MEETING
PENSION FUND COMMITTEE
DATE AND TIME
THURSDAY 1ST FEBRUARY, 2024
AT 7.00 PM
VENUE
HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4AX

TO: MEMBERS OF PENSION FUND COMMITTEE (Quorum 4)

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

Councillors

Andreas Ioannidis	Mark Shooter
Elliot Simberg	Liron Woodcock-Velleman

Substitute Members

Nick Mearing-Smith	Arjun Mittra
Danny Rich	Peter Zinkin

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is 28 January 2024 at 10AM. Requests must be submitted to Georgina Wills Principal Governance Officer

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

Governance Services contact: Georgina Wills, Principal Governance Officer
Email: Georgina.wills@barnet.gov.uk
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 Policy	13 - 28
8.	Contribution Review	29 - 68
9.	External Audit and Accounts Update	69 - 210
10.	Motion to exclude press and public	
11.	Any item(s) that the Chairman decides is urgent	

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BARNET LONDON BOROUGH

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Decisions of the Pension Fund Committee

11 January 2024

Cabinet Members:-

AGENDA ITEM 1

Members Present:

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

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

Apologies for Absence

Councillor Elliot Simberg

1. MINUTES (Agenda Item 1):

RESOLVED that the minutes of the meeting held on 29 November 2023 be agreed as a correct record.

Matters arising from the minutes.

- Item 7 Contribution Review

The Committee noted that their Actuary, Chief Executive, and Section 151 Officer were all present and took part in discussions whilst Item 7 Contribution Review was being considered. Officers advised that as a matter of practice only Member attendance was recorded in the minutes.

2. ABSENCE OF MEMBERS (Agenda Item 2):

There were none.

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

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

Councillor Simon Radford declared an ongoing interest in that his employer receives donations from many financial firms which may be relevant to the Pension Fund, 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. INVESTMENT STRATEGY (Agenda Item 7):

The Finance Manager presented his report which provided a summary of the investment transactions made in the 3 months from October 2023 to December 2023, and an overview of the planned investment transactions in 2024. Members were informed that the transition from the Schroders Ltd Corporate Bonds to the LCIV Buy and Maintain Fund were underway and that the first transfer was made in December 23. The Committee was advised that all asset classes would continue to be monitored. Members were advised that Schroders Ltd had been helpful throughout the process and had a long working relationship with the Council. The Committee were informed that the decision regarding the transfer was due to Pooling and not the investment performance of the manager.

In response to questions officers advised that there were three separate Partner Funds, and these were named after their vintage year they were launched and that they were multi–Asset Credit Funds whose portfolio includes loans to midsize companies.

The Committee noted that recommendations on the report should read the investment transactions presented were for a period of ‘three’ months (rather than the four stated).

The Chair thanked Officers for their report.

RESOLVED

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

8. EXTERNAL AUDIT AND ACCOUNTS UPDATE (Agenda Item 8):

The Finance Manager presented his report which provided an update on the 2020/21 audit, and on the plan for the 2021/22 and 2022/23 audit and sought approval to publish the 2021/22 and views on whether it was appropriate to publish the 2022/23 Draft Annual Report based on current audit status. The Committee was advised that 2020/21 audit had not been completed and that BDO provided an update about its status at the Governance, Audit, Risk Management and Standards Committee in November 2023. There are no outstanding pension-related issues for the 20/21 audit. The Audits for 2021/22 and 2022/23 would start after the completion of the current audit.

Members noted that the position relating to audits was confusing and asked Officers to provide a summary that set out the timing for conducting the outstanding audits (**ACTION**)

Officers advised that the publication deadline for their Annual Report for 2021/22 and 2022/23 had been missed and this was due to the delays with the 2020/21 audit.Officers advised that the Draft Annual Report for 2022/23 did not have audited opening of closing positions.

Following discussions Members agreed that their Annual Report should be published despite the audit status of their accounts. Members agreed that their report should indicate which accounts were unaudited and that relevant pages should be watermarked (**ACTION).** The Committee noted that there had been several changes to their chairpersonship and that legal advice would be sought on which Chair should sign off each Report (**ACTION).** Members agreed that the future Annual Reports (from 24/25) should contain a foreword by the relevant Chair and include an executive summary. (**ACTION**).

Officers advised that the Pensions Fund Annual Reports Accounts would be updated once the Fund's accounts were audited. Members noted that their Annual Report potentially attracted a wide readership and was also potentially a good communication tool. Members commented that different topics would be of interest to various individuals and these included ESG Reporting and NetZero. Officers agreed to review the Annual Report's format.

RESOLVED

1. That the Pension Fund Committee noted the update on the 2020/21 audit, and the plan for the 2021/22 and 2022/23 audit, and to identify matters that the Committee wish to bring to the attention of the auditor.

2. That the Pension Fund Committee approved the 2021/22 Draft Annual Report to be published.

9. POOLING UPDATE (Agenda Item 9):

The Head of Pensions and Treasury presented his report which provided an update on pooling, namely the Government's response to the LGPS Investment Consultation published on 22 November 2023. The Committee noted that the Government's target for liquid assets to be transferred to a Fund's Pool by 31 March 2025 was to remain. A plan needs to be in place for the transition of assets by 2025.

The Committee were reminded that the Government had an ambition for 5% of Assets to be allocated to 'levelling up' and 10% towards private equity. Members noted that the responsibility of setting the investment strategy of Funds would continue to remain with Pension Fund Committees. Officers relayed that the Committee should welcome government guidance on how to proceed with Levelling Up and Private Investments and that this provided a potentially exciting area of investment for the Fund. The Committee noted that their Fund portfolio was in a good position to meet the Government's requirements for Pooling.

Officers advised that a plan would be devised which sets out all the actions that would be taken for the Fund to comply with the Government's Pooling response (**ACTION**). The Committee were informed that assets would not be sold below their market value to meet the Pooling requirements and Funds are given provisions to explain why they haven't complied with the DULUC mandate pooling requirements in some areas.

Officers advised that concerns regarding ‘concentration risks’ with Pooling had been raised as part of the consultation response and this was largely in relation to governance structures, but this point had not been addressed in the Government’s response.

RESOLVED

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

10. RESPONSIBLE INVESTMENT UPDATE (Agenda Item 10):

The Head of Pensions and Treasury and the Finance Manager presented their report which provided an update on the actions taken to further progress the Fund’s NetZero Strategy. Officers have specifically investigated what a “Paris-Aligned” Fund means in practice and the options to pursue this type of Fund for the equity holdings. Officers have started to explore Nature-Based Assets in partnership with the London.

The Committee noted that the Carbon Credits market was undeveloped. Given that Carbon Credits was a potential by-product of Nature-Based investments, any risks associated with Carbon Credits would need to be understood before any investment decision based on Carbon Credits was taken.

The Committee were recommended to watch a video produced by the London CIV on ‘natural capita’ and advised that the series provided useful information and requested to build their knowledge in this field. (**ACTION**)

RESOLVED

The Committee noted the contents of this report and the progress made towards NetZero.

11. POLICIES AND PROCEDURES REPORT (Agenda Item 11):

The Pensions Manager presented his report which provided an update on the policies and processes for the Barnet Pension Fund, along with the dates for review, which will be followed by review and approval by the Committee.

The Committee was reminded that their Contribution Review Policy was being reviewed and consulted on and would be discussed at their next meeting. The Communication Engagement Policy has also been updated.

RESOLVED

The Pension Fund Committee noted the policies and processes and the dates for future review.

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. Officers advised that a Stage 2 IDRP Case had been awarded £2000 compensation since the compiling of their report and this related to long standing maladministration that occurred over a period of six years. The Scheme Member was also reimbursed the tax charges they incurred due to the maladministration. The amount awarded was reviewed to be appropriate and complied with the Pension Ombudsman Non-Financial Injustice Guidelines. The IDRP case would be included in the next Report (**ACTION**)

RESOLVED

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

2. That the Pension Fund Committee approved the new draft Communication and Engagement Policy attached in Appendix A.

13. KNOWLEDGE AND UNDERSTANDING (Agenda Item 13):

The Pensions Manager presented his report which summarised the actions that will be taken by the LBB Pensions Team to keep records of any training that the Board and Committee undertake and provided details of the expectations regarding training.

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 Pension Fund Committee members complete the LGPS Online Learning Academy (LOLA) training by 31 March 2024.

14. PENSION FUND COMMITTEE WORK PROGRAMME (Agenda Item 14):

The Governance Officer talked through the Work Programme.

RESOLVED

That the Committee noted their Work Programme for 2023 to 2024.

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 Committee was advised that the new Admission Policy had been forwarded to schools for consideration and comments. There would also be a webinar set up in February for schools which would enable them to address any points regarding the new Policy. The New Policy would come into effect this April.

The Committee considered Appendix D in exempt 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 recommendation by the LBB Pensions Team in relation to the admission of Sancroft Community Care into the Barnet Pension Fund, as detailed in Appendix D.

16. PENSION FUND INVESTMENT PERFORMANCE REPORT (Agenda Item 16):

Due to technical problems with the broadcast the Chair agreed for the Pensions Committee to adjourn at 20.33Hrs. The Committee resumed at 20.40Hrs.

The Finance Manager presented his report which provided an update on investment valuations, transactions, and performance to 30 September 2023 with an updated estimated valuation to 30 November 2023. This report also provided an update on the performance of the Fiera Real Estate Fund and LCIV Sustainable Equities Exclusion Fund. The Committee also received an update by Hymans Robertson regarding performance of the markets and its effects on assets.

The Committee held a discussion regarding the underperformance of the London CIV Sustainable Exclusion Global Equity Fund and noted that it was significantly below the Market Cap Benchmark. Officers advised that the London CIV were scheduled to provide feedback about its performance and informed that representatives were unable to join the meeting virtually due to technical difficulties. Members agreed that it be communicated to the London CIV their concerns regarding the poor performance of Fund, that information be sought on how the Fund Managers were evaluated and monitored, and how the manager had justified their strategies and priorities regarding the Mandate. **(ACTION**)

The Committee received feedback on the meeting with Fiera Real Estate Fund and was advised that a programme for learning more about our Fund Managers during the next 12 months was being devised, with Managers being invited to present at Committee meetings or share additional information when relevant.

RESOLVED

That the Pension Fund Committee noted the investment activities and performance of the Pension Fund to 30 November 2023.

17. MOTION TO EXCLUDE PRESS AND PUBLIC (Agenda Item 17):

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

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

The Chair thanked colleagues for their contributions and response to consultations on the revised Pensions Contribution Policy and attendance at Extraordinary Pensions Fund Committees

Councillor Peter Zinkin was thanked for his input to the process.

The meeting finished at 9.20 pm

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AGENDA ITEM 7

Pension Fund Committee

1 February 2024

Title	**Contribution Review Policy**
Date of meeting	1 February 2024
Report of	Head of Pensions and Treasury
Wards	All
Status	Public
Urgent	No
Appendices	Appendix A – Revised Contribution Review Policy
Officer Contact Details	David Spreckley, Head of Pension and Treasury david.spreckley@barnet.gov.uk

Summary

Barnet Council, facing financial challenges like many councils across the country, requested a £5-£8m annual reduction in Pension Fund deficit contributions for two years. In context, the council pays 9.3% towards recovering a pension fund deficit, but an assessment at 30 September 2023 indicated a 127% funding position.

In considering this request, protocols were introduced to manage conflicts, and legal advice prompted a review of our Contribution Review Policy (the "Policy") as the current Policy did not appear to adequately consider a scenario where a request came from the Council as an employer.

The revised wording recognises a Local Authority may face a changing financial situation and so would wish to review how it meets its obligations while balancing public responsibilities.

Officers consulted on the revised Policy and received very limited engagement and no objections.

Therefore, Officers recommend to the Committee to formally adopting the proposed changes, giving the Committee flexibility in reviewing the Council's contribution request.

Recommendations

Officers recommend to the Committee that the proposed changes to the Contribution Review Policy (set out in Appendix A) are formally adopted.

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.

Context

1.1 On the 2 November 2023, the Head of Paid Services, on behalf of the Council in its capacity as a Scheme employer, made a request that, due to current financial challenges that the Council is facing 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 last assessed as at the 31 March 2022 valuation) 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 Also of relevance, in early 2023 the Council decided to overpay its pension contributions relative to what the Fund Actuary recommended at the 31 March 2022 valuation.

1.4 The papers supporting this request and the Committee's initial response can be viewed within the Public Papers for the 2 November and 29 November 2023 Pension Fund Committee meetings which can be accessed using the following link.

Browse meetings - Pension Fund Committee (moderngov.co.uk)

Process for considering a pension contribution review

1.5 There are mechanisms introduced by the Local Government Pension Scheme Regulations 2013 ("Regulations") to consider such a request and in 2021 the Pension Fund Committee introduced a Policy to inform how any such a request would be approached.

1.6 Clearly, a request from the Council to review its pension contributions is not a trivial matter, even when it is in a circumstance where the Council had elected to overpay contributions initially.

1.7 The Council therefore introduced protocols to manage conflicts associated with such a request and Officers supporting the Committee have taken both actuarial and legal advice.

1.8 This process led Officers to approach leading King's Counsel to clarify certain aspects of the process and how this relates to the Fund's Policy on contribution reviews.

Legal advice

1.9 After taking extensive legal advice, including from leading Counsel, the Committee concluded that:

- The Policy introduced in 2021 imposed greater restrictions on the ability to take forward a request than required by the Regulations. The Committee felt the purpose of the restrictions were important to protect the Pension Fund but asked Officers to review the restrictions in light of Counsel's opinion.
- The Policy does not appear to have considered the possibility of a request coming from the Council in its capacity as a Scheme employer when it was drafted. This created difficulty when considering the Council's request. The Committee therefore asked Officers to prepare a refreshed Policy to better accommodate a scenario where the request is made from the Council.

1.10 A key area of difficulty related to how "ability to meet obligations" should be interpreted in the context of a request being made from a Tax raising body.

1.11 After seeking Counsel's advice on this issue, and to give clarity over the issue raised in 1.10 above, it is proposed to clarify, within the Policy, the threshold for "meeting obligations" for a Tax Raising body as follows:

"For the purposes of an employer review request, in particular in the case of an employer which is a local authority or other tax-raising or other publicly funded body, the Pension Fund Committee will be prepared to consider not only the employer's absolute ability to meet its obligations to the Fund, but also its ability to do so consistently with its other public responsibilities."

1.12 This revised wording would allow the Committee to determine whether there has been a <u>change</u> in the ability to meet obligations without necessarily inferring that there is an <u>absolute inability</u> to meet its obligations and also recognises a council has broader responsibilities (statutory or otherwise).

Consultation process

1.13 The Policy forms part of the Funding Strategy Statement and so the Committee felt it was important to consult with all employers within the Fund when considering a review.

1.14 A formal consultation of the Policy was launched on 11 December 2023 running to 15 January 2024. The consultation was circulated to all employers, the Pension Fund Committee, Local Pension Board and Union representatives.

1.15 Very limited engagement (two responses) was received through the consultation process and no objections. Questions were limited to whether employees were impacted by the change and whether maintained schools would also see a reduction to contribution rates.

1.16 MDX stated they had no comments and understood the rationale for the proposed changed.

Officers' Recommendation

1.17 On the basis of limited comments received and no objections, Officers recommend to the Committee that the proposed changes are formally adopted. The changes adopted would allow, should the Committee feel the underlying case merits it, the Committee to consider the contribution review request from the Council.

2. Alternative Options Considered and Not Recommended

2.1 Given the limited response to the consultation and no objections, alternative amendments to the Policy were not considered appropriate.

3. Post Decision Implementation

3.1 The revised Policy will be uploaded to the Council's website and stakeholders will be notified of the changes.

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 This review is important to the Council's request to review contribution rates.

5.2 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 15.1 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	No further consultation is required.
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 initial consideration of the request made at 2 November 2023 Pension Fund Committee meeting (29 November 2023 Pension Fund Committee meeting): Agenda for Pension Fund Committee on Wednesday 29th November, 2023, 7.00 pm (moderngov.co.uk)
9.2	Council's original request made at 2 November 2023 Pension Fund Committee meeting: Temporary Easement In Contribution
9.3	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)
9.4	Pension Fund Committee paper which introduced the contribution review Policy in 2021 (linked)

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London Borough of Barnet Pension Fund
Contribution review policy
Version 2.2

List of Changes

Number	Detail
1	Reformat to Barnet Template and add Section Numbers
2	Original paragraph 1.5 "In all cases……" removed
3	Paragraph 6.3, additional wording added for clarity
4	Section 9. additional wording added to give greater flexibility and clarity
5	Section 10. additional wording to give greater clarity
6	Section 13. Additional paragraphs added to give greater clarity when a request is made from a tax-raising body

1. Introduction

1.1 This document sets out the London Borough of Barnet Pension Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

1.2 London Borough of Barnet Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

1.3 Under Regulation 62, London Borough of Barnet, as the administering authority for the Fund, acting through its Pension Fund Committee, is required to obtain a formal actuarial valuation of the Fund and a rates and adjustments certificate setting out the contribution rates payable by each Scheme employer for three-year period beginning 1 April following that in which the valuation date falls.

1.4 It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the Pension Fund Committee. This policy document sets out the Pension Fund Committee's approach to considering the appropriateness of a review and the process in which a review will be conducted.

~~1.5 In all cases the justification for a review should be that a change has occurred that is likely to have a material impact (up or down) on the contributions required in order to achieve the funding objectives set out in the Funding Strategy Statement.~~

~~1.6~~1.5 This policy has been prepared by the Pension Fund Committee and has been reviewed by the Fund Actuary and following consultation with the Fund's Scheme employers. In drafting this policy document, the Pension Fund Committee has taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the

Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

~~1.7~~1.6 Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

~~1.8~~1.7 Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the Pension Fund Committee can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under this contribution review policy.

