities for rotation and reinvestments, and this would be based on maturity. The New Fund provides an option of an income which could be paid to the Pensions Fund on a quarterly basis.

RESOLVED

1. **The Pension Fund Committee noted other investment transactions that have occurred in the four months from June to September 2023, and the further planned transactions for 2023.**

2. **Approved the proposed move of assets in the Schroders Corporate Bond Fund to the LCIV Long Duration Buy and Maintained Credit Fund (pending Hymans Suitability Report).**

3. **Approved the updates to the Investment Strategy Statement**

10. RISK MANAGEMENT REVIEW (Agenda Item 10):

The Pensions Manager presented his report on the Pensions Fund risk register which detailed the risks associated with the management of the scheme, including current assessment and planned actions and targets.

The Committee were advised that a review of the Fund's Risk Registers was undertaken earlier in the year with the aim of making the document more user-friendly and the analysis and reviews of risks by officers more effective. The Non-Administration Risk Register will be reformatted as the same as the Administration Risk Register. Members held a discussion regarding the Risk Register format and noted that officers' names would be assigned to an action and that ownerships of individual risks would be to a post holder. This is to ensure accountability and actioned points are fully implemented.

Officers advised that in relation to Risk 15, which deals with cyber security breaches, the administrators at the West Yorkshire Pensions Fund (WYPF) had recently undertaking tests regarding their data security which included ransomware attacks. There were three cyber-attacks scenario tested which included one of those experienced by Capita, these were reported to be successful and a report regarding findings will be presented to both the Local Pension Board and the Committee. Members highlighted that the proficiency and sophistication of hacker's methods in testing data weaknesses was constantly evolving, and this needed to be contemplated and fully guarded against.

Officers advised that the Committee could provide feedback regarding the reformatted Risk Register and Non-Administration Risk Register new format.

The Chair thanked officers for their work on the revised Risk Register template.

RESOLVED

1. The Pension Fund Committee noted the most recent administration risk register and its updated format.

2.The Pensions Fund Committee noted that the non-administration risk register is currently being updated into the new format and will be reported on at the next Committee meeting.

11. POOLING UPDATE (Agenda Item 11):

The Head of Pensions and Treasury presented his report which provided an update on pooling, namely on the Government's Pooling Consultation (together with Barnet's response) and awareness of a new investment fund developed with London Collective Investment Vehicle (CIV) considered further within the Investment Strategy paper. A more comprehensive pooling update was provided at the 4 July 2023 Pension Fund Committee meeting.

RESOLVED

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

2. **The Pension Fund Committee noted Barnet's Consultation Response as set out in Appendix 1.**

12. ADMINISTRATION PERFORMANCE REPORT AND UPDATE ON OTHER ADMINISTRATION AND LEGISLATIVE MATTERS (Agenda Item 12):

The Pensions Manager presented his report which provided an update on the current administration performance by West Yorkshire Pension Fund (WYPF), along with updates on other administration and legislative matters.

There will be a review of WYPF performance under the terms of the administration strategy of the Fund. There is continual work on the data improvement plan, and this include working on various areas to reduce data issues inherited on member's record.

Members were advised that WYPF fees were per member and that the operational costs would have been affected by inflation and these include staffing cost. WYPF have also had to make substantial investments in their IT systems following the McCloud ruling on benefit entitlements coming into effect. The WYPF would be liaised with regarding their fees.

Members were reminded that at their 2022 valuation it was identified that there was a £50 million data deficit by the Fund Actuary. The Committee was advised that the data quality in 2019 was poor and improvement had since been made by WYPF and the Committee since 2022. The Committee was advised that Officers had undertaken work to reconcile the 2019 data with 2022 figures and were considering using a third party to reconcile the 2019 to 2022 data files. Members noted that there would be cost implications alongside benefits in getting assurances of figures. Members were advised that they would be provided feedback about any third-party data reconciliation at their January meeting. (**ACTION**)

The Funds Engagement Strategy Communication Policy will be reviewed, and an updated version will be presented at the January 2024 Committee.

RESOLVED

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

13. RESPONSIBLE INVESTMENT UPDATE (Agenda Item 13):

The Head of Pensions and Treasury presented his report which provided an update on the Framework that has been developed to progress the Pension Fund's NetZero strategy. Members held a discussion and noted that a transition to a Net Zero Portfolio should take place by choosing funds that allow the Pension Fund to meet its risk and return targets and meet its Fiduciary Duty and that this analysis would guide decisions.

The Committee was advised that the Fund had a 'risk and return' budget, and any underperformance could affect this Fiduciary duty in paying pensions. The Committee was informed that there would be instrument within their risk and return parameters that allows for 2030 Net Zero targets to be met without putting returns and contributions rates at risk. Elements of the Committee noted that several climate risks were underpriced and noted that returns could be enhanced if quality assets were chosen.

The Committee was advised that Members would be offered a 1-2-1 session to go through the Net Zero strategy (**ACTION**)

RESOLVED

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

14. KNOWLEDGE AND UNDERSTANDING (Agenda Item 14):

The Pensions Manager presented his report which summarised actions that will be taken by the LBB Pensions Team to keep records of Committee Members' and Local Pension Board Members' training. Members were reminded that CFA Institute was facilitating training for their Pensions Board the week commencing 6 November and that they could attend. The Committee were reminded that they were required to complete all the modules on the LGPS Online Learning Academy (LOLA) training portal and advise officers of any training needs and courses completed.

RESOLVED

1. **That the Pension Fund Committee noted the contents of this report.**

2. **That the Pension Fund Committee noted the training options available as set out in Appendix A.**

3. **That the Pension Fund Committee noted the LBB Pensions Team recommendation that the Committee members complete the LGPS Online Learning Academy (LOLA) training by 31 December 2023.**

15. ADMISSIONS, CESSATIONS AND BOND STATUS UPDATE (Agenda Item 15):

The Pensions Manager presented his report which provided a status update on the outstanding admissions, cessations and bond agreements/renewals. The report also details the proposal from the LBB Pensions Team for a new admissions policy to the Barnet Pension Fund for approval by the Committee. The report also includes recommendations for approval by the Committee of new admitted bodies and cessations from the Barnet Pension Fund.

The Policy for admissions is to be amended and the new process would be set up on a 'Pass-through' basis in which admitted bodies can participate in the Fund and allow certain risks to be shared between the letting authority.

The Committee noted that Paragraph 4.3 in Appendix D should be £44.9million and the percentage should be 5%. The Committee noted that there is ongoing legal action between an ex-admitted body and a school regarding payment of a deficit.

The Chair noted that Appendices E to H of the report could be discussed in more detail in closed session. The committee agreed the decisions could be made without the need for discussion in private session.

RESOLVED

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

2. **That the Pension Fund Committee approved the admission into the Barnet Pension Fund of Olive Dining (Holly Park School), Olive Dining (Danegrove School), Nourish Contract Catering Ltd (Whitefield School), LBL After School Club (Manorside School) and Harrison Catering Services (Compton School) as detailed in paragraph 1.5.**

3. **That the Pension Fund Committee approved the recommendation by the LBB Pensions Team in relation to the admission of Tenon into the Barnet Pension Fund, as detailed in Appendix F.**

4. **That the Pension Fund Committee approved the recommendation by the LBB Pensions Team in relation to the exit credit payments for Caterlink**

(Totteridge Academy), and Caterlink (Holly Park School) as detailed in Appendices G and H respectively.

5. **That the Pension Fund Committee approved the new draft admissions policy outlined in appendix E with effect from 1 January 2024**

16. PENSION FUND COSTS AND EXPENSES (Agenda Item 16):

The Finance Manager presented his report and Officers advised that it was estimated that the Fund would incur additional costs compared to the previous year. The Committee was advised that this was mainly driven by the work undertaken by the Committee in order to deliver on its various priorities for the Pension Fund.

The committee discussed the exempt appendices in closed session.

RESOLVED

That the Committee noted the scheme costs incurred for the 6 months to 30th September 2023

17. PENSION FUND COMMITTEE WORK PROGRAMME (Agenda Item 17):

RESOLVED

The Pension Fund Committee noted the work programme.

18. MOTION TO EXCLUDE PRESS AND PUBLIC (Agenda Item 18):

A motion was moved to discuss exempt appendices in private session.

19. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT (Agenda Item 19):

There were none.