2. The review process

2.1 The events that may trigger a review are set out in the Triggering a contribution review section. The general process for assessing and conducting a review is set out below. Timescales may vary in practice depending on each individual circumstance but the timeline below provides a rough guide of the Pension Fund Committee's general expectation.

2.2 Following completion of the review process, the Pension Fund Committee may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by the Pension Fund Committee in order to allow effective monitoring.

3. Timeline where initiation is made by the Pension Fund Committee

3.1 Where the review is initiated by the Pension Fund Committee (i.e. under conditions (i) and (ii) in the Triggering a contribution review section), the employer will be notified that a review is underway and the reasons for the review. After the Pension Fund Committee has conducted its analysis they will engage with the Scheme employer and provide written evidence for undertaking the review.

3.2 The Scheme employer will be given 28 calendar days from the later of (1) the date of receipt of the evidence provided by the Pension Fund Committee and (2) the date of receipt of the results of the formal contribution review to respond to the Pension Fund Committee on the proposal. It is intended that employer notification will not be deferred awaiting on actuarial results. Should no challenge be accepted within this period then the Pension Fund Committee will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed date, which will be effective no earlier than the end of the appeals process and will not be backdated to a prior period.

3.3 Should the Scheme employer challenge the Pension Fund Committee's evidence for a review, then the Pension Fund Committee will continue to engage with the Scheme employer in order to reach an agreeable decision. Should the Committee accept the employer's arguments, the review will be terminated. If no decision has been agreed within 28 calendar days of the proposed revised contribution rates being provided to the employer, then the Pension Fund Committee may proceed with the revised contribution rates unless an extension is granted to allow the employer to furnish additional information within an agreed timescale. Further details of the appeals process for the Scheme employer is set out in the Appeals process section.

3.4 Although the ultimate decision for review belongs to the Pension Fund Committee, the Pension Fund Committee is committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

4. Timeline where initiation is made by the Scheme employer

4.1 Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review section.

4.2 The Pension Fund Committee will aim to provide a response to the Scheme employer within 28 calendar days from the date of receipt. This will depend on the quality of the documents provided and any need from the Pension Fund Committee to request further information from the Scheme employer. The Pension Fund Committee will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

5. Responsibility of costs

5.1 Where the review of contributions has been initiated by the Pension Fund Committee, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the Pension Fund Committee as part of the review. These exception costs would be recharged to the Scheme employer.

5.2 Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

6. Triggering a contribution review

6.1 As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

i. it appears likely to the Pension Fund Committee that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

ii. it appears likely to the Pension Fund Committee that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

iii. a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

6.2 Conditions (i) and (ii) are triggered by the Pension Fund Committee and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

6.3 It should be noted that the conditions are as set out in the Regulations therefore do not allow for a review of contributions ~~where~~ to be ~~the~~ triggered by the administering authority ~~is~~ due to a change in actuarial assumptions or asset values (except in circumstances such as an employer nearing cessation).

7. Change in the amount of the liabilities arising or likely to arise

7.1 Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of staff
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.
- There are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation

7.2 In terms of assessing the triggers under a) above, the Pension Fund Committee will only consider a review if the change in liabilities is expected to be more than 10% of the total liabilities.

7.3 As part of its participation in the Fund, Scheme employers are required to inform the Pension Fund Committee of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, the Pension Fund Committee may identify events that merit a review of contributions.

7.4 In addition, the Pension Fund Committee may initiate a review of contributions if they become aware of any events that they deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

8. Change in the ability of the Scheme employer to meet its obligations

8.1 Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution
- Provision of, or removal of, security, bond, guarantee or some other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Legal proceedings linked to allegations of unlawful business activity
- Decision to cease business
- Breach of banking covenant
- Concerns felt by the Pension Fund Committee due to behaviour by a Scheme employer's, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the Pension Fund Committee over a significant period of time.

8.2 The Pension Fund Committee monitors the level of covenant of its Scheme employers on an ongoing basis. This may affect the Pension Fund Committee's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

8.3 In this instance, any review of the contribution rate would include consideration of the updated funding position (both on an ongoing and termination basis) and would usually allow for changes in asset values when considering if the employer can meet its obligations on both an ongoing and termination basis (if applicable). This could then lead to the following actions:

- The contributions changing or staying the same depending on the conclusion, and/or;
- Security to improve the covenant to the Fund.

9. Request from the Scheme employer for a contribution review

9.1 A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This should normally ~~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.

9.2 Any requests not arising from either of these conditions will only~~not~~ be considered by the Pension Fund Committee in exceptional circumstances. An employer request based purely on a change in market conditions affecting the value of assets and or liabilities will not normally be allowed. In most cases, requests by a Scheme employer are limited to one review per calendar year.

9.3 With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, the Pension Fund Committee will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored into the formal review and any benefits of carrying out a review just prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required. If a request is made with an effective date within the 12 months preceding the next rates and adjustments certificate, the Pension Fund Committee will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

10. Information required from the Scheme employer

10.1 In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund, along with an explanation of why a review is considered appropriate:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
  - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change

- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
  - ~~The most recent annual report~~Up to date financial information ~~and accounts~~ for the Scheme employer, which will normally need to include the following documents or equivalent information:
  - The most recent management accounts
  - Financial forecasts for a minimum of three years
  - Any ~~The~~ change in the security or guarantee to be provided in respect of the Scheme employer's liabilities

10.2 The Pension Fund Committee may require further evidence to support the request and this will be requested from the Scheme employer on a case by case basis.

11. Assessing the appropriateness of a review

11.1 The following general considerations will be taken into account by the Pension Fund Committee, regardless of the condition under which a review is requested:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

11.2 Where the review has been requested by the Scheme employer, the Pension Fund Committee will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required and will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. The Pension Fund Committee will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

11.3 Whether any changes require the Pension Fund Committee to exercise its powers to carry out a contribution review will be assessed on a case by case basis and with advice from the Fund Actuary and may involve other considerations as deemed appropriate for the situation. The final decision of whether a review of contribution rates will be carried out rests with the Pension Fund Committee after, if necessary, taking advice from the Fund Actuary. Should a Scheme employer disagree with the Pension Fund Committee, then details of the Appeals process is set out later in this document.

12. Appropriateness of a review due to change in liabilities

12.1 This will be subject to the following considerations in addition to the general considerations set out above:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the Pension Fund Committee's assessment of the ability of the Scheme employer to meet its obligations.

13. Appropriateness of a review due to change in ability to meet its obligations to the Fund

13.1 In assessing whether or not the Pension Fund Committee will exercise its powers to review a Scheme employer's contribution rates under this condition, the Pension Fund

Committee will take into account the general considerations set out earlier in this section and:

- The results of any employer risk analysis undertaken by a suitable entity, if the Pension Fund Committee considers that such an analysis is required
- The perceived change in the value of the indemnity to the Fund, relative to the size of the Scheme employer's liabilities

13.2 It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a ~~case by case~~case-by-case basis. Further considerations to that set out above may be relevant and will be taken into account by the Pension Fund Committee as required.

13.3 For the purposes of an employer review request, in particular in the case of an employer which is a local authority or other tax-raising or other publicly funded body, the Pension Fund Committee will be prepared to consider not only the employer's absolute ability to meet its obligations to the Fund, but also its ability to do so consistently with its other public responsibilities.

13.4 For the avoidance of doubt, a request for a review made on the basis of changes in an employer's ability to meet its obligations to the Fund may include both a request made on the basis that the employer's covenant strength has improved, and a request made on account of short-term difficulty in meeting required contributions, but in the latter case no such request will be granted unless the Pension Fund Committee is satisfied that to do so will not materially prejudice the long-term solvency or other interests of the Fund and its members.

14. Method used for reviewing contribution rates

14.1 If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, the Pension Fund Committee will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

14.2 The starting point for reviewing a Scheme employer's contribution rates will in most cases be the most recent actuarial valuation. The table below sets out the general approach that will be used when carrying out this review.

14.3 Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

	General approach
Member data	In some cases, where the review is happening during or shortly after the valuation, the most recent actuarial valuation data will be used as a starting point.

	General approach
	In most cases, given the review is due to an anticipated change in membership, the Pension Fund Committee and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment. Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous Fund valuation are known.
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, and in line with that set out in the Fund's Funding Strategy Statement.
Market conditions underlying financial assumptions	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.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the conditions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted for the particular employer at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Time horizon	The funding time horizon adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Assets Allocated to the employer	To be calculated either as at the date of the most recent triennial valuation or the

	General approach
	date of review as determined by the Actuary as appropriate.

14.4 The Fund Actuary will be consulted throughout the review process and will be responsible for providing revised rates and adjustments certificate. Any deviations from the general approaches set out above will be agreed by the Pension Fund Committee and the Fund Actuary.

15. Appeals process

15.1 The final decision as to whether a change in contributions is to be implemented will rest with the Pension Fund Committee after, if necessary, taking advice from the Fund Actuary. In the event of any dispute from an employer, the Fund will seek to engage with the employer and a further 28 calendar days (which can be extended if both parties agree an alternative timetable to provided additional information) will be granted in which further discussions can take place to seek a resolution. Any further dispute or appeal will be referred to the Pension Fund Committee for final determination.

15.2 In raising any dispute or appeal, an employer is required to evidence at least one of the following:

i. A deviation from the published policy or process by the Pension Fund Committee; and/or

ii. Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the Pension Fund Committee.

15.3 An appeal will be considered within 28 calendar days of receipt of all required information.

Pension Fund Committee

1 February 2024

Title	**Contribution Review**
Date of meeting	1 February 2024
Report of	Head of Pensions and Treasury
Wards	All
Status	Public with the exception of Appendix B Exempt enclosures – Not for publication by virtue of paragraphs 3 and 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 (as shared at 29 November 2023 Committee Meeting) Appendix B – Updated Legal Advice – Not for publication by virtue of paragraph 5 of Part 1 of Schedule 12A of the Local Government Act as amended (to follow) Appendix C – Actuarial advice related to Contribution Review (as shared at 29 November 2023 Committee Meeting)
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 Contribution Review Policy (the "Policy") appear to allow for a review to be conducted (although it is worth noting that the Fund's Policy has greater limitations for considering a review than strictly required by regulations)

- A key consideration for the Committee in deciding whether or not to take forward a review is the following paragraph within the Fund's revised Contribution Review Policy:

  "For the purposes of an employer review request, in particular in the case of an employer which is a local authority or other tax-raising or other publicly funded body, the Pension Fund Committee will be prepared to consider not only the employer's absolute ability to meet its obligations to the Fund, but also its ability to do so consistently with its other public responsibilities."

- In terms of conducting the review, 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 change contributions

- Having considered the position and, in light of the revised Contribution Review Policy, 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

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

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

This recommendation is also subject to the Council agreeing to implement the mitigations suggested in Table 3.

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% and has confirmed that the position has not changed significantly since that assessment was made (see 1.10). 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. At that meeting the Committee was advised that, following legal advice, Officers believed that:

- The Policy introduced in 2021 imposed greater restrictions on the ability to take forward a request than required by Local Government Pension Scheme Regulations 2013 ("Regulations").

- The Policy does not appear to have considered the possibility of a request coming from the Council in its capacity as a Scheme employer when it was drafted.

1.4 With regards to bullet 1 of paragraph 1.3, the Committee felt the purpose of the restrictions were important to protect the Pension Fund but have asked Officers to review the restrictions in light of Counsel's opinion.

1.5 With regards to bullet 2 of paragraph 1.3 It was acknowledged that this had created difficulty when considering its recommendation to Committee.

1.6 The Committee therefore asked Officers to propose changes to the Policy to better accommodate a scenario where the request is made from the Council in its capacity as a Scheme employer.

Changes to Contribution Review Policy

1.7 A separate paper considering proposed changes to the Contribution Review Policy is being heard directly before this item at the 1 February 2024 Pension Fund Committee meeting.

1.8 This paper has been drafted on the presumption that the recommended changes to the Policy are agreed by the Committee.

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

1.9 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. on the 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 perceived 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?

1.10 The Fund Actuary has calculated the Funding Level as 127% at 30 September 2023 and has advised that the funding position at 31 December 2023 has reduced slightly, to 123%. This is due to allowance being made in the liability calculations for the expected 2024 Pension Increase order of 6.7%.

1.11 The primary driver for the improvement to funding levels since 31 March 2022 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.

1.12 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 fund.

1.13 The Council has never made a request of this nature before and, indeed, prior to amendments to the 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.

1.14 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 to “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.

1.15 The legal and actuarial advice received in relation to this issue are included as Appendices B and C. Note that the legal advice has been updated to reflect discussions with Counsel. 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

1.16 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.

1.17 The Fund has a Policy on how to conduct a review if requested by an employer.

1.18 As explained under sections 1.4 to 1.8 Officers have amended the Contribution Review Policy to reflect Counsel’s opinion and to better reflect a scenario where a request is made from the Council in its capacity as a Scheme employer. The key condition of the revised Policy to be met in order to take forward a contribution review is summarised under 1.22 b) below. If the Committee do not feel this condition has been met, then it would not be appropriate to conduct a review in accordance with the Policy.

1.19 To the extent a review is conducted, the Fund Actuary would be required to reflect any bounds placed on them by the Regulations. A key bound (around allowing for post-valuation experience) is summarised under 1.22 a).

Legal Advice

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

1.21 On 20 December, the Scheme Advisory Board issued a statement related to LGPS Surpluses which makes reference to contribution reviews in-between valuations. Our legal advisors have reviewed the statement and do not believe it introduces any new considerations to this process.

1.22 The key conclusions of the legal advice, which is attached in full as an exempt appendix under Appendix B, 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 should normally 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.

1.23 The implications of 1.22 b) are considered in paragraphs 1.24 to 1.27 below.

1.24 Note the legal advice confirms that the requirement under 1.22 b) above is stronger than the strict regulatory position under Regulation 64A of the 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). However, the revised Policy gives more flexibility to the Committee to consider the request with the "should normally" language, with the previous Policy stating the conditions "must" be met. Further clarity is given within the Policy explained in 1.25 to 1.27 below.

Financial Strength of a council

1.25 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 1.22 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"

1.26 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 it allocates resources between different priorities (statutory and otherwise).

1.27 In context, within its initial presentation on the 2 November 2023, the Council indicated it was facing immediate financial pressures of a projected £26m deficit for 23/24 and a savings gap of around £100m over the next six years. The Council is also experiencing a "changed" longer-term financial outlook, demonstrated by lower projected levels of 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.

1.28 After seeking Counsel's advice on this issue, the revised Contribution Review Policy clarifies the threshold for "meeting obligations" for a tax-raising body as follows:

"For the purposes of an employer review request, in particular in the case of an employer which is a local authority or other tax-raising or other publicly funded body, the Pension Fund Committee will be prepared to consider not only the employer's absolute ability to meet its obligations to the Fund, but also its ability to do so consistently with its other public responsibilities."

This revised wording therefore allows the Committee to determine whether there has been a change in the ability to meet obligations without necessarily inferring that there is an absolute inability to meet its obligations and also recognises a council has broader responsibilities (statutory or otherwise). In this context, the need for a council to operate a balanced budget is relevant.

A council's need to operate to a balanced budget

1.29 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.

1.30 Viewed through this lens, the Committee may consider the Council's ability to meet its obligations to the Fund (i.e. contributions in this context) within a balanced budget (recognising that the budget has been set by the Council to meet its public responsibilities) to have changed significantly in the short-term. The alternative would be to either:

a. reduce expenditure towards services; or
b. use reserves to partially fund services

From a local taxpayer 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.

1.31 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).

1.32 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.

Actuarial Impact

1.33 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 timeframe.

1.34 This rate was 1.5% lower than the 28.9% rate that the Council was paying at the time in accordance with the 2019 valuation. 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.

1.35 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)

1.36 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 – a list of schools that may potentially benefit from this is set out under Section 1.57 of this report) – 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)

1.37 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

1.38 At the Pension Fund Committee meeting held on 2 November 2023 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)

1.39 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.

1.40 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 every 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

1.41 At the Committee meeting on 2 November 2023, Committee members raised an important point around consultation and acting in a transparent way.

1.42 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.

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

1.44 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.

1.45 As the Contribution Review Policy forms part of the FSS Officers decided to consult on revisions to the Contribution Review Policy. The Consultation was launched on 11 December 2023 and ran to 15 January 2024. The consultation was sent to all employers, Pension Fund Committee members, Local Pension Board members and Union representatives. A separate paper on the conclusions of the Contribution Review Policy was provided at the 1 February 2024 Pension Fund Committee meeting.

1.46 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

1.47 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).

1.48 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 2023 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

1.49 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 and/or funding position 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.

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

1.51 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

1.52 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

1.53 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

1.54 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, comments made in relation to the Fund's Policy on contribution reviews (and, presuming they are agreed by the Committee, the subsequent proposed changes) and actuarial advice, the Head of Pensions and Treasury makes the following recommendation to Committee:

- Change the Fund's Rates and Adjustment Certificate so that the London Borough of Barnet's employer contribution rate is amended as per Table 2 – i.e. an 8% reduction in contribution rate during 24/25 and 25/26. To be clear, this is a profile that the Actuary would have been able to certify for the 31 March 2022 valuation without relying on post valuation experience.

This is subject to the Council agreeing to implement the mitigations suggested in Table 3.

1.55 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.

1.56 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.

1.57 A list of Maintained Schools who may potentially benefit from the easement (as referenced in 1.36) is set out in the table below:

School	Status of School
Akiva	VA
All Saints N20	VA
All Saints NW2	VA
Annunciation Inf	VA
Annunciation Jun	VA
Barnfield	Community
Beis Yaakov	VA
Beit Shvidler	VA
Bell Lane	Community
BEYA (Brookhill, Hampden Way, St Margarets Nurseries) *	Community
Blessed Dominic	VA
Brookhill Nursery *	Community
Brookland Inf	Community
Brookland Jun	Community
Brunswick Park	Community
Chalgrove	Community
Childs Hill	Community
Christchurch JMI	VA
Church Hill	Community
Colindale	Community
Coppetts Wood	Community
Courtland	Community
Cromer Road	Community
Danegrove	Community
Deansbrook Inf	Community
Dollis Primary	Community
Edgware Primary	Community
Fairway	Community
Finchley Catholic High	VA
Foulds	Community
Friern Barnet	Community
Frith Manor	Community
Garden Suburb Inf	Community
Garden Suburb Jnr	Community
Goldbeaters	Community

Hampden Way Nursery *	Community	
Hasmonean Primary	VA	
Hollickwood	Foundation	
Holly Park	Community	
Holy Trinity	VA	
JCoSS (opened Sept 2010)	VA	
Livingstone	Community	
Manorside	Community	
Mapledown	Community	
Martin Primary School	Community	
Mathilda Marks Kennedy	VA	
Menorah Foundation	VA	
Menorah High	VA	
Menorah Primary	VA	
Monken Hadley CE	VA	
Monkfrith	Community	
Moss Hall Inf	Community	
Moss Hall Jun	Community	
Moss Hall Nursery	Community	
Northgate		
Northside	Community	
Northway	Community	
Oakleigh	Community	
Orion	Community	
Osidge JMI	Foundation	
Our Lady of Lourdes	VA	
Pardes House	VA	
Pavilion Study Centre		
Queenswell Inf	Community	
Queenswell Jun	Community	
Rosh Pinah	VA	
Sacks Morasha	VA	
Sacred Heart	VA	
Shalom Noam Primary	VA	
St Agnes RC	VA	
St Andrews CE	VA	
St Catherines RC	VA	
St James' Catholic High	VA	
St Johns CE N11	VA	
St Johns CE N20	VA	
St Josephs RC Primary	VA	
St Margaret's Nursery *	Community	

St Mary's & St Johns Primary	VA
St Marys CE EB	VA
St Marys CE N3	VA
St Michaels Cath Gram	VA
St Pauls CE N11	VA
St Pauls CE NW7	VA
St Theresas RC	VA
St Vincents RC	VA
Sunnyfields	Community
Trent	VA
Tudor	Community
Underhill School	Community
Wessex Gardens	Community
Whitings Hill	Community
Woodcroft Primary	Community
Woodridge	Community

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.	Presuming that the contribution review Policy has been amended to clarify what "ability to meet obligations" means in the context of a Council request, Officers feel the position presented by the Council is significant enough to trigger a review of contribution rates.
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 A revised Rates and Adjustment Certificate will be prepared and submitted to DLUHC, the Scheme Advisory Board and published on the Council's website.

3.2 Officers will communicate the change to relevant stakeholders.

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 initial consideration of the request made at 2 November 2023 Pension Fund Committee meeting (29 November 2023 Pension Fund Committee meeting):
Agenda for Pension Fund Committee on Wednesday 29th November, 2023, 7.00 pm (moderngov.co.uk)

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

9.3 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)

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

9.5 A paper setting out Officers' recommendation for amending the Fund's Contribution Review Policy was provided for the 1 February 2024 extraordinary Pension Fund Committee meeting

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.

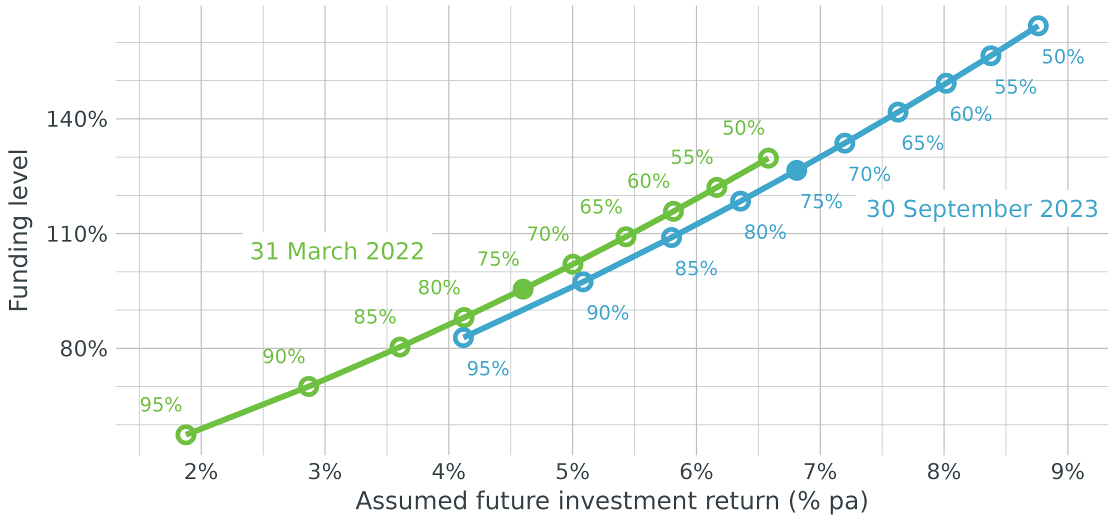
Please note that the asset value at 30 September 2023 shown in this report may differ to the actual asset value at that date because it is an estimate based on estimated cashflows (see section 3.2) and estimated investment returns (see section 3.3). However, the estimated value is consistent with the 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.

	Ongoing basis	
Life expectancy from age 65 (years)	**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.

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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.

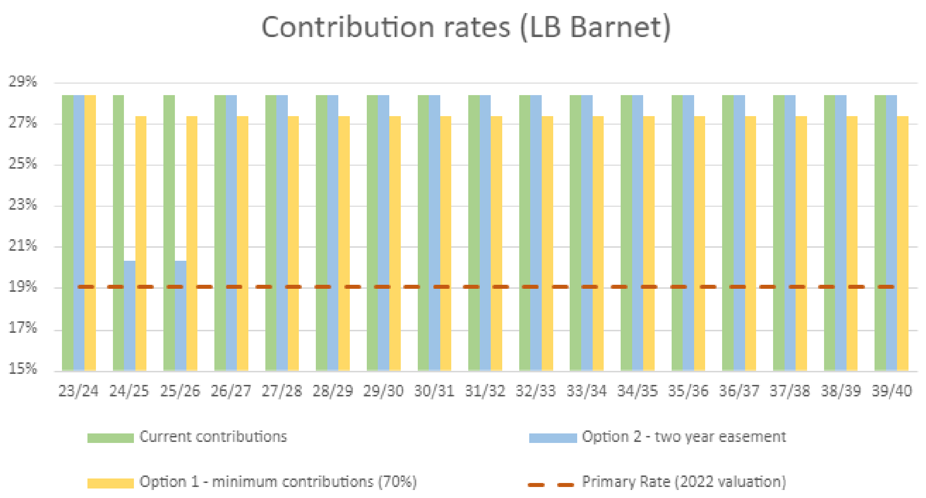
	Current certified rates	**Option 1 2022 minimum contributions**	**Option 2 Two-year easement**
2023/24	28.4%	28.4%	28.4%
2024/25	28.4%	27.4%	20.4%
2025/26	28.4%	27.4%	20.4%
2026 – beyond	28.4% pa	27.4% pa	28.4% pa
Probability of full funding at the end of 17 year time horizon	71%	> 70%	70%

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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Pension Fund Committee

1 February 2024

Title	External Audit and Accounts Update
Date of meeting	1 February 2024
Report of	Executive Director of Strategy and Resources (S151 officer)
Wards	All
Status	Public
Urgent	No
Appendices	Appendix 1- 2022/23 Draft Annual Report
Officer Contact Details	Adam McPhail, Finance Manager, 0208 359 7639 adam.mcphail@barnet.gov.uk

Summary

This paper asks the Committee to approve the 2022/23 Draft Annual Report and seeks confirmation it would be appropriate to publish the Report based on current audit status.

Recommendations

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

1. Reasons for the Recommendations

Draft Annual Reports

Background

1.1 Section 57 of the LGPS Regulations 2013 requires each LGPS Fund to prepare an Annual Report. The report must be published by 1 December following the year to which it relates. The report must contain:

a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;
b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;
c) a report of the arrangements made during the year for the administration of each of those funds;

d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;
e) the current version of the statement under regulation 55 (governance compliance statement);
f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;
g) an annual report dealing with—
    i. the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and
    ii. such other matters arising from a pension administration strategy as it considers appropriate;
h) the current version of the statement referred to in regulation 58 (funding strategy statement);
i) the current version of the investment strategy under regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
k) any other material which the authority considers appropriate.

1.2 At the 11th January 2024 Committee Meeting the Draft 2021/22 Annual report was approved by the committee.

1.3 Officers are seeking approval to delegate the signing the Draft 2022/23 Draft Annual Report to the Chair and the S151 Officer, subject to no significant changes required by auditors.

Publishing the Annual Report

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

1.5 Officers are also seeking committee approval to publish the Draft 2022/23 Pension Fund Annual Report.

2. Alternative Options Considered and Not Recommended

2.1 None

3. Post Decision Implementation

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

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

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

Corporate Performance / Outcome Measures

4.2 Not applicable in the context of this report

Sustainability

4.3 Not applicable in the context of this report

Corporate Parenting

4.4 Not applicable in the context of this report.

Risk Management

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

Insight

4.6 Not applicable in the context of this report

Social Value

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

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

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

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

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

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

6. Legal Implications and Constitution References

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

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

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

6.4	The 2015 Regulations require that the final approved accounts are published not later than 30th September of the financial year immediately following the end of the financial year to which the statement relates. The audit did not commence until September 2021 and it was therefore not possible for it to be concluded in line with the statutory deadline. Part 2B - Terms of Reference & Delegation of Duties to Committees and Sub-Committees of the Council Constitution, Para 15.1.9 states that the Pension Fund Committee has responsibility to review and consider approval of the Pension Fund's Annual Report and Statement of Accounts, together with recommendations from external and internal auditors
7.	**Consultation**
7.1	Not required
8.	**Equalities and Diversity**
8.1	Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are; age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality.
8.2	Ensuring the long-term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met.
9.	**Background Papers**
9.1	None

BARNET
LONDON BOROUGH

PENSION FUND

ANNUAL REPORT

2022/23

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1. Trustee's Report

1.1 Local Government Pension Scheme Regulations

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

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

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

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

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

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

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

The Pension Fund is a shareholder in the London Local Government Pension Scheme Collective Investment Vehicle (LCIV). The Pension Fund Committee approved the investment of £150,000 as regulatory capital in 2015. The Fund's investments with Legal and General, LCIV Sustainable Equities, Emerging Market Equities, Private Debt and Renewables Infrastructure (51% of investments) are either invested with the LCIV or monitored by them. This has delivered considerable savings in fees. It is also consistent with the Government's LGPS pooling ambitions that require local government pension scheme administering authorities to set out their proposals to invest their assets through one of the approved LGPS investment pools.

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

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

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

1.2 Governance Arrangements

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

Pension Fund Committee (the Committee)

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

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

Membership of the Committee is determined by Council and restricted to elected councillors. The Committee considers advice from the Section 151 officer, other Council officers, the Fund Actuary, investment advisor, administrator and fund managers. Membership of the Committee is shown under Section 1.3 below. The Committee meet four times during the year. Three members collectively missed four meetings [Can you please double check this?].

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

Local Pension Board

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

- Secure compliance with LGPS Government regulations and any other legislation relating to the governance and administration of the LGPS,

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

The Board activities during the year included monitoring the quality of the pension administration services, the Fund's compliance with legislation and regulations and reviewing the management of risk. The Board meet four times during the year. Two members collectively missed two meetings. The Members of the Board are appointed by Council.

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

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

Conflicts of interest

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

Knowledge and Understanding

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

The Pension Fund Committee and Local Pension Board set out its Training expectations during the year. The Pension Fund Committee considered this at the 11 July 2022 Pension Fund Committee meeting and the Local Pension Board considered this at the 6 December 2022 Local Pension Board meeting.

1.3 Management Structure

Administrating Authority
London Borough of Barnet

Pension Fund Committee Members 2022/23

Chairman:	Councillor Anne Hutton
Vice-Chairman	Councillor Andreas Ioannidis
Members:	Councillor Zahra Beg Councillor Simon Radford Councillor Danny Rich Councillor Mark Shooter Councillor Elliot Simberg Councillor Michael Mire
Substitutes (who attended):	Councillor Arjun Mitra Councillor Richard Barnes

Local Pension Board

Employer Representatives:	Professor Geoffrey Alderman (Chairman) Councillor Humayune Khalick Deepani de Silva (appointed 6 December 2021)
Employee Representatives:	Hem Savla (Vice-Chairman) Salar Rida David Woodcock
Independent:	Stephen Ross
Substitute Member:	Alice Leach Councillor Edith David

Officers

LB Barnet

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

Actuary
Hymans Robertson LLP

Investment Advisors
Hymans Robertson LLP

Auditor
BDO LLP

Legal Advisors
HB Law

Performance Monitoring
Hymans Robertson
PIRC

Banks
NatWest

Custodians
JP Morgan

Pensions Administration Manager

West Yorkshire Pension Fund

1.4 Risk Management

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

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

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

1.5 Financial Performance

The Fund asset value decreased by £36.500 million in the year to £1,465.127 million. There was an inflow of £1.907 million from dealings with members, expenses of £14.768 million were incurred and a negative return from investments of £ 19.825 million.

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

	2018-19	2019-20	2020-21	2021-22	2022-23
	£'000	£'000	£'000	£'000	£'000
Dealiing with members					
Contributions	-61,950	-65,257	-83,049	-71,238	-72,951
Pensions, lump sums and transfers out	59,746	65,058	62,351	69,194	74,858
Net (additions) from dealings with members	-2,204	-199	-20,698	-2,044	1,907
Management expenses	8,073	9,536	11,305	13,349	14,768
Investment income	-4,989	-8,598	-5,954	-9,023	-4,037
Change in market value	-56,448	71,964	-299,820	-109,310	23,862
Net (increase) in the Fund	**-55,568**	**72,703**	**-315,167**	**-107,028**	**36,500**

A revised Rates and Adjustment certificate was introduced from 1 April 2023 following the 2022 triennial valuation. For stability reasons, Barnet Council agreed to pay 1% of Pensionable Pay in addition to what the Fund Actuary had recommened. .

The growth in expenses reflects the inclusion of Barnet's share of costs internal to pooled funds and the receipt of comprehensive reporting of internal fund costs. The appointment of additional fund managers to diversify the portfolio has led to an increase in investment expenses. Further details of expenses are given below. Most investment income is retained within pooled funds and included within the change in market value of investments. The Fund's earned a net return of -3.6% during 2022-21, which is discussed below.

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

	2018-19	2019-20	2020-21	2021-22	2022-23
	£'000	£'000	£'000	£'000	£'000
Pooled funds	1,127,712	1,067,106	1,345,152	1,456,977	1,442,145
Cash	14,310	3,698	1,532	25,002	38,520
Investment in London CIV	150	150	150	150	150
Current Assets	11,649	11,713	51,617	69,353	14,772
Current Liabilities	-1,685	-3,234	-3,851	-49,855	-30,461
Total Net Assets	**1,152,136**	**1,079,433**	**1,394,600**	**1,501,627**	**1,465,127**

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

	2018-19		2019-20		2020-21		2021-22		2022-23	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administration		627		913		1,041		1,049		953
Investment Management										
Management Fees	3,675		4,559		4,876		4,851		5,936	
Performance related Fees	1,173		1,376		2,024		4,192		4,776	
Custody fees	15		15		13		15		-3	
Transaction Costs	1,563		1,811		2,484		2,485		2,232	
		6,426		7,761		9,397		11,543		12,941
Oversight & Governance										
Actuarial	150		221		226		125		210	
Investment Advice	115		145		175		206		279	
Audit	26		64		42		36		40	
Council officers recharge	692		399		364		359		311	
other	37		33		60		31		34	
		1,020		862		867		757		874
Total		**8,073**		**9,536**		**11,305**		**13,349**		**14,768**

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

The Pension Fund Committee and officers monitor costs and challenge fund managers. The increased use of investments managed by the London CIV has successfully reduced fees with estimates savings of £520,000 in the year.

Administration costs have increased as resources were devoted to the transition of pension administration services to West Yorkshire Pension Scheme effective from November 2020. From 2020 onwards, the staff costs of LB Barnet staff who work mainly on administration activities have been shown under that heading rather than as oversight costs. Included within administration costs are additional charges for the reconciliation of GMP records with HMRC. In order to ensure that staff and employers receive a good service, resources devoted to administration have increased and we expect these costs to remain at this level in future years. In aggregate costs of £0.713 million were incurred by the Council and recovered from the Pension Fund. These costs are monitored by the Pension Fund Committee and considered to be fair.

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

1.6 Actuarial Funding Level

The actuary to the Fund for the year was Hymans Robertson. The actuary's role is to place a value on the Fund's accumulated pension promises. A formal valuation of the Fund is required legally every three years; the most recent valuation of the Fund took place as at 31 March 2022.

The funding level at 31 March 2022 was 96%, an increase of 10% from 2019. This corresponds to an improved funding deficit from £190 million in 2019 to £69 million in 2022. Following the 2022 triennial valuation a new Rates and Adjustment certificate was set by the Fund Actuary effective from 1 April 2023 and covering the period to 31 March 2026. During 22/23 the Fund's primary contribution rate as a whole for 22/23 remained 20.6% of pensionable pay plus a secondary contribution of £12.347million. For 22/23 the fund as a whole primary contribution rate remains unchanged with secondary funding set at £12.721 million.