The meeting finished at 9.45 pm

AGENDA ITEM 7

Pension Fund Committee

29 November 2023

Title	**Contribution Review**
Date of meeting	29 November 2023
Report of	Head of Pensions and Treasury, David Spreckley
Wards	All
Status	Public with accompany Appendices (Exempt) Exempt enclosures - Not for publication by virtue of paragraph 5 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended (Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings)
Urgent	No
Appendices	Appendix A – Actuarial Update 30 September 2023 Appendix B (Exempt, Legal Advice. Not for publication by virtue of paragraph 5 of Part 1 of Schedule 12A of the Local Government Act as amended) Appendix C – Actuarial advice related to Contribution Review Appendix D (Exempt, Supplementary Legal Advice. Not for publication by virtue of paragraph 5 of Part 1 of Part 1 of Schedule 12A of the Local Government Act as amended)
Officer Contact Details	David Spreckley, Head of Pension and Treasury david.spreckley@barnet.gov.uk

Summary

This report considers the Council's request to ease Pension Deficit Contributions.

In summary:

- Regulations and the Fund's own Policy appear to allow for a review to be conducted, although the Fund's Policy goes further than strictly required by regulations and introduces some uncertainty depending on how "ability to meet obligations" is interpreted
- Both legal and actuarial advice recommend that post valuation experience is not taken into account when assessing any change to contributions – in practice this may limit the scope to reduce contributions
- If the Committee are concerned over how "ability to meet obligations" should be interpreted for a tax raising body but believe the case for a review is justified, then it would be possible to amend the Fund's Policy on contribution reviews to provide for more flexibility on employer requests as part of the process
- Having considered the position, Officers recommend that a review is conducted and that, based on actuarial advice received, the Council's contribution is reduced by 8% for the period from 1 April 2024 to 31 March 2026
- This recommendation is contingent on certain safeguards being implemented as set out in Table 3 within Section 1 of this report and the Fund's Policy being amended to give clarity on what "ability to meet obligations" means for a Tax Raising body

Recommendations

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 Policy on contribution reviews and actuarial advice, the Head of Pensions and Treasury makes the following recommendation to Committee:

- Due to the financial pressures presented by the Council and its projected reduction in reserves, and subject to the points below, that the contribution rate profile 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 is subject to:

- The Council agreeing to implement the mitigations suggested in Table 3 of Section 1.
- That the Fund's contribution review Policy is amended to clarify what "ability to meet obligations" means in the context of a tax raising body and also to allow the Committee to review contributions in a scenario where the Committee sees fit (addressing the points in this paper under 1.20 to 1.23 and table 3 c)).

Note that the Administering Authority is required to consult on any changes to the review Policy with any persons it considers appropriate (ideally all employers in the Fund) as it forms part of the Funding Strategy Statement (FSS) and so any agreement to amend contributions would be subject to this consultation process.

1. Reasons for the Recommendations

Note on references to “Council”, “Committee” and “council” within Sections 1 and 2 of this report.

Council, with an upper case “C”, refers to Barnet Council as an employer in the Fund, but not in its function as “Administering Authority”. References to the “Committee” refers to the Council’s function as “Administering Authority” and references to “council” with a lower case “c” refers to Local Authorities and councils in general.

Why is this report needed?

1.1 The Head of Paid Services has, on behalf of the Council, made a request that, due to current financial challenges and the fact that the Pension Fund is currently in surplus, deficit contributions should be eased by £5 - £8m per annum for two years.

1.2 In context, the Council is broadly paying 9.3% towards recovering a deficit (as the Fund was 95% funded when the contribution rate was assessed) when the Actuary has recently assessed that the Funding position at 30 September 2023 was 127%. This is at the same time as the Council is experiencing a position of rapidly depleting useable reserves. The Council’s full request can be found here.

1.3 The Committee heard this request on 2 November 2023 and convened an extraordinary meeting on 29 November 2023 to respond.

1.4 This timeframe is needed as, otherwise, it would not be possible to include the easement within any budget consultation for 24/25 – the budget will be considered for consultation at the December Cabinet meeting.

What contribution rate was agreed for the Council from 1 April 2023?

1.5 In order to understand the context of the request it is important to understand what was agreed at the 31 March 2022 valuation and why (and also to understand what has happened since then). This is set out in Table 1. (next page).

Table 1. Summary of 31 March 2022 Outcome

	31 March 2022 Outcome
Assets (Total Fund)	£1,502m
Liabilities (Total Fund)	£1,573m
Deficit (Total Fund)	£71m
Employer contribution to cover benefits earned (Primary)	19.1%
Secondary rate*	9.3%
Total Employer (as a percentage of salaries)	28.4%
Minimum Rate Acceptable by Fund Actuary	27.4% *(i.e. Council overpaid relative to minimum – this was for stability reasons)*
Rate payable prior to 1 April 2023 *(Note the Rates and Adjustment certificate is set 12-months following the valuation date)*	28.9% *(i.e. from 1 April 2023 Council experienced a contribution reduction of 0.5%)*

*Under Hymans' methodology, the Secondary Rate broadly equates to deficit contributions.

What is the current funding position?

1.6 The Fund Actuary has calculated the Funding Level as 127% at 30 September 2023 – see actuarial updated included as Appendix A. Higher than expected inflation is expected to cause a drag on this funding level over the period to the next valuation.

1.7 The primary driver for this change is higher real long-term interest rates (the 40 year Index Linked yield increased from negative 1.8% at 31 March 2022 to positive 1.3% at 30 September 2023) combined with asset values remaining relatively steady. Actuarial liability values are correlated with interest rates, when interest rates go up liabilities go down because with higher interest rates more investment return is expected to be received on assets held. Very roughly, a fall in interest rates by 1% and a reduction in assets by around 10% could unwind the surplus position calculated at 30 September 2023.

1.8 Note that action was taken over the summer to reduce the Fund's growth exposure from 50% to 30% of total allocation and, at the same time, increase the Fund's income exposure from 50% to 70% i.e. a significant step was taken to consolidate the surplus and the Fund's allocation to more stable "income" assets is now likely to be amongst the highest of any LGPS.

1.9 The Council has never made a request of this nature before and, indeed, prior to amendments to regulations in 2020, there would not have been a legal pathway to consider the request. Therefore, officers have taken specialist legal and actuarial advice to consider the request.

1.10 This paper sets out:

- The key points to the legal analysis
- The Fund's Policy on contribution reviews
- A consideration of what the reference within our Policy of "change in ability to meet obligations" means (which is a key consideration for the Committee in this context)
- Actuarial analysis
- Consultation and engagement considerations
- Other wider considerations
- Officer's recommendation plus other options also considered.

1.11 The legal and actuarial advice received in relation to this issue are included as Appendices B and C. Following initial comment on this paper by Committee members officers have sought further supplementary legal advice and will be included as an exempt Appendix. Note that the Legal Advice received is privileged and so is exempt under Schedule 12A of the Local Government Act 1972 (as amended).

Process for undertaking a review

1.12 There is broadly a two-stage process for conducting a review of contributions in-between valuations:

- The first stage is for either the Administering Authority (or an employer) to initiate the request;
- The second stage is for the Administering Authority to conduct the review with regard to the views of the Fund Actuary

If there are insufficient grounds for conducting a review in the first place, then the process would not move beyond stage 1.

1.13 The Fund has a Policy on how to conduct a review if requested by an employer. The key condition to be met in order to take forward contribution review is summarised under 1.16 b) below. If the Committee do not feel this condition has been met, then it would not be able to conduct a review in accordance with the Policy (unless it amended its Policy).

1.14 To the extent a review is conducted, the Fund Actuary would be required to reflect any bounds placed on them by regulations. A key bound (around allowing for post valuation experience) is summarised under 1.16 a).

Legal Advice

1.15 The legal advice has considered the Fund's Policy together with the Regulatory Framework, including both DHULC statutory guidance and the non-statutory guidance published by the Scheme Advisory Board.

1.16 The key conclusions of the legal advice, which is attached in full as an exempt appendix under Appendices B and D, are that:

a. Whilst not definitive, the Regulations appear to imply that market conditions at the last valuation should be used when recalculating contributions (i.e. it is unclear, under the Regulations, whether post valuation experience can be allowed for. Our legal advisors' view is that if the intention was that post valuation experience could be allowed for then the regulations would have been explicit); and

b. That to satisfy the Fund's own Policy on contribution reviews, in order to conduct a review requested by the Council as a scheme employer, the request must be triggered by a significant change in its liabilities; and/or a significant change in the ability of the Council to meet its obligations to the Fund. Of the changes listed in the Policy (which are not exhaustive), the following appear to be the most relevant to the Council:
    - A change in its immediate financial strength; and/or
    - A change to its longer-term financial outlook.

1.17 The implications of 1.16 b) are considered in paragraphs 1.19 to 1.31 below.

1.18 Note the legal advice confirms that the requirement under 1.16 b) above is stronger than the strict regulatory position under Regulation 64A of the LGPS 2013 regulations, which only requires an employer to ask for a review and for a fund's FSS to set out its Policy for conducting reviews (both these conditions have been met) – i.e. if 1.16 b) above presents a practical barrier to conducting the review, but that the Committee are sympathetic to the request more generally, it may be possible to amend the Policy within the bounds of the Regulations – this is considered further under 1.29 to 1.31 below. This would not remove the need for the Committee, representing the Administering Authority, to still require strong reasons from the Council to accept such a request.

Financial Strength of a council

1.19 The question of "financial strength", as it applies to a tax raising body such as a Local Authority is complex and nuanced. The Fund's contribution review Policy, as noted above under 1.16 b), allows a contribution review if the employer can demonstrate either, amongst other things not relevant to this request, "a change in its immediate financial strength and / or change to longer-term financial outlook". Within the Policy, these events are cited as examples of a broader condition which is "a significant change in the ability of the employer to meets its obligations to the Fund".

Meaning of "obligations"

1.20 Clearly, a council must meet its statutory obligations, however, this does not mean a council cannot face a difficult financial situation where it would be prudent to review how any statutory obligations are met. For example, the Council is facing immediate financial pressures of a projected £26m overspend for 23/24 and a savings gap of around £100m over the next 6-years. The Council is also experiencing a "changed" longer-term financial outlook, demonstrated by lower projected level reserves relative to 22/23 levels. All things being equal, this now means the Council will have a shallower range to absorb future financial shocks without relying on increasing taxes or central government support.

1.21 Our legal advisors have advised that where the Policy refers to an employer request being triggered by a 'significant change in the ability of the Scheme employer to meet its obligations to the Fund', a Scheme Employer's "obligation" are wide and varied under the Regulations. However, in this context, the primary obligation is the requirement to pay employer contributions in accordance with the rates and adjustments certificate rather than to meet benefit payments (as meeting benefit payments is a Fund obligation not an employer obligation as LGPS benefits are guaranteed by the statutory regulations).

1.22 Our legal advisors have further advised that the Policy, as currently drafted, requires a significant change in an employer's ability to meet its obligations to the Fund (rather than an absolute inability to meet its obligations).

1.23 This means that "ability to meet obligations" should be read as the requirement to pay contributions and a change in ability to pay should not be inferred as an inability of the Council to pay. More detailed explanation of this can be found in a supplementary legal paper (exempt item Appendix D.)

A council's need to operate to a balanced budget

1.24 Note that councils are not permitted to borrow to meet revenue expenditure and so if reserves drop significantly the only options to a council to manage its budget would be to reduce service expenditure, increase fees / charges and / or increase taxes. The ability to do this in the short-term may be limited and have negative consequences on residents and users of services.

1.25 Viewed through this lens, the Committee may consider the Council's ability to meet its obligations (i.e. contributions in this context) within a balanced budget to have changed significantly in the short-term – the Council has indirectly asked the Committee to prioritise utilising cash to useable reserves over funding a pension deficit which, the Fund Actuary has estimated as at 30 September 2023, no longer existed – this doesn't seem like an unreasonable request in the broader context and spirit of the contribution review Policy and, clearly, from a tax payer perspective, it may not be appropriate to actively overfund the Pension Fund over the period 24/25 to 25/26, whilst relying on useable reserves to meet revenue expenditure.

1.26 In terms of further context on this point, we are aware of another council, who had entered into a S114 situation, reviewed its Rates & Adjustment certificate – i.e. it took steps to reshape its obligation towards its Pension Fund. There is no suggestion that the council in question was not able to meet its obligation to pay contributions, but, clearly, in a S114 situation, its ability to meet its obligation had changed and so a decision was taken to change the pace at which it met its pension obligations (contributions).

1.27 To be clear, there is no suggestion from the Council that a S114 situation is imminent or even likely. However, any responsible council would want to take pre-emptive steps to improve financial resilience to mitigate the likelihood that a S114 notice would be necessary in the future.

PFC item considering 2021 Review Policy

1.28 Officers have revisited the Pension Fund Committee paper, which introduced the contribution review Policy in 2021 (linked), and there does not appear to be any specific reference to how "change in ability of the employer to meet obligations" should be interpreted in a scenario involving a request being made by the Council. It is very likely that a scenario where the Council is the employer to request a review was not considered in detail and so was not well captured by the Policy. On the other hand, if, at the time, the Committee felt that Council should not be captured by its own Policy, then it could have made this explicit, but did not do so.

Reviewing the Policy to give clarity

1.29 As noted under 1.18 our legal advisors have confirmed that in referencing a 'change in the ability of the Scheme employer to meet its obligations' when an employer makes a request, the Policy goes further than what is strictly required by either the Regulations or the SAB guidance.

1.30 However, if the Committee feels that its own Policy's reference to the meaning of "obligations" is unclear, then it may be sensible to amend the Policy to clarify the position in a scenario where the request is made by a tax-raising body.

1.31 Our legal advisors have confirmed that this would be an acceptable approach – i.e. for the Committee to agree to the request for a review and at the same time ask officers to clarify the Policy for a situation when the request is made by a tax-raising body. The Committee would, of course, still need to have strong reasons to accept such a request. More details of the legal framework for an LGPS fund to amend its contribution review Policy can be found in a supplementary legal paper (exempt item Appendix D.)

Actuarial Impact

1.32 At 31 March 2022 the Actuary calculated that, using the principles set out in the Fund's Funding Strategy Statement, an employer contribution rate of 27.4% would be sufficient, at a 70% probability of certainty, to meet all accruing benefits and ensure the Fund was at least 100% funded within a 17 year time-frame.

1.33 This rate was 1.5% lower than the 28.9% rate that the Council was paying at the time. Rather than taking the full reduction, the Council then decided to reduce its rate to 28.4% of salaries (i.e. reduce by 0.5% but paying 1% more than the Actuary strictly required). The rationale of this was for stability reasons and the S151 officer was able to meet this contribution requirement within a broadly balanced budget – to a degree this demonstrates the significant change in financial situation of the Council since the Rates and Adjustment Certificate was certified.

1.34 The Actuary has said that, if instructed, they could review the contribution requirement, but as per the legal advice received, would not be able to allow for post valuation experience in the calculation. This means the Actuary would need to work to the following parameters when undertaking the analysis:

- The Fund must still target to be at least 100% funded within the 17 years time horizon using the same assumptions and approach agreed by the Pension Fund Committee through 2022 valuation process;
- That the long-term rate cannot be higher than 28.4% set by the Council through the 2022 valuation process (as was the level of long-term commitment that the Council indicated it would be prepared to make towards the Fund)

1.35 Given these parameters, the Actuary has confirmed that the following contribution pattern would be possible based on financial conditions at 31 March 2022.

Table 2. Actuarial Reprofiling Calculations

Period	23/24	24/25	25/26	26 – 40
Actuary allowable rate	27.4%	27.4%	27.4%	27.4%
Primary Rate (cost of benefits)	19.1%	19.1%	19.1%	19.1%
Reprofiled rate	28.4%	20.4%	20.4%	28.4%
Implied Secondary Rate	9.3%	1.3%	1.3%	9.3%

The full actuarial analysis is provided in Appendix C.

Comment:

- The reprofiled rate would allow an 8% reduction in contributions rates (from 28.4%) in 24/25 and 25/26. Based on a Council payroll of £80m this is worth around a £6.4m reduction. Note that the maintained schools also form part of the Council's pool and so the reduction would also apply to them (around £1.6m) – therefore the total reduction in cash towards the Fund would be around £8m p.a.
- An 8% reduction would still be greater than the Primary Rate of contribution (i.e. cost of future service benefits). This means that, despite the easement, there would still be a secondary rate contribution (i.e. very importantly, the easement would not contribute to a lower projected surplus relative to the position at 30 September 2023, indeed, given a modest Secondary Rate would still be paid, it would be expected that the surplus would grow marginally)

1.36 On this basis, it would appear that implementing a meaningful reduction in contributions may be possible (albeit the Committee would not be able to apply an easement towards the £8m level requested by the Council).