The Rates and Adjustment Certificate effective from 1 April 2023 sets out the required rate reflecting the Fund's Funding Strategy Statement. For LB Barnet (the main employer) the required employer contribution reflected the rate required to achieve a 70% probability of returning to a fully funded position over 17 years. The Actuary determines the contribution rate for each employer. LB Barnet's contribution rate for 2022-23 was 28.9%.

2. Investment Report

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

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

As at 31 March 2023, the value of the Fund's net assets was £1,465 million (31 March 2022: £1,502 million). This represents a decrease of £37 million compared with the previous year reflecting the -3.6% return achieved in the year (see table on page 16).

Market Background over the period 1 April 2022 to 31 March 2023

Inflation remains a high risk factor for the Fund. Headline Consumer Price Index (CPI) inflation in the UK peaked at 11.1%, remaining elevated at 10.1% in March 2023. Core inflation, excluding volatile components, stood at 6.2% in March 2023. Similar inflationary patterns were observed in the US and the eurozone, prompting major central banks to embark on an aggressive rate-hiking cycle, reaching 5.0% p.a., 4.25% p.a., and 3.0% p.a. in the US, UK, and eurozone, respectively.

As mentioned above, Government bond markets experienced sharp increases in yields and volatility due to high inflation and interest rate rises. The UK witnessed additional volatility in gilt yields, rising from 1.6% p.a. to 3.5% p.a. Despite tightening measures, credit markets faced challenges, with global investment-grade credit spreads widening to 1.5% p.a. and speculative-grade credit spreads widening to 5.1% p.a.

The FTSE All World Index Total Return Index fell 5.0%, despite a strong rally since October 2022. Energy sector outperformance contrasted with the struggles of consumer discretionary and technology sectors. European and UK equities outperformed due to improved sentiment and exposure to the energy sector.

Trade-weighted measures saw the UK sterling and Japanese Yen decline by 2.7% and 4.2%, respectively, over 12 months, while equivalent dollar and euro measures rose by 4.2% and 2.9%, respectively.

The MSCI UK Monthly Property Total Return Index declined by 14.7% year-on-year, primarily due to an 18.8% fall in capital values across the three main commercial sectors, with the industrial sector experiencing the most pronounced decline. Overall, 2022 was characterized by economic uncertainties, inflationary pressures, and market fluctuations, prompting central banks to respond with unprecedented rate hikes.

Investment Strategy

There has been a steep rise in real long-term risk free interest rates over the 22/23. For example, at 31 March 2022 the yield available on 40 year Index Linked Gilt was negative 1.8% and this rose by 210bps to positive 0.3% at 31 March 2023. Because our long-term pension liabilities are largely correlated with long-term interest rates, we have, along with all LGPS funds, seen a significant improvement in funding levels. The Actuary estimated that the funding level for the whole Fund was 115% at 31 March 2023.

The Pensions Industry was impacted by the significant spike in interest rates following the mini-budget which caused liquidity issues for these pension schemes that held “Liability Driven Investments” or “LDI”. The Barnet Pension Fund does not hold LDI investments and so was not directly impacted by the issue. However, recognising that market events may occur that may require urgent action to be taken, the Committee introduced governance protocols around how a to approach an urgent situation. These protocols were considered and introduced at the 31 January 2023 Pension Fund Committee meeting.

The Fund’s Diversified Growth assets were sold duing the year. The primary reasons for this were that the Fund no longer had a strategic allocation to Diversified Growth Funds and that holding such funds meant it was holding a higher proportion towards growth assets than allowed under its Investment Strategy Statement. In addition, the Diversified Growth fund was being used as a source to fund Capital Calls towards Private Assets. Because Capital Calls are fixed (in cash terms) but the Diversified Growth fund value could vary, this created a mismatch between the Capital Calls and the sources of money used to fund them.

Over the year the Fund switched around £220m of equities from its RAFI and Global Index holdings towards the more ESG tilted “Future Worlds” equity fund. This switch was in line with decisions made by the Commttee in prior periods.

As a result of selling the Fund’s Diversiified Growth Funds means that the Fund has a temporary, but high, holding to cash to manage its capital call commitments towards its Private Assets. To maximise return and better manage risk for these holdings the Fund introduced a Cash Management strategy which was considered and implemented at the 31 January 2023 Pension Fund Committee meeting.

Since the date of this report the Committee has considered whether it would be appropriate to stabilise the funding position and reduce its exposure to equity investments and increase its exposure to fixed income assets. After taking advice the Committee agreed at the 4 July 2023 Committee Meeting to switch 20% of the Fund’s asset allocation from equity to investment grade bonds. This was implemented over July and early August 2023. The broad mix between Growth and Income assets has therefore moved from a 50 / 50 weighting to a 30 / 70 weightng.

The fund's investment strategy as at 31st March 2023 is set out in the table below.

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

Note that the Pension Fund Committee amended its strategic allocation at the 4 July 2023 Pension Fund Committee to 30% growth assets and 70% fixed income assets.

Investment Ranges

Prior to the adoption of the first investment strategy statement (ISS) in March 2017 the Pension Fund had to abide by the maximum allocations to asset classes specified in the Local Government Pensions (Management and Investment of Funds) Regulations 2009. On adoption of the ISS these limitations were replaced by those set in the ISS, which are shown below together with the actual and benchmark proportions as at 31 March 2023.

Asset class	Benchmark	Benchmark Proportion	Maximum Allocation
Equity		**30.0%**	**30.0%**
Listed equity	Solactive L&G ESG Global Markets Net	13.0%	
	RAFI Global Reduced Carbon Pathway 3.5%- GBP Hdgd	6.0%	
	MSCI Emerging Market Index (TR) Net	3.0%	
	MSCI World Index Net (Total Return)	3.0%	
Private equity	MSCI ACWI TR Index +4% p.a. Net IRR of 15% p.a.	5.0%	
Property		**6.0%**	**6.0%**
	FT British Govt All Stocks Index +2%	2.0%	
	9%-11% p.a. over 3 year rolling period	2.0%	
	12%-15% p.a.	2.0%	
Infrastructure		**8.0%**	**8.0%**
	8%-12% p.a.	5.0%	
	Net IRR of 7%-10% p.a.	3.0%	
Corporate bonds		**30.0%**	**30.0%**
	Merrill Lynch Sterling Non-Gilts All Stocks Index	15.0%	
	Bloomberg Global Aggregate Credit Index – GBP Hedged	15.0%	
Illiqid credit		**7.5%**	**7.5%**
	SONIA +4%-6% p.a.	5.5%	
	15%-20% p.a.	2.0%	
Multi-credit		**7.0%**	**7.0%**
	SONIA (30 day compounded) +4.5%	3.5%	
	3 Month SOFR +5% p.a. hedged to GBP	3.5%	
Alternative credit		**11.5%**	**11.5%**
	SONIA +4% p.a.	6.0%	
	Net IRR of 6%-8% p.a.	4.0%	
	7%-12% p.a. net IRR	1.5%	
		100.0%	

There were no breaches of these limits during the year.

Investment Activity

During the year investment purchases were valued at £426.692 Million:

Future Worlds Global Equity index	£219.542 million
Barings Special Situations Credit	£14.669 million
LCIV Private Debt	£17.350 million
LCIV Renewables Infrastructure	£4.466 million
Adams Street Global Private Equity	£7.458 million
Adams Street Secondary Private Equity	£8.708 million
Fiera Real Estate	£28.249 million
LCIV Multi-Asset Credit	£60.000 million
Allianz Trade Finance	£18.500 million
Pemberton Trade Finance	£18.500 millio n
Standard Life Money Market Funds	£19.250 million

Investment realisations during the year were valued at £387.449 million:

FTSE All World Equities	£179.542 million
FTSE RAFI All World Equities	£40.000 million
Partners Multi Asset Credit	£3.603 million
Alcentra Multi Asset Credit	£19.981 million
Alcentra European Direct Lending	£0.283 million
Schroders Diversified Growth	£136.790 million
LCIV Renewables Infrastructure	£2.217 million
LCIV Private Debt	£3.797 million
Fiera Real Estate	£1.287 million

Within the financial statements, pooled fund costs of £11.979 million are also shown as disposals.

Commitments made but not drawn as at 31 March 2023 were

Adams Street Global Private Equity	$17.582 million
Adams Street Secondary Private Equity	$44.550 million
LCIV Private Debt	£22.033 million
LCIV Renewables Infrastructure	£26.371 million
Barings Special Situation Credit	€3.000 million

Benchmark

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

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

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

Pooling

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

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

As at 31 March 2023 investments managed by LCIV were:

LCIV Emerging Market Equities	£67.305 million
LCIV Sustainable Equities Exclusions	£39.652 million
LCIV Private Debt	£41.797 million
LCIV Renewables Infrastructure	£17.896 million
LCIV Multi Asset Credit	£60.214 million

For both Private Debt and Renewables Infrastructure there are substantial undrawn commitments as highlighted on the previous page. The Pension Fund Committee has also agreed to invest into the following LCIV funds, with drawdowns commencing after 1 April 2023:

LCIV Global Bonds	5% circa £75 million

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

The Fund holds assets in life funds managed by Legal & General Investment Management (LGIM) valued at £587.7 million (39.5% of the fund) as at 31 March 2023. The Fund holds these outside the LCIV in accordance with government guidance on the retention of life funds outside of pools. The LCIV has negotiated fees for the life funds and monitors the performance of the life funds.

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

Costs and Savings

The Fund contributed to the costs of the LCIV in the year to 31 March 2023 by way of both fixed charges and additional fund manager fees. The fixed charges comprise an annual service charge of £30,000 (2022/23: £30,000) and a funding development charge of £85,000 (2021/22): £110,000). In addition, fees based on assets being monitored by LCIV were £30,000 (2021/22: £30,000). LCIV has estimated the net fee savings during the year to 31 March 2022 from pooling at £520,000 (2020/21: £605,000).

Independent Advisor

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

1. Investment strategy
2. Strategic asset allocation
3. Development of investment policy and practices
4. Corporate governance issues, including socially responsible investment and the Council's Investment Strategy Statement
5. Pension fund related legislation

6. Investment management performance monitoring
7. Assistance in the selection of investment managers, custodians and actuaries
8. Review of and advice on alternative benchmarks and setting of performance targets
9. Other ad-hoc advice.

Custodian

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

Responsible Investing & ESG

On 1 December 2022 the Committee held a Responsble Investment day and considered how it would start to frame its NetZero strategy. A record of the main points discussed at this day can be reviewed within the papers for the 31 January 2023 Pension Fund Committee meeting.

This work has evolved into the development of a set of principles and a NetZero "Model Portfolio" anchored around 2030. The principles developed are as follows:

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

The Model Portfolio work has identified two key workstreams that the Committee will progress over 23/24 and beyond, namely, considering opportunities to switch to Paris Aligned funds for our core assets and considering Nature Based assets and Renewable Infrastructure assets which could help to sequetrer Carbon and generate real world reduction in Global Carbon output.

The Pension Fund Committee firmly believes that incorporating environmental, social and governance (ESG) factors into investment decision making will help mitigate long-term investment risks such as climate change and safeguard fund assets. The Committee's responsible investment beliefs are set out in the Investment Strategy Statement; appendix C to the Annual Report. These beliefs will be reviewed annually and will be taken into consideration when making investment decisions both in relation to setting and implementing investment strategy. The Fund is committed to be a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term.

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

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

The Committee is considering its approach to Stewardship and will develop its policies to capture anticipated reporting requirements of the Taskforce for Climate Related Financial Disclosures.

Voting

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

3. Management and Financial Performance of the Fund for the Year 2022/23

3.1 Fund Performance

Over the 12 months to 31 March 2023, the Fund returned -3.6% (net of fees) versus a combined benchmark return of -0.6%.

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

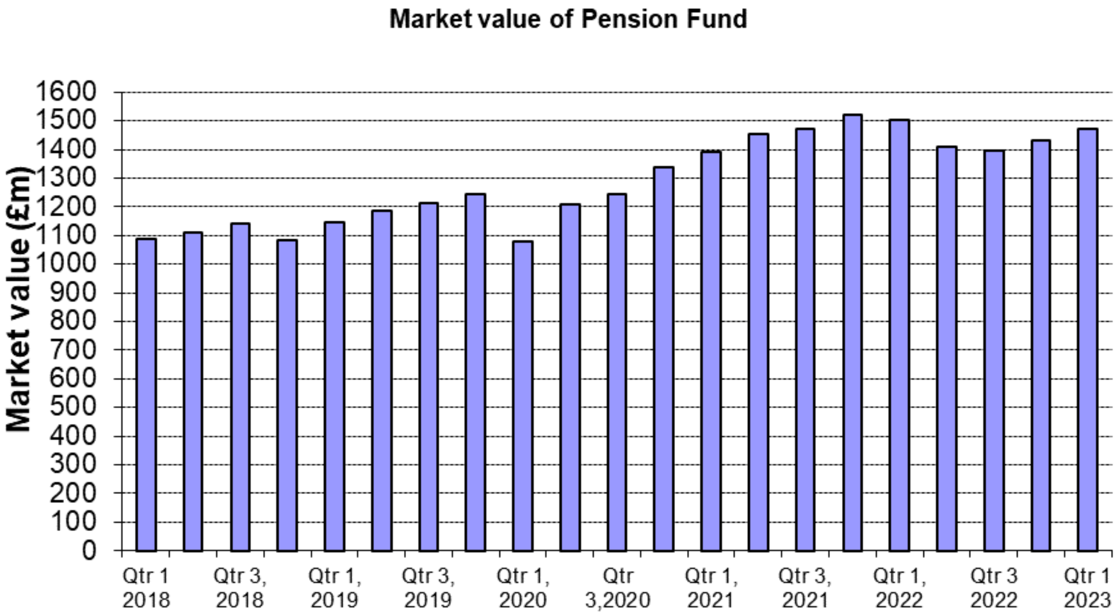
Performance Summary (Net of fees) – to 31 March 2023

		Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
		Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth													
LGIM RAFI Carbon Pathway Index GBP Hdgd	◆	4.7	4.6	**0.1**	-1.0	-1.4	**0.4**	19.2	19.0	**0.2**	8.0	8.0	**0.0**
LGIM Future World Global Equity Index	◆	4.9	4.9	**0.0**	-1.1	-1.2	**0.2**	n/a	n/a	**n/a**	5.4	5.2	**0.2**
LGIM Future World Global Equity Index GBP Hdgd	◆	7.1	7.1	**0.0**	-6.1	-6.2	**0.1**	n/a	n/a	**n/a**	1.2	1.1	**0.1**
LCIV Emerging Markets Equity	◆	2.8	1.1	**1.7**	-1.1	-4.9	**4.0**	10.9	7.9	**2.7**	4.9	2.3	**2.5**
LCIV Sustainable Exclusion Global Equity	◆	-0.4	4.8	**-5.0**	-7.7	-1.0	**-6.8**	n/a	n/a	**n/a**	-1.9	4.4	**-6.0**
Adams Street 2019 Global	◆	-12.4	3.0	**-14.9**	-34.8	-3.9	**-32.2**	31.5	12.1	**17.3**	42.7	12.0	**27.4**
Income													
IFM Global Infrastructure	■	1.0	1.9	**-1.0**	15.8	8.0	**7.2**	13.2	8.0	**4.8**	13.4	8.0	**5.0**
LCIV Renewable Infrastructure	■	7.6	1.7	**5.8**	34.3	7.0	**25.5**	n/a	n/a	**n/a**	21.6	7.0	**13.7**
Standard Life Long Lease Property	◆	-5.9	2.5	**-8.2**	-21.9	-14.1	**-9.0**	-2.6	-7.1	**4.9**	-0.8	-3.0	**2.3**
CBRE Global Alpha	■	-6.8	2.2	**-8.8**	9.7	9.0	**0.7**	5.7	9.0	**-3.0**	6.1	9.0	**-2.6**
FREOF V	■	0.5	2.9	**-2.3**	0.2	12.0	**-10.5**	n/a	n/a	**n/a**	3.1	12.0	**-8.0**
Barings Multi-Credit	■	2.6	2.0	**0.6**	-4.8	6.6	**-10.7**	7.1	5.7	**1.3**	3.0	5.7	**-2.6**
Insight Secured Finance	■	2.1	1.9	**0.1**	1.6	6.3	**-4.5**	5.0	4.9	**0.1**	2.9	4.8	**-1.8**
Schroder All Maturities Corporate Bond	◆	2.8	2.4	**0.4**	-12.1	-10.3	**-2.1**	-3.0	-3.1	**0.0**	3.8	3.5	**0.3**
Alcentra Direct Lending	■	-0.2	1.7	**-1.9**	1.2	7.0	**-5.5**	3.4	7.0	**-3.4**	5.4	7.0	**-1.5**
Partners Group MAC 2015	■	1.2	1.9	**-0.7**	-6.5	6.3	**-12.1**	2.1	5.5	**-3.2**	6.4	5.3	**1.0**
Partners Group MAC 2017	■	0.9	1.9	**-1.0**	6.0	6.3	**-0.3**	6.1	5.5	**0.6**	4.6	5.3	**-0.7**
Partners Group MAC V	■	1.5	1.9	**-0.4**	3.5	6.3	**-2.7**	7.0	5.5	**1.5**	4.7	5.4	**-0.7**
LCIV Private Debt	■	-2.3	1.5	**-3.7**	12.3	6.0	**5.9**	n/a	n/a	**n/a**	8.6	6.0	**2.5**
LCIV MAC	■	2.1	2.0	**0.0**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	2.2	2.7	**-0.5**
Barings Global Special Situations Credit	■	0.4	3.3	**-2.7**	2.3	13.8	**-10.1**	n/a	n/a	**n/a**	12.2	13.8	**-1.4**
Total		**2.3**	**3.5**	**-1.2**	**-3.6**	**-0.6**	**-3.0**	**9.6**	**10.0**	**-0.3**	**5.9**	**7.0**	**-1.1**

The 12-month return of -3.6% is -3.0% below benchmark and below the average LGPS return of % calculated by PIRC. The three year return of 9.6% p.a. is 0.3% p.a. below the 10.0% benchmark in the table above but is on par with the PIRC LGPS average of 9.6 %.

3.2 Market Value of the Fund

The following chart shows the quarterly movements in the market value of the investments over the last five years to 31 March 2023.



Investment values recorded steady rises throughout most of the above five-year period until the first quarter of 2020, when government actions globally to stop the spread of Covid-19 virus had the impact of reducing economic activity and creating uncertainty in investment markets. Markets have recovered these losses in 2020 and continued their upward path in 2021 as governments start to relax the restrictions on people movement with favourable projections of economic growth. Quarter 1, 2022 witnessed a pull back of equity and bond markets due to inflation concerns, however markets have again started to rise into Q1 of 2023.

3.3 Scheme Administration

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

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

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

Type of work	Description	Service Level Agreed (SLA) target	Performance of cases completed against SLA target
Change of Address/ Bank Details	Update member records with new details	85% of cases processed with 5 days	96.95%
Death Grant Nomination Form Received	Update member records with new details	85% of cases processed with 20 days	100.00%
Death in Retirement	Issue initial correspondence to beneficiary following notification of death; Issue details of benefits payable on death; Process payment of death lump sum.	85% of cases processed with 5 days	85.38%
Death in Service	Issue initial correspondence to beneficiary following notification of death; Issue details of benefits payable on death; Process payment of death lump sum.	85% of cases processed with 5 days	100.00%
Death on Deferred	Issue initial correspondence to beneficiary following notification of death; Issue details of benefits payable on death; Process payment of death lump sum.	85% of cases processed with 5 days	100.00%
Deferred Benefits into Payment Actual	Set up pension and arrange payment of any lump sum payable	90% of cases processed with 5 days	99.09%
Deferred Benefits Quotation	Calculate retirement benefits for a deferred member	95% of cases processed with 7 days	100%
Leaver benefits - deferred pension	Calculation of leaver benefits; Send letter to member	85% of cases processed with 10 days	100.00%
Pension Estimate	Calculate retirement benefits for an active member	75% of cases processed with 10 days	98.47%
Refunds of contributions	Provide quote to member and arrange payment	90% of cases processed with 5 days	100.00%
Retirement Set Ups	Set up pension and arrange payment of any lump sum payable	95% of cases processed with 3 days	97.94%
Set Up New Spouse Pension	Set up pension to spouse and/or dependants	90% of cases processed with 10 days	91.11%

Transfer in Quote/Receipt	Obtain details of previous benefits; provide quotation to member; request payment and update member	85% of cases processed with 35 days	100.00%
Transfer Out Quote	Calculate transfer value	85% of cases processed with 20 days	100.00%

In total, for the period from April 2021 to March 2022, WYPF completed 94.3% of cases within agreed Service Levels.

The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received by WYPF has been low and feedback from both employers and scheme members has been positive with

member satisfaction ratings exceeding 90%.

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

pensions@wypf.org.uk

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

Pension Increases

The amount by which pensions are increased annually each April is based on inflation during the 12 months to the previous September as measures by the Consumer Price Index. The pension increase in 2023 was 3.1% (2022: 3.1%).

The Pensions Regulator

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

Additional Voluntary Contributions

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

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

3.4 Membership of the Pension Fund 2022/23

	31 March 2023	31 March 2022
Number of employers with active members	70	65
Number of employees in scheme		
London Borough of Barnet	3,961	3,561
Other employers	5,768	5,221
Total	9,729	8,782
Number of pensioners		
London Borough of Barnet	5,500	5,248
Other employers	3,087	2,868
Total	8,587	8,116
Deferred pensioners		
London Borough of Barnet	5,835	6,153
Other employers	3,682	3,568
Total	9,517	9,721
Total number of members in pension scheme	**27,833**	**26,619**

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

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

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

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

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

4. Statutory Statements

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

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

Comments

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

Pensions@barnet.gov.uk
Address: London Borough of Barnet Pension Fund, 2 Bristol Avenue, Colindale, London, NW9 4EW

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

London Borough of Barnet Pension Fund (the Fund)

Actuarial Statement for 2022/23

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

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. Asset-liability modelling has been carried out which demonstrate that if the required contribution rates are paid, there is at least a 70% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,502 million, were sufficient to meet 95% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £72 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.6% pa
Salary increase assumption	3.7% pa
Benefit increase assumption (CPI)	2.7% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.9 years	24.7 years
Future Pensioners*	23.1 years	26.2 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Steven Scott

Steven Scott FFA

23 May 2023

For and on behalf of Hymans Robertson LLP

Audit Report – to be added

Statement of Responsibilities

Pension Fund Responsibilities

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

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

The Director of Finance and S151 Officer Responsibilities

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

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

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

Director of Finance & S151 Officer Responsibilities

I certify that the Pension Fund's Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Pension Fund at 31 March 2023 (the balance sheet) and its income and expenditure for the year ended 31 March 2023.

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

Chairman of Pension Fund Committee Certificate

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

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

PENSION FUND

STATEMENT OF ACCOUNTS

2022/23

MAIN STATEMENTS

FUND ACCOUNT

	Notes	2022/23 £000	2021/22 £000
Dealings with members, employers and others directly involved in the fund			
Contributions	6	(66,878)	(61,990)
Transfers in from other pension funds	7	(6,072)	(9,247)
		(72,951)	**(71,238)**
Benefits	8	64,913	63,583
Payments to and on account of leavers	9	9,944	5,611
		74,858	**69,194**
Net (additions) from dealings with members		**1,907**	**(2,044)**
Management expenses	10	14,768	14,942
Net (additions) / withdrawals including fund management expenses		**16,675**	**12,899**
Returns on investments			
Investment income	11	(4,037)	(9,023)
Profit and losses on disposal of investments and changes in the value of investments	13	23,863	(110,902)
Net return on investments		**19,825**	**(119,926)**
Net (increase) / decrease in the net assets available for benefits during the year		**36,499**	**(107,027)**
Opening net assets of the scheme		1,501,627	1,394,600
Closing net assets of the scheme		**1,465,127**	**1,501,627**

NET ASSETS STATEMENT

	Notes	31 March 2023 £000	31 March 2022 £000
Investment assets		1,480,666	1,481,979
Long term investments		150	150
Total net investments	13	**1,480,816**	**1,482,129**
Current assets	18	14,772	69,353
Current liabilities	19	(30,461)	(49,855)
Net assets of the fund available to fund benefits at the end of the reporting period		**1,465,127**	**1,501,627**

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 17.

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

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

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

The following description of the Fund is a summary only. For more detail, reference should be made to the *London Borough of* Barnet *Pension Fund Annual Report 2022/23* and the underlying statutory powers underpinning the scheme.

General

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

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

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

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

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

Membership

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

- Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies can include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector

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

The numbers of members have been extracted from the underlying membership records in the live system as at 31 March 2023, including the comparative figures. An analysis of membership movement in the year is provided in the note below.

The number of employees contributing to the Fund increased during the year from 8,782 to 9,729 at 31 March 2023. During the same period, the number of pensioners increased from 8,116 to 8,587 and the number of deferred pensioners deceased from 9,721 to 9,517.

	31 March 2023	31 March 2022
Number of employers with active members	70	65
Number of employees in scheme		
London Borough of Barnet	3,961	3,561
Other employers	5,768	5,221
Total	9,729	8,782
Number of pensioners		
London Borough of Barnet	5,500	5,248
Other employers	3,087	2,868
Total	8,587	8,116
Deferred pensioners		
London Borough of Barnet	5,835	6,153
Other employers	3,682	3,568
Total	9,517	9,721
Total number of members in pension scheme	**27,833**	**26,619**

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

Funding

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

Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2023. Employers also pay contributions and their rates are set based on triennial actuarial funding valuations. Further details of the last actuarial valuation are given in Note 16.

Benefits

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

2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fund account – revenue recognition

Contribution income

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

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

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

Transfers to and from other schemes

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

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

Investment income

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

3.2 Fund account – expense items

Benefits payable

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

Taxation

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

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

Management expenses

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

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

3.3 Net assets statement

Financial assets

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

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

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

Cash and cash equivalents

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

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

Financial liabilities

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

Actuarial present value of promised retirement benefits

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

Additional voluntary contributions

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

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 20).

3.4 Post Balance Sheet Events

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

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

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

3.5 Contingent Liabilities

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The net pension Fund liability, which is disclosed within note 17 but excluded from the Net Assets Statement, is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

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

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

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

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

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

Actuarial present value of promised retirement benefits

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

Fair Value of Unquoted Investments

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

6. CONTRIBUTIONS RECEIVABLE

By category

	2022/23	2021/22
	£000	£000
Employees' contributions:	**(14,079)**	**(13,073)**
Employers' contributions:		
Normal contributions	(44,900)	(40,759)
Deficit recovery contributions	(3,897)	(4,023)
Augmentation contributions	(4,003)	(4,135)
Total employers' contributions	**(52,800)**	**(48,917)**
Total contributions receivable	**(66,878)**	**(61,990)**

By authority

	2022/23	2021/22
	£000	£000
London Borough of Barnet	(39,748)	(35,569)
Scheduled bodies	(23,487)	(22,282)
Admitted bodies	(3,643)	(4,140)
Total contributions receivable	**(66,878)**	**(61,990)**

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

Barnet Homes	£1.832 million (2021/22: £2.265 million)
Your Choice	£0.664 million (2021/22: £0.563 million)
Barnet Education & Learning Services	£0.604 million (2021/22: £0.860 million)

Contributions paid by London Borough of Barnet in 2020/21 included £20.477 million advance payment of deficit contributions due for the period 1 April 2020 to 31 March 2023 of which £7.804 million was payable in 2022/23. As a consequence of paying these contributions early, the Actuary reduced the amount due by £1.409 million. The advance payment was allocated to 2021/22 and 2020/21 contributions and not spread over the period to which it relates.

7. TRANSFERS IN FROM OTHER PENSION FUNDS

	2022/23	2021/22

	£000	£000
Group transfers	0	0
Individual transfers	(6,072)	(9,247)
Total transfers in from other Pension Funds	**(6,072)**	**(9,247)**

8. BENEFITS PAYABLE

By category

	2022/23	2021/22
	£000	£000
Pensions	53,542	51,384
Commutation and lump sum retirement benefits	9,584	10,479
Lump sum death benefits	1,788	1,719
Total benefits payable	**64,913**	**63,583**

By authority

	2022/23	2021/22
	£000	£000
London Borough of Barnet	46,769	45,503
Scheduled bodies	13,103	13,570
Admitted bodies	5,047	4,510
Total benefits payable	**64,913**	**63,583**

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2022/23	2021/22
	£000	£000
Refunds to members leaving service	222	153
Individual transfers	9,723	5,458
Total payments to and on account of leavers	**9,944**	**5,611**

10. MANAGEMENT EXPENSES

	2022/23	2021/22
	£000	£000
Administrative costs	953	1,049
Investment management expenses	12,941	13,137
Oversight and governance costs	874	757
Total management expenses	**14,768**	**14,942**

Administration costs represent charges from the third-party pension administrator and LB Barnet staff costs relating to pension administration.Oversight and governance costs include staff cost recharges from LB Barnet, actuarial fees, investment advisory fees and audit fees. A more detailed discussion of investment costs is provided in the annual report, including details of savings achieved through pooling. Most costs (2022/23: £12.0 million, 2021/22: £12.1 million) are charged directly to investee funds.

10A. INVESTMENT MANAGEMENT EXPENSES

	2022/23	2021/22
	£000	£000
Management fees	5,936	6,273
Performance related fees	4,776	4,713
Custody fees	(3)	15
Transaction costs	2,232	2,136
Total investment management expenses	**12,941**	**14,942**

All investment management expenses relate to pooled investments, except for £31,000 (2021/22: £15,000) that relate to money market funds.

11. INVESTMENT INCOME

	2022/23 £000	2021/22 £000
Pooled investments – unit trusts and other managed funds	(2,524)	(9,002)
Interest on cash deposits	(1,514)	(22)
Total investment income	**(4,037)**	**(9,023)**

12. AUDIT COSTS

	2022/23 £000	2021/22 £000
Payable in respect of external audit	40	36
Total external audit costs	**40**	**36**

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

13. INVESTMENTS

2022/23	Market value 1 April 2022 £000	Purchases during the year £000	Sales during the year £000	Change in market value during the year £000	Market value 31 March 2023 £000
Investment assets:					
Pooled investments	1,456,977	407,442	(375,520)	(46,754)	1,442,145
Money market funds	25,000	19,250	(5,750)		38,500
Long term investments	150				150
	1,482,127	**426,692**	**(381,270)**	**(46,754)**	**1,480,795**
Other investment balances:					
Cash deposits	2				20
Net investment assets	**1,482,129**				**1,480,816**

2020/21	Market value 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2022
	£000	£000	£000	£000	£000
Investment assets:					
Pooled investments	1,345,152	273,220	(272,297)	110,902	1,456,977
Money market funds	1,530	23,470			25,000
Long term investments	150				150
	1,346,832	**296,690**	**(272,297)**	**110,902**	**1,482,127**
Other investment balances:					
Cash deposits	2				2
Net investment assets	**1,346,834**				**1,482,129**

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

13A. ANALYSIS OF INVESTMENTS

	31 March 2023	31 March 2022
	£000	£000
Pooled funds – additional analysis		
UK		
Unit trusts	587,697	603,354
UK managed funds	759,377	782,137
Money market funds	38,500	25,000
Non-UK		
Overseas Managed Fund	95,071	71,485
	1,480,646	**1,481,976**
Long term investments	150	150
Cash deposits	2	2
Total investment assets	**1,480,816**	**1,482,128**

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

13B. INVESTMENTS ANALYSED BY FUND MANAGER

	Market value	31 March 2023	Market value	31 March 2022
	£000	%	£000	%
Legal and General	587,697	39.6	603,354	40.7
Schroder Investment Management	117,107	7.9	280,896	19.0
LCIV	227,015	15.3	146,718	9.9
Alcentra	13,164	0.9	35,384	2.4
Partners Group	46,586	3.1	49,506	3.3
Barings	74,560	5.0	60,546	4.1
Insight Investments	91,785	6.2	90,056	6.1
IFM Investors	98,001	6.6	84,949	5.7
Aberdeen Long Lease Property	26,753	1.8	34,234	2.3
CBRE	31,873	2.2	29,881	2.0
Adams Street	63,198	4.3	41,604	2.8
Fiera Real Estate	27,577	1.9	0	0.0
Allianz	18,500	1.2	0	0.0
Pemberton*	18,500	1.2	0	0.0
Legal and General Liquidity Fund	19,250	1.3	0	0.0
Aberdeen Standard Life	19,250	1.3	25,000	1.7
	1,480,816	**100.0**	**1,482,128**	**100.0**

* The Fund entered into an agreement for an £18.5m investment with Pemberton for 31st March 2023. However the payment was made in April 2023, this is reflected in sundry creditors (note 19).

The investments of the Pension Fund are wholly invested within pooled vehicles with year-end valuations provided by the fund operator. Some of the underlying investments in these pools are highly illiquid and valuations are not verifiable to identical transactions at the year-end and are therefore estimated by the fund operator based on established models and guidelines. In particular, holdings in property, infrastructure and private equity with a year-end valuation of £254.1 million (31.3.22: £198.2 million) are particularly difficult to verify and rely on the fund operator adopting prudent valuation techniques. Valuations are monitored both internally and by the external investment advisor.

Pooling

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. The Fund's was invested in five pooled products at 31 March 2023 being LCIV Emerging Market Equities, value £67.3 million (31.3.22: £68.1 million), LCIV Sustainable Equities, value £39.7 million (31.3.22: £42.9 million), LCIV Private Debt value £41.8 million (31.3.22: £24.4 million), LCIV Renewables Infrastructure value £17.9 million (31.3.22: £11.1 mllion), and LCIV Multi-Asset Credit value £60.2 million representing 15.5% of the fund's value. The Fund's investments with Legal & General (39.7% of investments) are monitored by LCIV. The table below provides further analysis of the investments as at 31 March 2023 by both asset class and geographical exposure, breaking down pooled funds into their underlying exposures. Additional details of each fund are provided in the investment policy report.

INVESTMENTS ANALYSED BY ASSET CLASS

Asset Class		31 March 2023			31 March 2022		
		£'000	£'000	%	£'000	£'000	%
Equities							
	UK	31,370		2%	44,155		3%
	Overseas	669,351		46%	697,376		46%
	Global	0		0%	34,397		2%
			700,721	48%		775,928	52%
Bonds							
	UK	125,200		9%	142,174		9%
	Overseas	261,371		18%	211,587		14%
	Global	41,797		3%	55,994		4%
			428,369	29%		409,755	27%
Property							
	UK	55,381		4%	42,041		3%
	Overseas	30,821		2%	28,895		2%
			86,202	6%		70,936	5%
Infrastructure			115,897	8%		97,499	6%
Private Equity			63,198	4%		41,604	3%
Other assets			37,000	3%		37,807	2%
FX Forward derivative			0	0%		0	0%
Cash			57,160	4%		48,600	3%
Net Current Assets			-23,412	-2%		19,498	1%
Total Investment Assets			**1,465,135**	**100%**		**1,501,627**	**100%**

Where no geographic split is available, global in the table above represents both UK and overseas. None of the investment funds are listed. However, the underlying investments e.g. those managed by Legal & General, may be listed.