Safeguards

1.37 At the Pension Fund Committee meeting the Committee made it clear to the Council that implementing appropriate safeguards would be a key and necessary condition to any agreement to review contributions. Safeguards could fall under three broad areas:

- Ensuring that the Council has not "banked" any easement in its long-term financial planning
- Protecting the Fund in a scenario where the funding level deteriorates
- Providing a mechanism to modify any easement in a scenario where the Council's financial position changes dramatically (e.g. if an increase in Central Government funding is forthcoming, or, indeed, if the financial situation of the Council deteriorates further)

1.38 Note that 'security of member benefits' is not a concern in this context. Pension benefits are statutory in nature and guaranteed by the Regulations and so, in the extreme, would need to be funded through general council revenue via raising taxes or through Central Government support. Whether or not to agree to the Council's request therefore feels more like a question of responsible budgeting and not putting the Pension Fund in a position where it is required to increase contributions significantly in the future.

1.39 The table below considers each of these in turn and suggested mitigations:

Table 3. Mitigation Suggestions

	Importance	Suggested mitigation
a) Long-term budgeting	Very important – given wider pressures, may be difficult to recover "budget" if ceded	Council demonstrates commitment by setting long-term rate of pension contributions at 28.4% within its MTFS process. Note that there would be an actuarial valuation of the Fund at 1 April 2025 with a new contribution agreement effective from 1 April 2026. Clearly, if the current funding position persists it may not be appropriate that the Council continues to pay at 28.4%. However, in a downside scenario at 1 April 2025 (i.e. funding position has deteriorated significantly from current levels), the starting point for discussions would be 28.4%, not 20.4% of pay.
b) Funding Deterioration	Important – triennial review mitigates this impact to a degree, but if funding position unwinds, Committee could be heavily criticised for allowing an easement.	In discussions with Actuary, Officers understand that "hard coding" a catch-up mechanism within the revised Rates & Adjustment certificate could be difficult from a legal / regulatory perspective. A better approach would be to rely on the Fund's contribution review Policy – however, in order to do this the Policy would need to be amended as, currently, the only criteria for review are change in liabilities (not funding) and change in financial situation of the employer. As a control, the impact of any contribution easement shall be included part of the Fund's overall monitoring of investment performance.
c) Council financial situation changes significantly	Less important than 1) and 2) given triennial valuation process, fact more than Primary Rate of contribution is being paid and that the Council will need to commit to the longer-term rate of 28.4% within the MTFS.	Suggest no formal process implemented but Council reports to PFC each 6-months on financial performance – in the first instance this could be by referencing the quarterly reports that the Council makes to Overview & Scrutiny and Cabinet.

Need to consult

1.40 At the Committee meeting on 2 November, Committee members raised an important point around consultation and acting in a transparent way.

1.41 Our legal advisors have confirmed that, in relation to the request, there is a requirement under Reg 64A to consult the Council as the scheme employer making the request, but not all employers in the Fund or other parties.

1.42 The Administering Authority could consult more widely but there is no legal reason to do so unless the FSS / Policy is being updated also.

1.43 Our legal advisors have further confirmed that to the extent the FSS/Policy is revised then there would be a requirement to consult "such persons" as the administering authority considers appropriate. The DLUHC guidance from March 2021 on FSS requirements states they expect all Fund employers to be included in any consultation on changes to the FSS relating to the new powers.

1.44 As the Contribution Review Policy forms part of the FSS, any change to the Contribution Review Policy (as referred to under 1.29 to 1.31 and table 3 c) would constitute a change to the FSS. However, to the extent the Contribution Review Policy is amended, it would only impact tax raising bodies and the Council is the only tax raising body within the Fund.

1.45 It may therefore be argued that the only party that would be impacted by any change to the Policy would be the Council. However, taking into account the views of the Committee, and legal advice received, it would be appropriate to consult with all employers in the Fund on any proposed change to the contribution Policy and so any agreement by the Committee on this issue must be subject to that consultation. Officers may also use this as an opportunity to give greater clarity within the Policy on consultation requirements for any future reviews.

1.46 Legal commentary on the impact of reviewing our Policy is provided in Appendix D.

1.47 In addition, and recognising feedback from the Committee, it would also be important to engage with other key stakeholders, including pension fund members, Unions, DHULC, GAD, and the LGA. If any contribution adjustment is agreed, then officers will implement a communication plan on this issue to relevant stakeholders.

Other considerations

Net cashflow position of the Fund

1.48 The Fund has been able to rely on contributions to meet pension outgo (i.e. not required to disinvest assets to meet benefit outgo). It is likely that if an 8% reduction in contributions is provided then the Fund would need to rely on some modest levels of investment income to meet benefit payments (c£2m p.a. or yield equivalent to 0.1% of the Fund).

1.49 This should not be a concern as the whole purpose of a funded pension scheme is to utilise its assets to meet benefit outgo. As highlighted in the July investment strategy review paper, Officers will develop a longer-term strategic plan around how contributions and income yield from assets should be utilised to meet benefit outgo whilst new contributions can be put to work in take advantage of an illiquidity premium and higher expected returns from taking a longer-term view.

Treatment of other employers

1.50 Given 1.45 above, the Committee may expect other employers (or group of employers) to make similar requests. As per its Policy, the Committee should be open to such requests, although other employers do not have the same covenant profile as the Council and different actuarial approaches apply to different employer groups. This means that the outcome of such a review applied to different employers may not be the same.

1.51 It will also be a requirement for costs associated with the requests to be met by the employer.

1.52 One very important point is that the Council (and maintained schools) operate within a separate pool to other employers within the Fund where assets are separately tracked and notionally ring-fenced. This means that the proposal does not have any financial impact on the funding level of other employer pools within the Fund.

Wider scrutiny

1.53 Whilst, we understand, other Local Authorities are investigating a reduction in contributions, Barnet is likely to be amongst the first to implement a change. The position may therefore attract scrutiny from third parties. Officers will work with the Council's communications team so any media coverage can be responded to quickly and a set of "Key Facts" are put together in order to aid any need to respond to requests.

Conflicts of interest

1.54 The Council acknowledges that, as Administering Authority, it may be placed in a position of conflict in considering this request. The Council has sought to manage this through the following protocols:

Decision making:

- The request has been made by the Head of Paid Services (not the S151 Officer), effectively representing the Council
- The response to the request has been considered and responded by the Head of Pensions and Treasury (not the S151 Officer) who has represented the interests of the Pension Fund Committee (working closely with the Chair of the Pension Fund Committee in responding to the request)

More broadly:

- Actuarial and Legal Advice has not been shared with the Head of Paid Services or S151 officer before publication of this report
- This report has been cleared by the Assistant Director for Finance not the S151 Officer

The Committee's Terms of References is linked.

Recommendation

1.55 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 Policy on contribution reviews and actuarial advice, the Head of Pensions and Treasury makes the following recommendation to Committee:

- Due to the financial pressures presented by the Council and its projected reduction in reserves, and subject to the points below, that the contribution rate profile 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 is subject to:

- The Council agreeing to implement the mitigations suggested in Table 3.
- That the Fund's contribution review Policy is amended to clarify what "ability to meet obligations" means in the context of a tax raising body and also to allow the Committee to review contributions in a scenario where the Committee sees fit (addressing the points in this paper under 1.20 to 1.23 and table 3 c)). Note that the Administering Authority is required to consult on any changes to the review Policy with other employers in the Fund as it forms part of the FSS and so any agreement to amend contributions would be subject to this consultation process.

1.56 Finally, given wider pressures faced within the Local Authority sector, practice in this area is likely to emerge. Officers are unaware of the exercise of this new power by other LGPS funds to date in a situation where a S114 has not been served. In forming its recommendations, Officers have taken a relatively cautious approach, specifically in relation to not allowing for post valuation experience and setting the upper bound of contributions to 28.4%. If practice, or guidance, emerges which suggest alternative approaches then Officers may wish to revisit this decision. Conversely, if practice and / or guidance emerges that suggests the approach taken by Officers is inappropriate, we may, again, need to revisit this recommendation.

2. Alternative Options Considered and Not Recommended

A summary of options considered but not recommended is provided in the table on the following page:

Option	Detail	Why not taken forward
No review conducted	This would apply if the request from the Council was not allowed under the regulations and / or the Fund's Policy.	As detailed under 1.29 to 1.31, the Policy may not be clear in a situation where the request is being made from a tax raising body. Officers, on balance, felt that the financial position presented by the Council does represent a significant change and also that there could be very negative consequences for the Council if its reserves drop to very low levels. Officers have also been given comfort from its legal advisors that "obligation" means requirement to pay contributions (rather than the requirement to pay benefits) and that a "change" in ability to pay contributions does not mean an inability to pay. Therefore, it was felt that it would be appropriate to conduct a review, but would also recommend that the criteria for "significant change in ability to meet obligations" is clarified within the Fund's Policy to includes the ability for the Council to operate statutory services within a balanced budget plus a certain level of reserves.

No contribution change after conducting a review	After considering the actuarial advice the Committee decide that no change is appropriate (even if the grounds for a request are reasonable)	Actuarial advice confirms that there is scope to provide a contribution easement within the parameters of the 2022 FSS. Whilst not allowable in the actuary's technical calculation, our legal advice has confirmed that the Committee can take into account the funding situation at the time of making the decision whilst acknowledging that this could change before the next Fund valuations in 2025. Given the significant funding improvement since the valuation date, it was felt that this option is not appropriate (as the surplus would increase whilst Council's reserves are deteriorating), which would not be prudent financial management of the Council's resources. This implies, equally, that if the Fund had experienced a reduction in funding since the valuation date it would have been less easy to agree to the request.
Easement less than 8%	The Actuary has presented 8% as the maximum – the Committee could agree to lower easement	Officers felt that agreeing to a lower easement than implied by the Actuary's calculation would be arbitrary and not consistent with the FSS. The Council's agreement to pay more than the actuary's rate reflected scenario where it was able to meet this higher contribution rate within a balanced budget, which it now cannot do.

Easement of more than 8%	It may be possible to agree to a higher easement, but this would mean adjusting the 2022 FSS and / or asking the Council to commit to a higher long-term rate than 28.4%	Officers, in consultation with the Actuary felt that this would be a more risky approach and may attract negative comment and scrutiny. This is because adjusting the actuarial aspects to the FSS may be more problematic under the Regulations and require more detailed consultation and that the Actuary felt that targeting a rate greater than 28.4% from 1 April 2026 would not be consistent with the LGPS's stabilisation principles (as well as the Rates & Adjustment certificate only covering the period to 31 March 2026, and so the Actuary would have no legal certainty that the rate would, indeed, increase beyond 28.4%)

3. Post Decision Implementation

3.1 Further legal and actuarial advice may be required before any decision can be implemented.

3.2 Implementation will also be subject to any consultation on changes to the Fund's Policy on Contribution Reviews.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

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

Corporate Performance / Outcome Measures

4.2 Not applicable in the context of this report.

Sustainability

4.3 The recommendation would, all things being equal, help the Council retain a higher level of useable reserves which increases overall sustainability.

Corporate Parenting

4.4 Not applicable in the context of this report.

4.5 Council, in setting its budget, considers the Corporate Parenting Principles both in terms of savings and investment proposals. The councils proposal seeks to protect front line social work and services to children in care and care leavers by finding alternative savings.

Risk Management

4.6 Officers have taken extensive legal and actuarial advice to manage the risks associated with this request.

4.7 Officers have also engaged informally with the LGA and DHULC although, to be clear, neither the LGA nor DHULC have signed off on the details of this paper (nor would they be able to).

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 Overfunding the Pension Fund whilst the Council faces significant budgetary pressures impacting its useable reserves position may not be considered an efficient use of resources.

6. Legal Implications and Constitution References

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

6.2 The terms of reference for the committee includes: "To have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund".

7. Consultation

7.1 Paragraphs 1.40 to 1.47 sets out the consultation considerations related to this Paper.

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 Council's original request made at 2 November 2023 Pension Fund Committee meeting: Temporary Easement In Contribution

9.2 Overview and Scrutiny – 4 Sept 2023 – Q1 financial performance: (Public Pack)Q1 Financial Performance Agenda Supplement for Overview and Scrutiny Committee, 04/09/2023 19:00 (moderngov.co.uk)

9.3 Pension Fund Committee paper which introduced the contribution review Policy in 2021 (linked)

London Borough of Barnet Pension Fund

Funding update report at 30 September 2023

This report is addressed to the Administering Authority of the London Borough of Barnet Pension Fund. This document should be read in conjunction with the fund's current Funding Strategy Statement.

The purpose of this report is to provide the funding position of the London Borough of Barnet Pension Fund as at 30 September 2023 and show how it has changed since the previous valuation at 31 March 2022. This report has not been prepared for use for any other purpose and should not be so used. The report should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. Hymans Robertson LLP accept no liability where the report is used by or disclosed to a third party unless such liability has been expressly accepted in writing. Where permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses the advice and the basis on which it is given.

The figures presented in this report are prepared only for the purposes of providing an illustrative funding position and have no validity in other circumstances. In particular, they are not designed to meet regulatory requirements for valuations.

This report also contains the data and assumptions underlying the results and the reliances and limitations which apply to them.

1 Results

1.1 Funding position update

The table below shows the estimated funding position at 31 March 2022 and 30 September 2023.

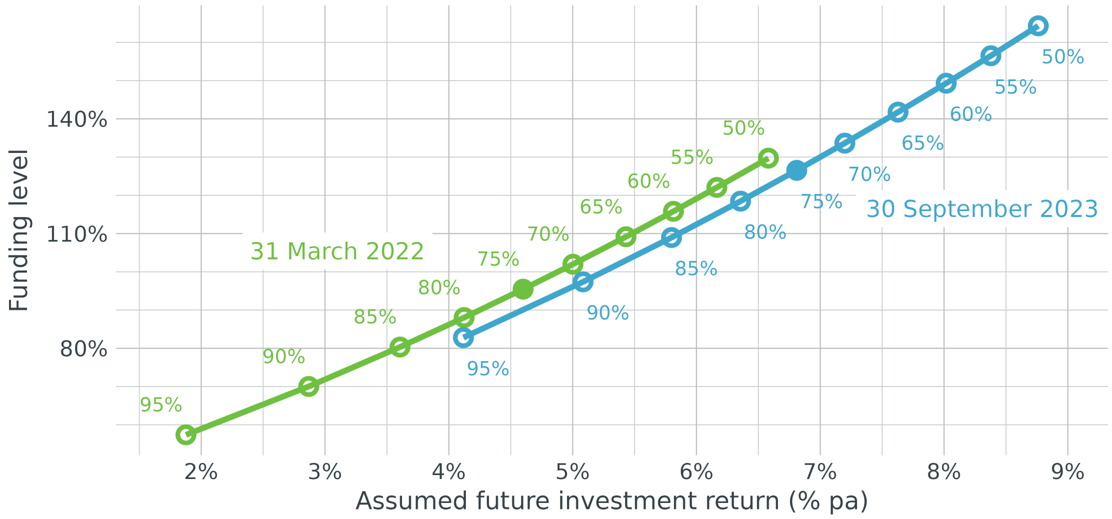
Please note that the asset value at 30 September 2023 shown in this report may differ to the actual asset value at that date because it is an estimate based on estimated cashflows (see section 3.2) and estimated investment returns (see section 3.3). However, the estimated value is consistent with the liabilities and therefore gives a more reliable estimate of the funding position than the actual asset value at the same date.

The table also shows what assumed investment return would be required at each date for the deficit to be exactly zero, along with the likelihood of the investment strategy achieving this return. An increase in this likelihood corresponds to an improvement in the funding position.

Monetary amounts in £bn	Ongoing basis	
	31 March 2022	30 September 2023
Assets	1.50	1.49
Liabilities		
– Active members	0.45	0.34
– Deferred pensioners	0.40	0.27
– Pensioners	0.72	0.58
Total liabilities	1.57	1.18
Surplus/(deficit)	(0.07)	0.31
Funding level	95%	127%
Required return assumption (% pa) for funding level to be 100%	4.9%	5.3%
Likelihood of assets achieving this return	72%	89%

1.2 Funding level range chart

The chart below shows how the funding level varies with the assumed rate of future investment returns, comparing the position at 31 March 2022 with the updated position at 30 September 2023 . The percentages next to each point show the likelihood of the investment strategy achieving that return (for further details see section 3.4). The solid coloured point indicates the assumed future investment return and funding level on the Ongoing basis.



1.3 Funding level progression

The chart below shows the estimated funding level (ratio of assets to liabilities) over time between 31 March 2022 and 30 September 2023. It allows for changes in market conditions and other factors described in Appendix A. If the fund has moved to a different basis since 31 March 2022 this may give rise to step changes in the funding level on the date of the change.

2 Next steps

2.1 Understanding the results

The results at 30 September 2023 in this report are estimates based on rolling forward the fund's funding position from 31 March 2022. You should understand the methodology and limitations of this approach described in appendices A and B.