The following investments represent more than 5% of the net assets of the scheme. These funds are registered in the UK.

	31 March 2023		31 March 2022	
	£000	as % of investment assets	£000	as % of investment assets
Legal and General Future Worlds Fund	394,606	26.7	171,947	11.6
Legal and General RAFI 3000 Tracker Fund	193,092	13.1	239,054	16.1
Schroder All Maturities Corporate Bond Fund	117,087	7.9	132,630	8.9
IFM Global Infrastructure	98,001	6.6	84,949	5.7
Insight IIFIG	91,785	6.2	90,056	6.1

13C. FAIR VALUE – BASIS OF VALUATION

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

- Unit trust investments are stated at the latest closing bid prices quoted by their respective managers as at 31 March 2023.
- UK managed funds are stated at net asset value as calculated by their respective managers as at 31 March 2023.
- Infrastructure funds - The fund manager values the investments by engaging external valuation services. Different valuation techniques are used by the valuers to value the different investments of the funds. For instance the discounted Cash flows applied to equity and debt instruments.

13D. FAIR VALUE – HIERARCHY

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

Level 1

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

Level 2

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

Level 3

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

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

31 March 2023	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Amortised Cost
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss	38,500	1,188,632	253,684	
Amortised cost				
Total financial assets	**38,500**	**1,188,632**	**253,684**	**0**
Grand Total:				**1,480,816**

31 March 2022	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Amortised Cost
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss	25,000	1,258,932	198,196	
Amortised cost				
Total financial assets	**25,000**	**1,258,932**	**198,196**	**0**
Grand Total:				**1,482,128**

All investments are classified as Level 2 with the exception of most property, infrastructure and private equity, which are classified as Level 3. The Aberdeen Money Market Fund and LGIM Sterling Liquidity Fund are the only investment classed as Level 1. These disclosures take into consideration the classifications used in the underlying funds' own financial statements. Level 3 investments as at 31 March 2023 comprise:

IFM Infrastructure	£98.001 million (31 March 2022: £84.950 million)
CBRE Global Property	£31.873 million (31 March 2022: £29.881 million)
Aberdeen Long Lease Property	£26.753 million (31 March 2022: £34.234 million)
Adams Street Private Equity	£51.584 million (31 March 2022: £38.064 million)
LCIV Renewables Infrastructure	£17.896 million (31 March 2022: £11.066 million)
Fiera Real Estate Fund	£27.576 million (31 March 2022: £0)

Fair Value Measurements using Significant Unobservable Inputs (Level 3)

IFM Investors (Infrastructure) – valuation 31 March 2023 £98.001 million

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

CBRE (Pooled Global Property) – valuation 31 March 2023 £31.873 million

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

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

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

Aberdeen (Pooled UK Long Lease Property) – valuation 31 March 2023 £26.753 million

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

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

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

Adams Street (Private Equity) – valuation 31 March 2023 £51.584 million

Level 3 investments held by the fund typically consist of other investments that are not measured at net asset value. When observable prices are not available management uses valuation techniques for which sufficient and reliable data is available. The valuation of non-marketable privately held investments requires significant judgment by management due to the absence of quoted market values, inherent lack of liquidity, changes in market conditions and the long-term nature of such assets. Such investments are valued initially based upon the transaction price. Valuations are reviewed quarterly utilizing available market data and additional factors to determine if the carrying value of these investments should be adjusted. Market data includes observations of the trading multiples of public companies considered comparable to the private companies being valued. Valuations are adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the companies being valued. In addition, a variety of additional factors are reviewed by Adams Street's management, including, but not limited to, estimates of liquidation value, prices of recent transactions in the same or similar issuer, current operating performance and future expectations of the particular investment, changes in market outlook and the financing environment. In determining valuation adjustments, emphasis is placed on market participants' assumptions and market-based information over entity specific information.

LCIV Renewables Infrastructure (Infrastructure) – valuation 31 March 2023 £17.896 million

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

Fiera Real Estate Fund (Property) – valuation 31 March 2023 £27.576

The fair value of property is based on valuations provided by property valuation experts.

Reconciliation of Level 3 investments

2022/23	Market Value 1 April 2021	Purchases during the year	Sales during the year	Change in Market Value	Market Value 31 March 2022
	£0	£0	£0	£0	£0
Infrastructure	96,016	4,465	(2,217)	13,199	115,897
Pooled UK Long Lease Property	34,234	28,249	(1,287)	(9,441)	54,329
Pooled Property (global)	29,881			1,992	31,873
Private equity	38,064	17,458		(3,937)	51,585
Total	**198,196**	**50,172**	**(3,504)**	**1,813**	**253,684**

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

Change is value represents unrealised gains and losses.

Sensitivity of assets valued at Level 3

Using volatility data provided by PIRC, the fund has determined that the valuation is likely to be accurate to within the following ranges, and as set out below the consequent potential impact on the closing value of investments held at 31 March 2023 & 31 March 2022. These ranges consider all potential factors including market prices, currency and valuation techniques. This is not a 'worse' case scenario but rather a measure of typical annual price movements.

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2023	Value on increase	Value on decrease
	£000	£000	£000	£000
Infrastructure	5.5%	115,897	122,272	109,523
Pooled UK Long Lease Property	3.1%	54,329	56,013	52,645
Pooled Property (global)	3.1%	31,873	32,861	30,885
Private equity	5.5%	51,585	54,422	48,747
Total		**253,684**	**265,567**	**241,800**

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

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

14. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	31 March 2023			31 March 2022		
	Fair value through profit and loss	Amotised Cost	Financial liabilities at amortised cost	Fair value through profit and loss	Amortised cost	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial assets						
Pooled investments	1,442,145			1,456,977		
Cash and cash equivalents		46,242			87,941	
Other investment balances		150			150	
Receivables		7,050			6,414	
Total financial assets	**1,442,145**	**53,442**	**0**	**1,456,977**	**94,505**	**0**
Financial liabilities						
Creditors			(30,461)			(49,855)
Total financial liabilities	**0**	**0**	**(30,461)**	**0**	**0**	**(49,855)**
Total	**1,442,145**	**53,442**	**(30,461)**	**1,456,977**	**94,505**	**(49,855)**
Grand Total			**1,465,127**			**1,501,627**

The net return on investments is wholly attributable to assets held at fair value through the profit and loss except for interest earned on cash balances of £1,514,000 (2021/22: £22,000) classified as loans and receivables.

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

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

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, which require an administering authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund in accordance with its Investment Strategy Statement. The administering authority's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise these risks.

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

15A. Market risk

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

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

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

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

Assets type	Assessed valuation range	Value as at	Value	Value

	(+ / -)	31 March 2023	on increase	on decrease
	£000	£000	£000	£000
Equity	13.1%	700,721	792,515	608,927
Bonds	5.5%	428,369	451,929	404,809
Property	5.6%	86,202	91,030	81,375
Alternatives	5.7%	216,095	228,412	203,778
Cash	0.8%	57,160	65,734	56,703
Total		**1,488,547**	**1,629,621**	**1,355,590**

Volatilities have been calculated at asset class level based on the 'look through' pooled fund valuations provided on page 16. Using PIRC volatility based on three years movements would have generated the following valuation ranges as at 31 March 2022:

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

The assessed valuation range as of 31 March 2023 represents 10.6% of asset value and is similar to the average annual change in asset value (positive or negative) during the last ten years of 8.9%. It should be noted that large changes in value in one direction are often followed by a reversal. For example, the 13.3% decline in Q1, 2020 due to Covid-19 was followed by a 27% gain in 2020/21.

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

The Fund's exposure to interest rate movements as of 31 March 2023 is included within the tables immediately above.

The Pension Fund holds financial assets and liabilities in overseas financial markets and therefore could be exposed to the risk of loss from exchange rate movements of foreign currencies against sterling. This risk is deemed acceptable as the investments are widely diversified by currency and the scheme's short-term expenditure liquidity requirements are broadly covered by contributions and income. Many of the overseas investments are hedged into sterling by the investment managers. After hedging, the net exposure to non-sterling currencies is £623.0 million (2021/22: £546.0 million). The table below discloses the main foreign currency exposures and estimated currency volatility. For 2021/22 a volatility of +/- £41.429 million was included in last year's statement of accounts.

Currency	Assessed valuation range (+ / -)	Value as at 31 March 2023	Value on increase	Value on decrease
	£000	£000	£000	£000
US Dollars	9.1%	343,669	374,943	312,395
Euro	5.5%	129,113	136,214	122,011
Other	6.3%	151,081	160,599	141,563
Total		**623,862**	**671,755**	**575,969**

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

15B. Credit risk

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

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

As at 31 March 2023 working capital was held in the Pension Fund bank accounts with NatWest, in a money market fund with Aberdeen Standard Life, and a Sterling Liquidity fund with Legal & General Invstment Management, in accordance with the credit rating criteria within the Council's Treasury Management Strategy. Pension administration working capital was held in a bank account at HSBC operated by West Yorkshire Pension Fund on behalf of the Pension Fund.

Summary	Rating	Source	Balances as at 31 March 2023	Balances as at 31 March 2022

			£000	£000
Standard Life MMF Cash	AAAm	Moody's	19,250	25,000
Legal and General Standard Liquidity Fund Cash	AAA- mf	Moody's	19,250	0
Royal Bank of Scotland	A1	Moody's	4,376	60,161
HSBC	Aa3	Moody's	3,346	2,778
Cash held by Fund Managers			20	2
Total			**46,242**	**87,941**

15C. Liquidity risk

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

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

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

16. ACTUARIAL VALUATION

Hymans Robertson LLP were appointed as fund actuary in 2016 and undertook a formal triennial actuarial valuation of the fund as at 31 March 2022 in accordance with the Local Government Pension Scheme Regulations 2013. The actuarial valuation calculates the contribution rate payable by the employers, including the LBB Council, to meet the administering authority's funding objectives.

The funding level at 31 March 2022 was 95% (2019: 86%). This corresponded to a shortfall on the funding target of £72 million (2019: £190 million). The aggregate primary contribution rate for 2022/23 was a primary rate of 20.6% of pensionable pay plus a secondary contribution of £12.721 million. Under the new three-year schedule of contributions effective from 1 April 2023 the aggregate primary rate is 20.0% and the secondary contribution for 2023/24 is £14.921 million. This is the average required employer contribution to restore the funding position to 100% over the next 17 years. For the main employer, the London Borough of Barnet, the employer's contribution rate for 2022/23 is 28.4% (2021/22: 28.9%).

The assumptions used for the triennial valuation were:

Financial assumptions

	31 March 2022	31 March 2019
	%	%
Assumed future investment return (Discount rate)	2.7	4.4
CPI	3.2	2.3
Pension increases rate	3.2	2.3
Salary increases rate	3.9	3.0

The assumed future return is based on a economic scenario generator that utilises a range of future economic outcomes, each with an associated asset class return highlighted in the table below. The table ranks outcomes from 1st percentile (worst case) to 100th percentile (most favourable). At the 2022 triennial valuation, the Actuary determined that there is a 71% likelihood of the Fund's investments achieving at least an annual return of 4.9% p.a. over the next 20 years.

		Annualised total returns																			
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	Developed World ex UK Equity	Private Equity	Property	Emerging Markets Equity	Unlisted Infrastructure Equity	Multi Asset Credit (sub inv grade)	Asset Backed Securities (AA rated) GBP	Asset Backed Securities (BBB rated) GBP	Direct Lending (private debt) GBP Hedged	CorpShort A	CorpMedium A	CorpShort BBB	CorpMedium BBB	Inflation (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	0.8%	-1.9%	-0.3%	-0.7%	-1.2%	-0.6%	-2.5%	0.7%	1.7%	1.1%	1.3%	2.7%	1.4%	-0.1%	1.3%	0.0%	2.4%	1.6%	-1.7%	1.1%
	50th %'ile	1.8%	0.2%	1.1%	5.6%	9.4%	4.4%	5.8%	5.9%	3.5%	2.3%	2.9%	6.0%	2.4%	1.6%	2.7%	1.9%	4.1%	3.3%	-0.5%	2.5%
	84th %'ile	2.9%	2.4%	2.4%	11.7%	20.1%	9.5%	14.4%	11.2%	5.2%	3.6%	4.5%	9.2%	3.4%	3.2%	3.9%	3.6%	5.7%	4.9%	0.7%	4.3%
20 years	16th %'ile	1.0%	-1.5%	0.7%	1.5%	2.4%	1.4%	0.1%	2.6%	2.8%	1.5%	1.9%	4.3%	2.0%	1.1%	2.2%	1.3%	1.6%	1.2%	-0.7%	1.3%
	50th %'ile	2.4%	0.1%	1.5%	6.1%	10.0%	5.0%	6.3%	6.5%	4.4%	3.0%	3.5%	6.8%	3.2%	2.1%	3.5%	2.5%	3.1%	2.7%	1.1%	3.2%
	84th %'ile	4.0%	1.9%	2.2%	10.8%	17.6%	8.9%	12.8%	10.6%	6.0%	4.7%	5.4%	9.2%	4.6%	3.2%	5.0%	3.6%	4.7%	4.3%	2.7%	5.7%
40 years	16th %'ile	1.2%	-0.3%	1.5%	3.1%	4.7%	2.6%	2.1%	3.9%	3.6%	1.8%	2.3%	5.5%	2.4%	2.0%	2.6%	2.3%	1.1%	0.9%	-0.6%	1.1%
	50th %'ile	2.9%	1.2%	2.3%	6.5%	10.3%	5.5%	6.8%	7.0%	5.3%	3.5%	4.0%	7.7%	3.9%	3.1%	4.2%	3.4%	2.4%	2.2%	1.3%	3.3%
	84th %'ile	4.9%	3.1%	3.5%	10.2%	16.1%	8.8%	11.7%	10.3%	7.1%	5.6%	6.3%	10.0%	5.8%	4.4%	6.2%	4.9%	3.9%	3.7%	3.2%	6.1%
	Volatility (Disp) (5 yr)	2%	7%	6%	19%	30%	15%	26%	15%	6%	3%	4%	10%	3%	7%	4%	7%	3%	3%		

Demographic assumptions

	31 March 2022	31 March 2019
Life expectancy from age 65		
Retiring today:		
Males	21.5	21.7
Females	24.3	24.0
Retiring in 20 years:		
Males	22.5	22.9
Females	25.9	25.7
Other demographic assumptions		
Commutation	50%	50%
50:50 option	1%	1%

The 2022 triennial valuation is yet to be presented to the Pension Fund Committee. The next actuarial valuation will be based on the value of the fund as at 31 March 2025.

17. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2022/23 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Barnet Pension Fund ("the Fund").

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

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

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

Present value of promised retirement benefits

Year ended	31 March 2023	31 March 2022
Active members (£m)	559	991
Deferred members (£m)	451	602
Pensioners (£m)	749	728
Total (£m)	**1,759**	**2,321**

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £830m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £5m.

Financial assumptions

Year ended	31 March 2023	31 March 2022
	% p.a.	% p.a.
Pension Increase Rate (CPI)	3.00%	3.20%
Salary Increase Rate	4.00%	3.95%
Discount Rate	4.75%	2.70%

Demographic assumptions

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.6 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.7 years	26.0 years

All other demographic assumptions have been updated since last year and as per the latest funding valuation of the Fund.

Sensitivity Analysis

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

Change in assumption at 31 March 2023	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	30
1 year increase in member life expectancy	4%	70
0.1% p.a. increase in the Salary Increase Rate	0%	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	28

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2023' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Steven Scott

Steven Scott FFA

23 May 2023

For and on behalf of Hymans Robertson LLP

18. CURRENT ASSETS

	31 March 2023 £000	31 March 2022 £000
Contributions due – employees	1,030	1,095
Contributions due – employers	5,875	5,309
Sundry debtors	146	10
Cash balances	7,722	62,939
Total current assets	**14,772**	**69,353**

19. CURRENT LIABILITIES

	31 March 2022 £000	31 March 2022 £000
Sundry creditors	(28,756)	(46,261)
Benefits payable	(1,705)	(3,593)
Total current liabilities	**(30,461)**	**(49,855)**

Prior to 31 March 2023 a £18.5 million investment into the Pemberton Trade Finance Fund was agreed, with Pemberton recognising this investment in their valuation as at 31 March 2023. However, the trade was settled in April 2023, resulting in a sundry creditor of £18.5 million at the year-end. The council was also due a £7.8 million refund of pre-paid deficit contributions in the year 2022/23, however this was not settled until after 31 March 2023, resulting in a sundry creditor of £7.8 million.

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

	Market value 31 March 2023 £000	Market value 31 March 2022 £000
Aviva	522	522
Prudential	3,108	3,108
Total AVC	**3,630**	**3,630**

AVC contributions of £0.326 million (2021/22: £0.326 million) were paid directly to Prudential and £0.002 million (2021/22: £0.002 million) were paid to Aviva during the year.

21. RELATED PARTY TRANSACTIONS

The London Borough of Barnet Pension Fund is administered by the London Borough of Barnet. Consequently, there is a strong relationship between the Council and the Pension Fund. During the reporting period, the Council incurred costs of £0.713m (2021/22: £.0956m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £39,748 million to the Fund in 2022/23 (2021/22: £35.569 million). These amounts include employee contributions of £8.565 million (2022/23) and £7.531 million (2021/22), and also contributions from companies wholly owned by the Council see note 6). Contributions paid by the Council in 2020/21 included £20.477 million advance payment of deficit contributions due for the period 1 April 2020 to 31 March 2023 of which £7.804 million was payable in 2021/22. As a consequence of paying these contributions early, the Actuary reduced the amount due by £1.409 million.