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Please also bear in mind that the information is estimated and consider other factors beyond the funding level or surplus/deficit. These could include, but are not limited to, changes to investment strategy, membership profile and covenant strength (where relevant).

Please get in touch with your usual Hymans Robertson contact if you wish to discuss the results in this report further.

3 Data and assumptions

3.1 Membership data

The membership data underlying the figures in this report was supplied by the fund for the purpose of the valuation at 31 March 2022 and is summarised below:

31 March 2022	Number	Average age	Accrued benefit (£k pa)	Payroll (£k pa)
Active members	7,214	54.4	28,972	176,864
Deferred pensioners	13,113	53.1	23,575	
Pensioners and dependants	8,808	69.7	48,660	

The membership is assumed to evolve over time in line with the demographic assumptions described in the Funding Strategy Statement. Please see Appendix A for details of the rollforward methodology which includes the estimated changes in membership data which have been allowed for.

3.2 Cashflows since the valuation at 31 March 2022

We have allowed for the following cashflows in estimating the assets and liabilities at 30 September 2023. Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2022. Benefits paid are projections based on the membership at 31 March 2022.

Estimated cashflows (£k)	31 March 2022 to 30 September 2023
Employer contributions	77,012
Employee contributions	18,865
Benefits paid	90,355
Transfers in/(out)	0

3.3 Investment returns since the valuation at 31 March 2022

Investment returns are based on actual returns where available and index returns otherwise.

Investment strategy	Actual/index	From	To	Return
Whole fund	Actual	1 April 2022	30 June 2023	(1.22%)
Whole fund	Index	1 July 2023	30 September 2023	0.34%

The total investment return for the whole period is (0.89%).

3.4 Financial assumptions

The financial assumptions used to calculate the liabilities are detailed below. For further details please see the Funding Strategy Statement.

Assumption	31 March 2022	30 September 2023
Funding basis	Ongoing	Ongoing
Discount rate methodology	Expected returns on the Whole Fund strategy over 20 years with a 75% likelihood	Expected returns on the Whole Fund strategy over 20 years with a 75% likelihood
Discount rate (% pa)	4.6%	6.8%
Pension increase methodology	Expected CPI inflation over 20 years with a 50% likelihood	Expected CPI inflation over 20 years with a 50% likelihood
Pension increases (% pa)	2.7%	2.3%

Salary increases are assumed to be 1.0% pa above pension increases, plus an additional promotional salary scale.

3.5 Demographic assumptions

Demographic assumptions are set out in the Funding Strategy Statement. All demographic assumptions, including longevity assumptions, are the same as at the most recent valuation at 31 March 2022.

Life expectancies from age 65, based on the fund's membership data at 31 March 2022, are as follows. Non-pensioners are assumed to be aged 45 at that date.

Life expectancy from age 65 (years)	Ongoing basis	
	Male	Female
Pensioners	21.9	24.7
Non-pensioners	23.1	26.2

Appendix A - Technical information

A.1 Funding update methodology

The last formal valuation of the fund was carried out as at 31 March 2022. The results in this report are based on projecting the results of this valuation forward to 30 September 2023 using approximate methods. The rollforward allows for

- estimated cashflows over the period as described in section 3.2;
- investment returns over the period (estimated where appropriate) as described in section 3.3;
- changes in financial assumptions as described in section 3.4;
- estimated additional benefit accrual.

The CARE, deferred and pensioner liabilities at 30 September 2023 include a total adjustment of 7.2% to reflect the difference between actual September CPI inflation values (up to 30 September 2022) and the assumption made at 31 March 2022. The adjustment for each year's actual inflation is applied from 31 October that year, cumulative with prior years' adjustments, which may lead to step changes in the funding level progression chart.

In preparing the updated funding position at 30 September 2023 no allowance has been made for the effect of changes in the membership profile since 31 March 2022. The principal reason for this is that insufficient information is available to allow me to make any such adjustment. Significant membership movements, or any material difference between estimated inputs and actual ones, may affect the reliability of the results.The fund should consider whether any such factors mean that the rollforward approach may not be appropriate.

No allowance has been made for any early retirements or bulk transfers since 31 March 2022. There is also no allowance for any changes to Local Government Pension Scheme (LGPS) benefits except where noted in the formal valuation report or Funding Strategy Statement.

A.2 Sensitivity of results to assumptions

The results are particularly sensitive to the real discount rate assumption (the discount rate net of pension increases) and the assumptions made for future longevity.

If the real discount rate used to value the accrued liabilities was lower then the value placed on those liabilities would increase. For example, if the real discount rate at 30 September 2023 was 1.0% pa lower then the liabilities on the Ongoing basis at that date would increase by 17.1%.

In addition, the results are sensitive to unexpected changes in the rate of future longevity improvements. If life expectancies improve at a faster rate than allowed for in the assumptions then, again, a higher value would be placed on the liabilities. An increase in life expectancy of 1 year would increase the accrued liabilities by around 3-5%.

Appendix B - Reliances and limitations

The last formal valuation of the fund was carried out as at 31 March 2022 and these calculations rely upon the results of that valuation. The reliances and limitations that applied to that valuation apply equally to these results. The results of the valuation have been projected forward using approximate methods. The margin of error in these approximate methods increases as time goes by. The method may not be appropriate if there have been significant data changes since the previous formal valuation (for example redundancy exercises, significant unreduced early retirements, ill health retirements and bulk transfers). The methodology assumes that actual experience since the valuation at 31 March 2022 has been in line with our expectations.

The data used in this exercise is summarised in section 3. Data provided for the purposes of the formal valuation at 31 March 2022 was checked at the time for reasonableness and consistency with other sources. Data provided since then (eg actual investment returns) has been used as-is. The data is the responsibility of the Administering Authority and the results rely on the data.

The results in this schedule are based on calculations run on 26 October 2023 using the data set out in section 3. Any other factors coming to light after this report was prepared have not been allowed for and could affect the results. If any data has materially changed since 26 October 2023 the results could be materially different if they were recalculated.

Some financial assumptions may be based on projections from our Economic Scenario Service (ESS) model which is only calibrated at each monthend. Results between monthends use the latest available calibration, adjusted in line with the movement in market conditions. This adjustment is approximate and there may be step changes at monthend dates when a new ESS calibration is factored in.

The methodology underlying these calculations mean that the results should be treated as indicative only. The nature of the fund's investments means that the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than the date shown.

As with all modelling, the results are dependent on the model itself, the calibration of the underlying model and the various approximations and estimations used. These processes involve an element of subjectivity and may be material depending on the context. No inferences should be drawn from these results other than those confirmed separately in writing by a consultant of Hymans Robertson LLP.

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Hymans Robertson LLP accepts no liability if any decisions are based solely on these results or if any action is taken based solely on such results.

This report complies with the relevant Technical Actuarial Standards.

By virtue of paragraph(s) 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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HYMANS ROBERTSON

London Borough of Barnet Pension Fund

London Borough of Barnet – Contribution Review

November 2023

Steven Scott

Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP

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2 Introduction

I understand that the London Borough of Barnet ("the Employer") has requested their contribution rate to be reviewed under Regulation 64A of the LGPS Regulations 2013 ("the Regulations") and that the London Borough of Barnet Pension Fund ("the Fund") is considering the Employer's request for review.

As a result, I have been commissioned by the London Borough of Barnet in its role as Administering Authority to the Fund to set out my views on revising the Rates and Adjustments Certificate issued as part of the 2022 formal valuation of the Fund as required under Regulation 64A(2b).

The advice in this report is addressed to the London Borough of Barnet in its role as the Administering Authority to the Fund and should not be shared with any third parties without our prior written consent. Where permitted, this report may only be released or otherwise disclosed in its entirety, fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications). A copy of this report may be shared with the London Borough of Barnet in its capacity as an employer in the Fund.

Please note that Hymans Robertson (and myself) accept no liability to any third parties. The conditions, reliances and limitations in the body and appendices of this report apply equally to all users of this report.

3 Background

General

I understand the Employer has requested a review of their contribution rates under Regulation 64A. The Regulations and Fund policies in respect of contribution rate reviews are set out below.

Regulation 64A

Under the Regulations the Administering Authority may review employer contribution rates between formal valuations for any employer where one of a set of conditions is met. These conditions are set out in Regulation 64A and are summarised below:

- The Fund has a policy on amending contribution rates between valuations set out in its funding strategy statement; and
- One of the following is met:
  - It appears likely that the amount of liabilities arising or likely to arise has changed significantly;
  - It appears likely that there has been a significant change in the ability of an employer to meet its obligations to the Fund; and/or
  - An employer requests a review of their contributions and undertakes to meet the costs of the review.

The Fund sets out its policy on contribution reviews its policy dated 26 July 2021. Please let me know as soon as possible if this policy has been superseded.

I understand the Employer has requested a review of their contributions and has undertaken to meet the costs of the review.

Fund's policy

The Fund's Contribution review policy sets out the Fund's policy on contribution rate reviews. It sets out that any employer request for review must be triggered by one of the following conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

I understand the Employer has requested a review due a significant change in their ability to meet their obligations and has substantiated this request by providing evidence to the Fund of their change in circumstances.

Administering Authority Conclusion

I understand the Fund have yet to decide if the conditions of Regulation 64A have been met and that a formal contribution review may take place.

I have been asked to provide advice on the basis that the Fund will determine that a contribution review may take place. As such, the advice in this report is **for information only**, unless the Fund determine that a review of contribution rates under Regulation 64A is appropriate.

I reserve the right to review and alter my advice following the Fund's determination, to allow for any factors arising between now and the date of any future determination.

4 Actuarial Approach

General Comments

In carrying out a review of the contribution rate for the Employer, the Fund and myself must take into account the Fund's current Funding Strategy Statement.

In addition, the Scheme Advisory Board has published guidance in respect of contribution rate reviews.

Funding Strategy Statement

When reviewing the contribution rates for the Employer, I am required to have reference to the Fund's Funding Strategy Statement. The Employer is categorised as a Local Authority which means their contribution rate is set with reference to the following parameters:

- The 'ongoing' funding target;
- The time horizon over which the Fund considers the Employer rate can be no more than 17 years.
- Minimum likelihood of full funding at the end of the time horizon must be at least 70%.

The above parameters are unchanged since the current contribution rate in payment was certified as part of the 2022 formal valuation.

The Fund's contribution review policy also sets out the following requirements:

- Unless an update is deemed more appropriate by the Fund Actuary (e.g. where an employer is targeting exit from the Fund), the market conditions will be in line with those at the most recent actuarial valuation.
- Assets allocated to the employer - To be calculated either as at the date of the most recent triennial valuation or the date of review as determined by the Actuary as appropriate.

This indicates that changes in market conditions since the previous valuation should not be allowed for in respect of reviewing the Employer's rate.

Further, to ensure consistency with the value of the liabilities, the assets allocated to the employer at the 2022 valuation date will be used in this contribution rate review.

Scheme Advisory Board Guidance

While Scheme Advisory Board guidance is not mandatory, it is intended to represent best practice.

Question 6, paragraph b1 sets out that changes in economic and/or demographic conditions since the last Fund valuation should not be taken into account when carrying out a review. Exceptions to this are:

- The Administering Authority believes it is in the best interests of the Fund to do so;
- As a result of transfers of liabilities and notional assets between employers in the Fund, market related calculations are required; or
- There has been a change in employer covenant.

I understand the Administering Authority believes that none of these exceptions apply. This further suggests that changes in market conditions since the previous valuation should not be allowed for in respect of reviewing the Employer's contribution rate.

Other interested parties

It should be noted that contribution rate reviews for Local Authority employers have been exceedingly rare. I am mindful GAD and DLUHC are in the process of carrying out their Section 13 valuations and it is not clear how they may view a rate review within these valuations. Any change in rates should be weighed against the potential views of these authorities. We may receive more clarity on this in the near future.

Conclusion

In carrying out a review of the Employer's contribution rate, I am limited to re-examining the contribution rate set as part of the 2022 valuation and should ignore any changes in market conditions since.

5 Analysis and Key Considerations

Background Papers

In carrying out my review, I have referenced the following documents from the 2022 valuation of the Fund:

- The Fund's Funding Strategy Statement;
- The Fund's 2022 valuation report; and
- The Fund's Contribution review policy dated 26 July 2021.

Please refer to these documents which set out the data, assumptions and methodologies underpinning my overall advice. The reliances, limitations and caveats within these papers and advice apply equally to this report.

As set out in Section 3, I have not allowed for any changes in data, assumptions or market conditions. Therefore, my review is limited to a re-examination of the 2022 valuation results.

Contribution Rate – 2022 Valuation

As part of the 2022 valuation of the Fund, a full review of the Fund's funding strategy was carried out. As the Employer is responsible for most of the Fund's liabilities, particular emphasis was placed on how the Employer's rate would be set at this valuation with the objective of achieving a stable contribution rate.

In carrying out the review, we modelled the effect of setting a fixed contribution rate at the level where this led to a 70% likelihood that payment of this amount would lead to full funding at the end of the 17 year time horizon.

This analysis showed that a rate of 27.4% (which includes 1% of pay for expenses) would be sufficient to ensure that the Employer was fully funded at the end of the 17 year time horizon with a 70% probability of success. However, a rate of 28.4% was set with agreement of the Employer, as this reflected a more gradual reduction from the rate in payment in 2022/23. As such, the rate being paid by the Council is slightly higher than the minimum rate that may have been set based on strict application of the funding parameters set at the 2022 valuation (as documented in the Funding Strategy Statement).

Current Contribution Rates

Based on the above, a total employer contribution rate of 28.4% pa was set for the three year period from 1 April 2023 to 31 March 2026;

- 2023/24 – 19.1% of Pay Primary, plus 9.3% Secondary.
- 2024/25 – 19.1% of Pay Primary, plus 9.3% Secondary.
- 2025/26 – 19.1% of Pay Primary, plus 9.3% Secondary.

Revisiting the Employer contribution rates payable

As is noted above, the rate being paid by the Council is slightly higher than the minimum rate that may have been set based on strict application of the funding parameters set at the 2022 valuation. As such, it would have been possible to set a lower contribution rate for the Employer at the 2022 valuation, based on the Fund's contribution strategy.

If the Fund determine that a review of contribution rates under Regulation 64A is appropriate, there are two ways in which rates may be revised:

1. Set the revised Employer contribution rate based on a strict application of the funding parameters set out in the Funding Strategy Statement. **This would lead to a revised Employer rate of 27.4% of pay**, which would be a 1% of pay reduction relative to that shown in the Rates and Adjustments certificate.

2. Apply a **temporary easement** to the Employer contribution rates over the existing period of the Rates and Adjustments Certificate.

Temporary easement in contributions

I understand that the Employer has asked the Fund to consider a temporary easement in the Employer contribution rate, such that the long term rate payable by the Employer remains at the level set at the 2022 valuation (28.4% of pay).

I have determined the maximum two-year easement which may be permitted to ensure that the resulting contribution rates meet the requirements set out in the Funding Strategy Statement, specifically, to provide a 70% probability of the Employer being fully funded on the ongoing valuation assumptions at the end of the 17 year time horizon.

The calculated two-year easement has been calculated such that the present value of expected future contributions under this contribution pattern is equal to the present value of contributions that would be payable based on a strict application of the 2022 valuation funding parameters (i.e. 27.4% of pay), based on the assumptions set at the 2022 valuation.

Based on this approach, the calculated easement is 8% pa of pay in 2024/25 and 2025/26.

Summary

The table below sets out the current contributions payable by the Employer, and the revised contribution that may be payable under the two options identified in this report.