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

Governance

One member of the Pension Fund Committee as at 31 March 2023 & 31 March 2022 is a deffered member of the Barnet Pension Fund. There are no active members of the Fund that are members of the Pension Fund Committee. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

21A. KEY MANAGEMENT PERSONNEL

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

	2022/23	2021/22
	£000	£000
Short-term benefits	125	132
Post-employment benefits	35	37
Total remuneration	**160**	**168**

Post-employment benefits are employers pension contributions at 28.2% of salary.

22. CONTRACTUAL COMMITMENTS

The Fund has the following outstanding investment commitments as at 31 March 2023:

Adams Street 2019 Global Private equity - $17.6 million (£14.2 million)
Adam Street Global Secondaries Fund 7 - $44.6 million (£36.0 million)
LCIV Private Debt - £22.0 million
LCIV Rewables Infrastructure- £26.4 million
Barings Special Situation Credit- €3 million (£2.6 million)

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

23. CONTINGENT LIABILITIES

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

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

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

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

24. EVENTS AFTER THE REPORTING PERIOD

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

London Borough of Barnet Pension Fund

Governance Policy and Compliance Statement

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

Governance Policy and Compliance Statement

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

Administering Authority

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

Roles and Delegations

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

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

LBB has delegated responsibility for the administration and financial accounting of the LB Barnet Pension fund to the **Chief Financial Officer.**
Each of these roles is discussed below.

Pension Fund Committee

Responsibilities

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

To consider approval and act in accordance with statutory Pension Fund documents:

- Investment Strategy Statement
- Funding Strategy Statement
- Governance Policy Statement
- Pension Administration Strategy
- Communication Policy Statement

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

To meet review and consider approval of the Pension Fund Statement of Accounts, income and expenditure and balance sheet or record of payments and receipts

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

To appoint independent investment advisors.

To appoint Pension Fund investment managers.

To appoint Pension Fund actuaries.

To appoint a performance management company.

To appoint custodians.

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

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

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

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

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

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

Local Pension Board

Responsibilities
The Board is responsible for assisting with:

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

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

Such other matters that the LGPS regulations may specify.

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

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

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

<u>Membership</u>
The Board consists of seven members constituted as follows:

3 employer representatives comprising:

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

3 scheme member representatives (employee side) comprising:

1 active member
2 retired/deferred members

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

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

Substitute members may also be appointed who can attend meetings.
The Board members shall elect a Chairman and Vice-Chair. Should the elected Chairman be an Employer representative the Vice-Chairman must be a Scheme Member representative and vice versa.

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

<u>Meetings</u>
The Local Pension Board meets at least 4 times a year. Meeting dates are published on the LBB's web site as are meeting agenda and papers. The agenda and papers are published at least 7 days in advance of the meeting. Minutes are also made available on the LBB web site after approval by the Chairman.
All members of the Committee have equal voting rights at meetings. Substitute members have no voting rights unless they are replacing an absent member.

Chief Financial Officer

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

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

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

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

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

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

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

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

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

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

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

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

Policy Documents

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

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

Compliance with guidance

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

Consultation

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

Contact us

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

Statement of Compliance with Guidance

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

Representation	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-	Not compliant	Only Councillors are members of the Pension Committee. Representatives of other employers and scheme members are members of the Local Pension Board and can attend Pension Fund Committees as observers.
	- employing authorities including non-scheme employers e.g. admitted bodies,		
	- scheme members (including deferred and pensioner scheme members),		
	- independent professional observers, and		
	- expert advisors (on an ad-hoc basis)		
	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	N/A	Only Councillors are members of the Pension Fund Committee.
Selection and role of lay members	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	Members of the Pension Fund Committee have access to the terms of reference and are aware of their responsibilities.
Voting	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	All members of the Pension Fund Committee have equal voting rights.

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

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

GCS, appendix B

Regulatory Framework

Extract from LGPS Regulations 2013

(1) An administering authority must prepare a written statement setting out—

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so—
(i) the terms, structure and operational procedures of the delegation,
(ii) the frequency of any committee or sub-committee meetings,
(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

(2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

(3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

(4) An administering authority must publish its statement under this regulation, and any revised statement.

London Borough of Barnet Pension Fund

Funding Strategy Statement

13 February 2020

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1 Introduction

1.1 What is this document?

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

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

1.2 What is the London Borough of Barnet Pension Fund?

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

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

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

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

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

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

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

There are also regulatory requirements for an FSS, as given in Appendix A.

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

- the LGPS Regulations;

- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;

- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and

- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

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

1.5 What does the FSS aim to do?

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

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

1.6 How do I find my way around this document?

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

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

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

2 Basic Funding Issues

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

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

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

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

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

2.3 What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

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

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

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

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

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

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

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

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

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

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

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

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

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

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

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

The Fund actively seeks employer input, including to its funding arrangements, through various means see Appendix A.

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

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

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

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

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

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

2.8 When will the next actuarial valuation be?

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

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

3 Calculating contributions for individual Employers

3.1 General comments

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

1. What is a suitably (but not overly) prudent funding target?

2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.

3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

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

3.2 The effect of paying lower contributions

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

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

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

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

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

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

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

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

In the circumstances where:

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

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

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

Note (b) (Stabilisation)

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

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

The current stabilisation mechanism applies if:

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

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

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

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

Note (c) (Maximum time horizon)

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

Note (d) (Secondary rate)

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

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

Note (e) (Likelihood of achieving funding target)

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

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

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

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

Note (f) (Regular Reviews)

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

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

Note (g) (New Academy conversions)

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

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. Academies existing in the Fund as at 31 March 2020 and those who convert between 1 April 2020 and 31 March 2023 will pay a pooled rate until the certification of rates following the 31 March 2022 valuation.

vi. From 1 April 2023 onwards (i.e. when the Rates and Adjustments certificate comes into force following the 31 March 2022 formal valuation) rates will be set as follows:

   a. all academies' stand-alone rates will be calculated either at the valuation or on conversion, and

   b. stabilisation of rates will apply; this means that academies will take steps upwards or downwards towards their stand-alone rate in line with the parameters set out in Note (b).

vii. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

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

Note (h) (New Admission Bodies)

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

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

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

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

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

Note (i) (New Transferee Admission Bodies)

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

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

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

i) Pooling

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

ii) Letting employer retains pre-contract risks

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

iii) Fixed contribution rate agreed

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

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

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example, the contractor should typically be responsible for pension costs that arise from:

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

Note (j) (Admission Bodies Ceasing)

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

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

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

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

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

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

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

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a “gilts exit basis”, which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body’s liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Where there is a Deficit

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

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

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

Where there is a surplus

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

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

3.4 Pooled contributions

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

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

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

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

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

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

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

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

3.5 Additional flexibility in return for added security

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

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

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

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

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

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires on an unreduced basis before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Early retirement strains are payable immediately.

3.7 Ill health early retirement costs

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

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

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

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

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

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

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

3.8 Employers with no remaining active members

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

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

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

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

3.9 Policies on bulk transfers

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

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

3.10 Advanced payment of Employer Contributions

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

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

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

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

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

The same investment strategy is currently followed for all employers.

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

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

Therefore, the funding and investment strategies are inextricably linked.

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

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

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

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

4.4 Does the Fund monitor its overall funding position?

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

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

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

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

5.2 Solvency

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

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

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

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

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

Relative considerations include:

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

Absolute considerations include:

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

3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and

4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

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

FSS - appendix A – Regulatory framework

Why does the Fund need an FSS?

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

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

These objectives are desirable individually but may be mutually conflicting.

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

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

A2 Does the Administering Authority consult anyone on the FSS?

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

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

a) A draft version of the FSS was issued to all participating employers in [DATE] for comment;

b) Comments were requested within 14 days;

c) Scheme officers were available to discuss questions regarding the FSS;

d) Following the end of the consultation period the FSS was updated where required and then published, in [DATE].

A3 How is the FSS published?

The FSS is made available through the following routes:

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

A4 How often is the FSS reviewed?

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

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

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

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

A5 How does the FSS fit into other Fund documents?

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

These documents can be found on the web at www.barnet.gov.uk.

FSS - appendix B – Responsibilities of key parties

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

B1 The Administering Authority should:-

1 operate the Fund as per the LGPS Regulations;

2 effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;

3 collect employer and employee contributions, and investment income and other amounts due to the Fund;

4 ensure that cash is available to meet benefit payments as and when they fall due;

5 pay from the Fund the relevant benefits and entitlements that are due;

6 invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;

7 communicate appropriately with employers so that they fully understand their obligations to the Fund;

8 take appropriate measures to safeguard the Fund against the consequences of employer default;

9 manage the valuation process in consultation with the Fund's actuary;

10 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

11 prepare and maintain a FSS and an ISS, after consultation;

12 notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and

13 monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1 deduct contributions from employees' pay correctly;

2 pay all contributions, including their own as determined by the actuary, promptly by the due date;

3 have a policy and exercise discretions within the regulatory framework;

4 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and

5 notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

6 prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;

7 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

8 provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);

9 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;

10 assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;

11 advise on the termination of employers' participation in the Fund; and

12 fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

13 investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;

14 investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;

15 auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;

16 governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;

17 legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;

18 MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

FSS - appendix C – Key risks and controls

Types of risk

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

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

C2 Financial risks

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

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

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

C4 Regulatory risks

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

C5 Governance risks

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

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

FSS - appendix D – The calculation of Employer contributions

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

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

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

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

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

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

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

D2 How is the Primary contribution rate calculated?

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

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

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

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

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

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

D3 How is the Secondary contribution rate calculated?

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

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

19 meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)

20 at the end of the determined time horizon (see 3.3 Note (c) for further details)

21 with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

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

D4 What affects a given employer's valuation results?

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

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

D5 How is each employer's asset share calculated?

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

1) A technique known as “analysis of surplus” in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer’s liability value to calculate the employer’s asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.

2) A ‘cashflow approach’ in which an employer’s assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer’s assets.

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

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

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

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

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

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

FSS - appendix E – Actuarial assumptions

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

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

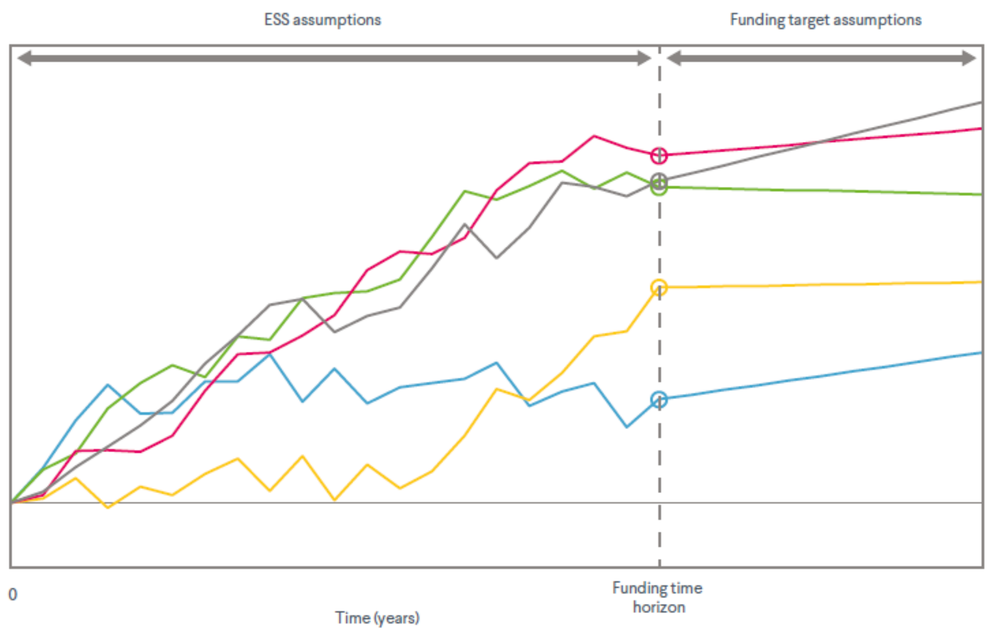
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

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

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

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose, the actuary uses Hymans Robertson's proprietary stochastic economic model - the Economic Scenario Service ("ESS").

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



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

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

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

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

E3 What assumptions are used in the funding target?

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

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

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

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

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

Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 2.0% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

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

a) Salary growth

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

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

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

b) Pension increases

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

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

c) Life expectancy

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

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

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

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

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

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

FSS - appendix F – Glossary

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

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

London Borough of Barnet Pension Fund

Investment Strategy Statement

Introduction and background

This is the Investment Strategy Statement ("ISS") of the London Borough of Barnet Pension Fund ("the Fund"), which is administered by Barnet Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016.

The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee on 24 February 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

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

The suitability of particular investments and types of investments

The primary investment objective of the Fund is to ensure that the assets are invested to secure the benefits of the Fund's members under the Local Government Pension Scheme. Against this background, the Fund's approach to investing is to:

- Optimise the return consistent with a prudent level of risk;
- Ensure that there are sufficient resources to meet the liabilities; and
- Ensure the suitability of assets in relation to the needs of the Fund.

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

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is as follows:

Every three years following the actuarial valuation, the Fund undertakes an asset liability modelling exercise. This exercise focuses on key risk metrics of probability of success (how likely is the Fund to be fully funded over the agreed funding period) and downside risk (how poor could the funding position become in the worst economic outcomes).

Within each major market the Fund's investment managers will maintain a diversified portfolio of securities through direct investment or via pooled vehicles. An Investment Management Agreement is in place for each investment manager, which sets out the relevant benchmark, performance target and asset allocation ranges, together with further restrictions.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

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

Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).

Table 1 - Fund asset allocation

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

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

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.

- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. This analysis will be revisited as part of the 2016 valuation process. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- Currency risk - The risk that the currency of the Fund's assets underperforms relative to sterling (i.e. the currency of the liabilities).

- Environmental, social and governance ("ESG") - The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.

- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee is developing formal rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. Rebalancing is considered currently but not on a formal structured basis. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as liquid diversified growth funds, the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis. Currently the Committee hedges 50% of its exposure to currency risk within its quoted equity allocation.

Details of the Fund's approach to managing ESG risks is set out later in this document.

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

Other provider risk

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

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

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

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

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

The Fund's intention is to invest its assets through the London CIV as and when suitable pool investment solutions become available. An indicative timetable for investing through the pool was set out in the July 2016 submission to Government. They key criteria for assessment of pool solutions will be as follows:

22 That the pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund

23 That there is a clear financial benefit to the Fund in investing in the solution offered by the pool, should a change of provider be necessary.

Any assets not currently invested in the London CIV will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money.

The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning liquid assets across to the London CIV as soon as there are suitable sub-funds to meet the Fund's investment strategy requirements.

The Fund holds 36% of its assets in life funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool

In addition the Fund has already transitioned other assets into the London CIV with a value of 11% of the assets and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

The Fund holds c.8% of its assets in illiquid strategies (private market credit and direct lending) and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

Structure and governance of the London CIV

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

How Responsible Investment (social, environmental and corporate governance considerations and stewardship) are taken into account in the selection, non-selection, retention and realisation of investments

In this section responsible investment (RI) refers to investment practices that integrate the consideration of environmental, social and governance (ESG) factors into investment management processes and ownership practices recognising that these factors can have a material impact on financial performance. Stewardship and governance refer to acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

Beliefs

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

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

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

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

Implementation of Beliefs

The Fund has agreed that investment sustainability and pooling should be enhanced. In doing so the following actions will be / have been taken:

1. The majority of passive quoted equities are currently invested in line with either market capitalisation or a value based index. Consideration will be given to changing the indices to one's that incorporate ESG factors into the selection of investment particularly with the aim of reducing exposure to climate changing emissions and preferring companies with good social and governance practices.
2. Consideration of moving assets from passive equities to pooled active equities that have a strong sustainability approach to the selection of investments.
3. Consideration of investing into other products offered by the London CIV that focus on opportunities with sustainability characteristics e.g. renewables.
4. Monitor through regular dialogue and reporting that appointed investment managers, including the London CIV (1) integrate all material financial factors, including corporate governance, environmental, social, and

ethical considerations, into the decision-making process for all fund investments, and (2) use their influence, including through collaboration where appropriate, to promote good practice in the investee companies and markets to which the Fund is exposed.

5. Periodic qualitative and quantitative reviews of the ESG risks within the portfolio and consideration of alternatives.

Social Investment

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

Reporting of Responsible Investment Outcomes

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

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

Voting rights

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

Stewardship

The Fund fully endorses the principles embedded in the Stewardship Code. The Fund will be reviewing this position during 2021-22 and will consider becoming a signatory to the Code as part of this review.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Committee expects both the London CIV and all directly appointed fund managers to also comply with the Stewardship Code and this will be monitored on an annual basis.

The Fund is a member of the Local Authority Pension Fund Forum and Pension and Lifetime Savings Association and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners.

Approved by:-

London Borough of Barnet Pension Fund Committee

24 February 2021

ISS - appendix A – Approach to Risk

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

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

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

Liquidity/Cashflow risk: Investments are held until such time as they are required to fund payment of pensions. In 2016/2017 it is anticipated that the contributions due will exceed the net payments from the fund to pensioners. However, the liquidity risk is being closely monitored. The Committee manages its cashflows and investment strategy to ensure that all future payments can be met and that sufficient assets are held in liquid investments to enable short term cash requirements to be met.

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

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

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

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

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

Environmental, Social, and Governance Issues risk: The Committee recognises that environmental, social and ethical issues have the potential to impact on the long term financial viability of an organisation. The Committee encourages managers to exercise votes in line with their stated ESG objectives.