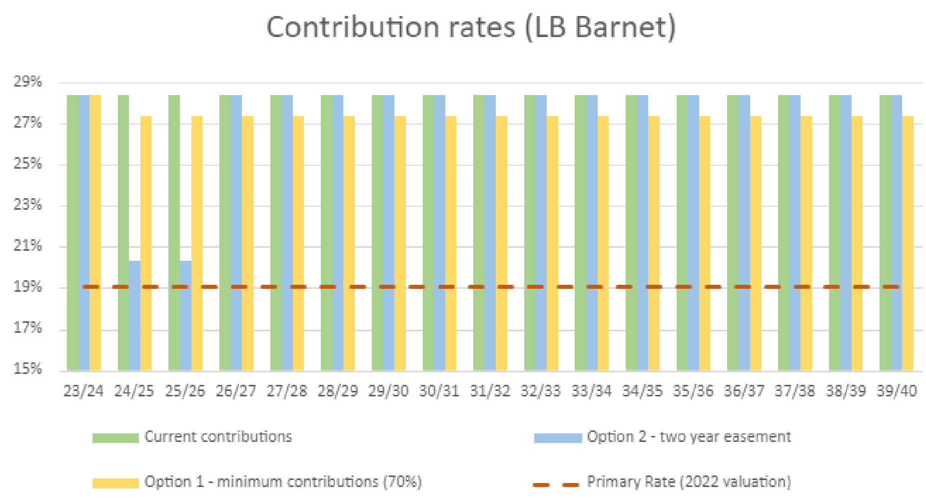
	Current certified rates	**Option 1 2022 minimum contributions**	**Option 2 Two-year easement**
2023/24	28.4%	28.4%	28.4%
2024/25	28.4%	27.4%	20.4%
2025/26	28.4%	27.4%	20.4%
2026 – beyond	28.4% pa	27.4% pa	28.4% pa
Probability of full funding at the end of 17 year time horizon	71%	> 70%	70%

Please note the following in respect of the above table:

- Under options 1 and 2, rates are assumed to change with effect from 1 April 2024.
- Rates shown from 1 April 2026 are set for the purpose of determining the probability of the Employer being fully funded at the end of the time horizon. Actual contribution rates payable from 1 April 2026 to 31 March 2029 will be set at the 2025 valuation.
- Option 1 reflects a reduction in prudence from that underlying the contribution rates agreed at the 2022 valuation and currently certified in the Raes and Adjustments Certificate. The probability of success is slightly higher than 70% due to the payment of 28.4% in 2023/24.
- Option 2 shows the contributions payable allowing for the maximum 2-year easement permitted to ensure that the resulting contribution rates have a 70% probability of the Employer being fully funded at the end of the 17-year time horizon.

For the avoidance of any doubt, all contribution patterns illustrated in the above table are consistent with the minimum requirements of the funding strategy set out in the Funding Strategy Statement.

An illustration of the contribution rate patterns modelled is shows in the chart below.



The revised contribution rates under both options are greater than the Primary Rate set at the 2022 valuation. Specifically, the lower contributions payable during the two year easement period (under option 2) are sufficient to meet the assessed cost of benefit accrual at the 2022 valuation.

Other contribution patterns may be possible, but I have not been asked to model these. Any contribution pattern that leads to higher rates than those illustrated over the two year easement period would result in an increase in the probability of success.

6 Other considerations

I have set out below other matters the Fund may wish to consider when making a decision on any revised contribution pattern for the Employer.

Net cashflow position

I understand the Fund expects to be broadly cashflow neutral in 2023/24 (ie the level of contribution income is broadly equal to benefit payments, excluding the effect of transfers). Due to the effect of the 2024 Pension Increase order, which is expected to be 6.7%, it is likely that the Fund will be cashflow negative in 2024/25 and beyond.

Any reduction in contributions will lead to a greater gap between contribution income and benefit payments, with the gap being greater in the short term if a two year easement in contributions (option 2) is applied.

Any reductions in contributions by the Employer (the largest source of contributions in the Fund) could warrant a review of the Fund's cash needs and investment strategy in order to ensure there is sufficient cash available to pay pension benefits.

Future contribution rate reviews

Contribution rates will next be reviewed at the 2025 valuation, at which time rates for the period 1 April 2026 to 31 March 2029 will be set.

Rates will be set in line with the Funding Strategy set by the Fund at that time, and a key element of this will be to ensure that the resulting contributing rates are stable. The starting point for rates payable by the Employer from 1 April 2026 will be the rates set out in the table in the previous section.

The Fund may wish to monitor the financial position of the Employer and/or the funding position of the Employer in the Fund, as part of any agreement to review contribution rates. This could lead to either:

- Contributions rates being 'reset' to the original amounts certified in response to either an improvement in the financial position of the Employer and/or a deterioration in the funding level.
- A request for further contribution review from the Employer.

If the Fund receive any further requests for contribution reviews from the Employer, this should be considered on its merits at that time.

Market conditions

My contribution rate assessment makes no allowance for the change in market conditions, emerging inflation experience, asset values, or changes to investment strategy since the 2022 valuation.

The combination of the above factors has led to an improvement in the funding levels for the Employer since the 2022 valuation, primarily due to an increase in expected future investment returns, which are now higher due, in part, to recent rises in long term interest rates.

It is worth noting however, that the absolute value of future benefits payable is now expected to be higher than at the 2022 valuation due to the Pension Increase orders in 2023 and 2024, of 10.1% and 6.7% respectively, and that the Fund has generated negative asset returns over the period since the 2022 valuation.

This means that the Fund needs to generate a higher return from its assets in the future to remain fully funded than what was required at the 2022 valuation (specifically, returns of 4.9% per annum were required to be fully funded, and as at the end of October, required returns of c. 5.4% are now needed).

Other employers

Other participating employers may also request a review of contribution in response to current financial pressures. The Fund should consider any request on its individual merits, and separate actuarial advice in respect of any revisions to contribution rates should be sought.

This advice applies only to the rates payable by the Employer and it would not be appropriate to apply the same approach to any other employer without seeking actuarial advice.

Increasing risk of future rate increases

All else being equal, if contributions are reduced now then there is a greater chance that they will need to increase in future.

Consideration should be given to the Employer's tolerance for greater contribution increases in future and whether these could reasonably be met if needed.

GAD section 13 analysis

Following each actuarial valuation, the Government Actuary's Department (GAD) carries out a review of all valuations carried out across England and Wales, and their analysis of the 2022 valuation is ongoing.

If GAD are of the opinion that the contribution rates payable to a particular fund are inadequate to achieve full funding over a reasonable period, they will engage with the fund to understand the rationale behind the rate-setting process. In extreme cases, LGPS funds may be 'red flagged' in the final report prepared by GAD.

I understand that GAD have no power to change contribution rates, and so the risk of being 'red-flagged' is of a reputational nature.

I would suggest that the Fund inform GAD of any change in contribution rates payable by the Employer following this review and share the legal and actuarial advice provided to the Fund to support decision making.

I also suggest the Fund notify DLUHC of it's intention prior to making any changes to the certified contribution rates.

7 Conclusions

Key conclusions

The Regulations require the Fund to have regard to my views when revising the Rates and Adjustments Certificate. I have summarised by views below:

- The Fund may agree a contribution rate review based on the Employer's request and evidence provided by the Employer.
- The advice provided as part of the 2022 valuation remains relevant. However, as the Employer agreed to pay a higher contribution rate than the minimum rate deemed to be appropriate and consistent with the funding strategy, the Fund can consider adopting different contributions as part of the contribution rate review, without making any changes to the Funding Strategy Statement.
- A reduction in the contribution rate of 1% per annum over the 17 year time horizon (option 1) is appropriate and in line with the Fund's funding strategy as set out in the Funding Strategy Statement.
- The Employer has requested a temporary easement in contribution rates and this is possible within the constraints of the funding strategy. Specifically, a temporary reduction in rates of 8% per annum over 2024/25 and 2025/26 leads to a contribution pattern which leads to a 70% probability of the employer being fully funded at the end of the 17 year time horizon (option 2).
- Option 1 is better aligned to the Fund's objective to set a stable contribution rate.
- The Fund should consider the other factors set out in the previous section, specifically:

- Any reduction in contribution rates will put pressure on the Fund's net cashflow position and, depending on severity, require a review of the Fund's cash management plan and investment strategy.
- Any reduction in rates increases the reliance on (uncertain) future investment returns and therefore increases the risk of future increases in contributions. The greater the reduction in rates, the greater the risk.
- Any reduction will result in a lower asset base in future. This could reduce the Fund's ability to influence its managers and LCIV over time.

Next steps

Based on my review of the 2022 valuation and contribution rate modelling, I am comfortable with a change in contribution rate under the two options presented in this report.

I recommend a meeting to discuss the Fund's views in respect of the other considerations set out above before concluding what level of contribution rate should apply as a result of this review.

Appendix A – Reliances & Limitations

Reliance on previous modelling and reporting

I have relied on modelling and reporting carried out as part of the 2022 valuation of the Fund. The reliances and limitations within the papers listed apply equally to this report.

Use of results

The purpose of this report is to fulfil the requirements of Regulation 64A of the Local Government Pension Scheme Regulations 2013. It should not be used for any other purposes.

Legal aspects

Please note that we are not lawyers. The advice in this report is actuarial in purpose and any legal aspects, including the interpretation of any relevant legislation, should be referred to an appropriate lawyer.

Appendix B – Professional Notes

The totality of my advice complies with the relevant Technical Actuarial Standards set out below where material:

- TAS 100; and
- TAS 300

This report together with the reports set out in Sections 3 and 4 above constitute the aggregate of my advice.

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