ISS - appendix B – CIPFA Compliance

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

Principle 1: Effective decision-making

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

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

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

Principle 2: Clear Objectives

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

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

Principle 3: Risk and Liabilities

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

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

Principle 4: Performance Assessment

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

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

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

Principle 5: Responsible Ownership

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

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

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

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

Principle 6: Transparency and Reporting

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

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

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

Communication Policy Statement

An effective communications strategy is vital for the pension administration service (provided on behalf of the Council by Capita Employee Benefits) in its aim to provide a high quality and consistent service to its customers.

This document sets out a policy framework within which the pension administration service will communicate with:-

- Fund members and their representatives
- Prospective Fund members and their representatives
- Fund employers

Set out in this statement are the mechanisms which are used to meet those communication needs.

It identifies the format, frequency and method of distributing information and publicity.

The pension administration service aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

- **Capita Employee Benefits:** for day-to-day contact between the hours of 9am and 5pm.
- **Correspondence:** the Fund utilises both surface mail and e-mail to receive and send correspondence.
- **Website:** A members' website is available and other information is available on the national websites at http://www.lgps.org.uk/lge/core/page.do?pageId=97977
- **Member Self-Service** as above
- **Annual Benefits:** An annual benefits statement is sent direct to the home addresses of deferred members where a current address is known and is available online for active members.
- **Pensions Roadshows:** The pension administration service also stages ad hoc roadshows for Fund members particularly where there are changes to the Fund organisational changes which have pension implications.
- **Existence Validation – Pensioners Living Abroad:** Capita Employee Benefits undertakes an annual exercise conducted through correspondence in order to establish the continued existence of pensioners living abroad.
- **All Employer Meetings:** Periodic meetings are arranged for employers. Specifically this has been used as a mechanism for communicating major strategic issues, significant changes in legislation and triennial valuation matters.

Comments

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

pensions@barnet.gov.uk

Address: London Borough of Barnet Pension Fund, 2 Bristol Avenue, Colindale, London, NW9 4EW
Telephone: 0208 359 3341

LONDON BOROUGH OF BARNET PENSION FUND ADMINISTRATION STRATEGY

1. PURPOSE OF STRATEGY

1.1 This strategy outlines the processes and procedures agreed between West Yorkshire Pension Fund (WYPF) and the London Borough of Barnet (LBB) as administering authority to the London Borough of Barnet Pension Fund. Its aim is for WYPF and employers to work collaboratively together in a cost-effective way to administer the London Borough of Barnet Pension Fund whilst maintaining an excellent level of service to members.

1.2 This strategy is also the agreement between London Borough of Barnet and employers participating in the Fund about the levels of performance and associated matters. It does not override any existing commercial contracts or contractual performance indicators which exist between LBB and WYPF.

1.3. Performance levels are set out in this document for the Administering Authority, employers participating in the Scheme, WYPF and where applicable third-party contractors. These will be reviewed from time to time and only changed with agreement of the London Borough of Barnet and WYPF.

2. REGULATORY BACKGROUND

2.1 This Strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations (LGPS) 2013. In line with these regulations employers have been consulted on the strategy, and a copy has been sent to the Secretary of State.

3. REVIEW OF THE STRATEGY

3.1 WYPF and LBB jointly own this strategy and a review will take place at least every 24 months or as soon as possible following any changes to the regulations, processes or procedures that affect this strategy.

3.2 Any changes to this strategy will be made following consultation with employers and will be reviewed and agreed by LBB. Employers may submit suggestions to improve any aspect of this strategy at any time. A copy of the updated strategy will be sent to the Secretary of State.

4. ADMINISTRATION AND PERFORMANCE

4.1 WYPF will administer the Pension Fund in accordance with the LGPS Regulations (and any overriding legislation including employer discretions). When carrying out their functions WYPF will have regard to the current version of this strategy.

4.2 Scheme administration

4.2.1 WYPF will support employers and actively seek to promote the Local Government Pension Scheme by:

a) Providing appropriate technical information, updates, training and assistance on the Fund and its administration.

b) Arranging biannual Employer forum meeting

c) Issuing any other such other materials as necessary in the administration of the Scheme

d) Allowing access to the employer section of the WYPF website (www.wypf.org.uk) and the employer portal of these website to allow for employers to view their members' details and submit relevant notifications.

e) Reminding employers of their responsibilities

f) Promptly dealing with queries arising from the submission of monthly contribution returns

g) Assisting employers with the ill health retirement process for their current and deferred members.

4.3 WYPF Responsibilities

4.3.1 WYPF will ensure the following functions are carried out:

a) Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point of access for information relating to the LGPS

b) Create a member record for all new starters admitted to the LGPS

c) Maintain and update members records for any changes received from the employer

d) Provide the required data in respect of each member and provide statistical information over the valuation period to the fund actuary at each triennial valuation so that they can determine the assets and liabilities for each employer

e) Provide every active, deferred and pension credit member with a benefit statement each year

f) Provide estimate of retirement benefits on request by the employer and member

g) Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS regulations, members' options and statutory limits

h) Process all casework in line with the agreed Key Performance indicators (KPIs) as set out in Appendix A of this document

i) Comply with HMRC and other statutory pensions legislation and regulations

j) Ensure that members are notified of any decisions made under the regulations in relation to their benefits within 10 working days of the decision being made and ensure that the member is informed of their right of appeal.

4.4 Employer Responsibilities

4.4.1 Employers are responsible for:

a) Ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions.

b) Arranging payment of member and employer contributions to the London Borough of Barnet Pension Fund by the 19th day of the month following the month in which the deductions were made. Where the 19th falls on a weekend or bank holiday, the due date becomes the last working day prior to the 19th. Late payment of contributions will be reported to The Pensions Regulator.

c) Uploading the monthly contribution schedule to the WYPF Monthly Return Portal also by the 19th day of the month following the month in which the deductions were made. The data should reconcile to the payment made to the relevant fund.

d) Arranging payment of Additional Voluntary Contributions (AVCs) to the relevant provider within one week of them being deducted.

e) Providing the information to WYPF in relation to their employees in the Fund, as set out in Appendix B.

f) Arranging payment of the full amount of the cost of any early retirements within the 30-day payment term stated on the invoice. Interest for late payment will be charged at Bank of England base rate plus 1%.

g) Keeping the Administering Authority informed of all events or decisions which might affect their participation in the Scheme, including the ‘notifiable events’ as set out in Appendix C.

h) Exercising the discretionary powers given to employers by the regulations**,** including compiling and publishing its policy to employees in respect of the key discretions as required by the regulations. A copy of these discretions should be sent to the WYPF.

4.5 Performance Monitoring

4.5.1 LBB, as administering authority, will monitor the performance of WYPF on a quarterly basis as set out in Appendix D of this document.

4.5.2 Should LBB determine that the performance levels are not up to the expected levels, this will be discussed with WYPF with the aim for improvement by the next quarterly review.

4.5.3 LBB will report performance at each meeting of the Local Pensions Board and in the Annual Report & Financial Statements.

5. WYPF/EMPLOYER LIASION

5.1 Each employer will nominate to WYPF a contact to administer the three main areas of the Barnet Pension Fund:

5.1.1 a strategic contact for valuation, scheme consultation, discretionary statements and I DRPs

5.1.2 an administration contact for the day-to-day administration of the scheme, completing forms and responding to queries, and

5.1.3 a finance contact for completion and submission of monthly postings and co-ordination of exception reports

5.2 If a third-party organisation provides services for the employer they too can be added as an authorised contact.

5.3 WYPF will issue all contacts will receive a login name and password that allows them to access the WYPF Employer portal for online administration and the combined remittance and monthly return.

6. COMMUNICATIONS

6.1 A Communications Policy has been prepared to meet the objectives about how WYPF and LBB communicate with key stakeholders to the Barnet Pension Fund.

6.2 Key stakeholders include:

6.2.1 Members

6.2.2 Representatives of members

6.2.3 Prospective members

6.2.4 Employing authorities

7. COMPLAINTS/INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

7.1 Complaints

7.1.1 Any member complaints received by WYPF will be dealt with promptly, with members offered the option of talking further action via an IDRP if they are not satisfied with the resolution.

7.1.2 WYPF will report all member complaints to LBB monthly, but sooner if any input is required from LBB or employers to resolve the issues raised.

7.1.3 Complaints from employers should be sent to WYPF with the Pensions Manager at LBB copied in. Again, the complaint should be dealt with promptly by WYPF with LBB offering to assist with any disputes.

7.2 Internal Dispute Resolution Procedure (IDRP)

7.2.1 Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making.

7.2.2 Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.

7.2.3 WYPF will nominate an adjudicator to deal with appeals at stage one of the IDRP, where the appeal is against a decision the administrator has made or is responsible for making.

7.2.4 The Pensions Manager at LBB will be the adjudicator for stage two of the IDRP.

8. CHARGES AND FINES

8.1 **Charges to the Employer**

8.1.1 The administrative costs of running the Pension Fund are charged by LBB directly to the Fund. The Actuary takes these costs into account in assessing the employer contribution rate.

8.1.2 LBB will under certain circumstances consider giving written notice to employers under regulation 70(2) of The Local Government Pension Scheme Regulations (LGPS) 2013 because the employer’s unsatisfactory performance in carrying out the required functions when measured against levels of performance established within this document. The written notice may include charges imposed by LBB for chasing employing authorities for outstanding information.

8.1.3 If the London Borough of Barnet Pension Fund undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work.

8.1.4 Details of the potential charges are set out in Appendix E.

8.2 Fines

8.2.1 If LBB is fined by the Pensions Regulator, this will be passed on to the relevant employer where that employer's action or inaction caused the fine.

9. ADDITIONAL INFORMATION

9.1 Employers should note that LBB is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. That responsibility rests solely with the employer.

9.2 Any overpayment made by the London Borough of Barnet Pension Fund resulting from inaccurate information supplied by the employer shall be recovered by the Fund from the employer.

9.3 Employers should note that it is their responsibility to ensure that the correct procedures are followed and that any contractor which is admitted because of a TUPE transfer is aware of their responsibilities and costs in relation to staff.

9.4 Employers are responsible for any work carried out on its behalf by another section of their organisation or by a contractor appointed by that organisation (e.g. Payroll and/or HR services).

9.5 West Yorkshire Pension Fund and LBB will ensure compliance with the requirements of the Data Protection Act 2018.

Written by: Mark Fox - Pensions Manager, LBB - on behalf of the Administering Authority.

Created: April 2021

PAS - APPENDIX A - Key Performance indicators (KPIs)

The minimum performance targets are shown below.

Type of Work	Working days	Minimum Target
New Joiners/membership updates -issue letter/certificates	10	95%
General requests for information from members	10	95%
Deferred Benefit On Leaving Calculation complete	10	95%
Pension Estimate despatched to appropriate recipient	7	95%
Refund Calculation completed	10	95%
Refund Payment despatched	5	95%
Transfer Out Calculation complete	20	95%
Transfer Out Payment despatched to appropriate recipient	10	95%
Transfer In Calculation complete	10	95%
Transfer In Payment Received by relevant fund or scheme	10	95%
Pension Set Up - Payment of Lump Sum despatched to appropriate recipient	5	95%
Death in Service - Payment of Death Grant despatched to appropriate recipient	5	98%
Death of a Pensioner - Payment of Death Grant despatched to appropriate recipient	5	95%
Deferred Benefits into Payment - Payment of Lump Sum despatched to appropriate recipient	5	95%
Divorce/ Pension Sharing Order quotations/processing	10	95%
No errors in calculations sent to members (measured as a percentage of all calculations issued).	n/a	99%

PAS - APPENDIX B - Information to be provided to WYPF by employer's relation to their employees in the Fund

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions were deducted	100% compliance of returns received in target
New starters	Monthly return	None	Notified via the monthly return, the administrator will process the data within 2 weeks following monthly return submission	90% compliance or better
Change of hours, name, payroll number, or job title	Monthly return (exception report)	Web form	Notified via monthly returns, the administrator will process the data within 2 weeks following monthly return submission For exception report output from the monthly return, change data response must be provided to the administrator within 2 weeks of receipt of the exception report	90% compliance or better
50/50 & main scheme elections	Monthly return		Notified by the employer via monthly return, the administrator will process the data within 2 weeks following monthly data submission	90% compliance or better

Service breaks/absence	Web form		Within 6 weeks of the date of the absence commencing	90% compliance or better
Under 3 months opt-outs	Monthly return		Notified by the employer via monthly return, the administrator will process the data within 2 weeks following monthly data submission	90% compliance or better
Leavers	Web form	Monthly returns (exception)	Notified by employer submission within 6 weeks of leaving. For exception reports leaver forms must be provided within 2 months of receipt of the exception report.	90% compliance or better
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy	90% compliance or better
Death in service notifications	Web form		Within 3 days of the date of notification	100% of compliance

PAS - APPENDIX C – Notifiable events

Employers should provide information on any circumstances which might affect their future participation in the Fund or their ability to make contributions to the Fund (called "notifiable events").

These include the following:

- A decision which will restrict the employer's active membership in the Fund in the future. Examples include:
    - ceasing to admit new members under an admission agreement;
    - ceasing to designate a material proportion of posts for membership;
    - setting up a wholly owned company whose staff will not all be eligible for Fund membership;
    - outsourcing a service which will lead to a transfer of staff

- Any restructuring or other event which could materially affect the employer's membership. Examples include:
    - a Multi-Academy Trust re-structuring so there is change in constituent academies,
    - the employer merging with another employer (regardless of whether or not that employer participates in the Fund),
    - a material redundancy exercise,
    - significant salary awards being granted,
    - a material number of ill health retirements,
    - large number of employees leaving voluntarily before retirement
    - the loss of a significant contract or income stream

- A change in the employer's legal status or constitution which may jeopardise its participation in the Fund. Examples include:
    - the employer ceasing business (whether on insolvency, winding up, receivership or liquidation),
    - loss of charitable status,
    - loss of contracts or other change which means the employer no longer qualifies as an employer in the Fund

- If the employer has been judged to have been involved in wrongful trading.

- If any senior personnel, e.g. directors, owners or senior officers have been convicted for an offence involving dishonesty, particularly where related to the employer's business.

- Where the employer has, or expects to be, in breach of its banking covenant.

- Details of any improvement notice (or equivalent) served by the appropriate regulator, e.g. Education Funding and Skills Agency, Office for Students, Charity Commission, Regulator for Social Housing etc, or S114 notice for local authorities.

Employers should provide this information in advance of the event occurring (where possible) or as soon as practicable thereafter

PAS - APPENDIX D – Monitoring Performance

London Borough of Barnet (LBB) Pension Fund - Local Government Pension Scheme

Monitoring West Yorkshire Pension Fund (WYPF) Performance

LBB Officers will monitor the performance of WYPF against the objectives as outlined in the table below. We will report performance to the Local Pensions Board at each meeting and in the Annual Report & Financial Statements.

Objectives	**Measurement**
WYPF provides a high quality, proactive and efficient service for both members and employers.	WYPF achieve all service standards (in line with the Key Performance Indicators (KPIs)) as set out in the Schedule 4 of the Collaboration agreement signed between City of Bradford Metropolitan District Council (CBMDC) and LBB (attached below). WYPF receives: • at least 90% positive responses from quarterly member satisfaction survey • positive employer feedback with minimal employer complaints.
WYPF pays accurate benefits.	Positive audit results through internal and external audit and other reviews. Minimal member complaints/IDRPs resulting from incorrect calculation of benefits. WYPF to provide an annual sample of calculations for LBB Officers to spot check the automated calculations on UPM. Types of calculation to be tested to be determined each year. To take place in May/June each year to link in with external audit.
WYPF sets out clear roles and responsibilities for employers	Minimal issues identified as part of monthly data checks and ongoing reconciliations when monthly returns received by WYPF. All issues resolved within 2 months.
WYPF identifies, mitigates and monitors potential risks to the Fund and employers	WYPF to update LBB Officers at regular fortnightly “catch up” meetings of any potential issues or identified risks and works with LBB Officers on ways to mitigate risks. Details and actions to feed in the LBB Pension Fund Administration Risk Register presented to the Local Pensions Board at

	each meeting and annually to the Pension Fund Committee.
WYPF puts in place effective governance arrangements to monitor and improve pension administration	Monthly reporting to LBB Officers on any governance issues identified (to be included in Local Pension Board updates) included in Annual Report & Financial Statements. WYPF maintain their ISO9001 accreditation and provide Officers details of the annual external audit. WYPF provide Officers with monthly updates on number of LBB Pension Fund members registered on the WYPF member portal.
WYPF maintains accurate records and communicates all information and data accurately, and in a timely and secure manner	Minimal issues identified as part of monthly data checks and ongoing reconciliations. All issues resolved within 2 months. No breaches of data security protocols. Positive audit results through internal and external audit and other reviews. Annual target for common data score - 95% or better (in line with TPR expectations). Annual improvement in conditional data score (base limit is 27% in 2020). Annual test of data using Hymans data portal to check data quality for valuations etc. All data errors from previous year corrected and continued reduction in new data issues Completion of the data improvement plan within agreed timescales. WYPF maintain their ISO27001 accreditation and provide Officers details of the annual external audit.
WYPF uses appropriate technology and best practice to continually improve the quality of service	WYPF to update Officers on progress on update their member portal to allow members to obtain estimates. .
Communication between WYPF and LBB Officers	WYPF to participate in fortnightly meetings with LBB Officers and ensure timely completion of actions outstanding to them. LBB Officers to be invited to Management Review meeting with other WYPF LGPS clients. No major issues identified that have

	an impact on the administration of the Barnet Fund.

Where LBB Officers identify areas of improvement from benchmarking or performance monitoring, the Head of Governance and Business Development will be responsible for putting in place a work plan to make the improvements.

Future reports to both the Local Pensions Board and Pension Fund Committee will consider the measurements set out in this document, which will be shared with both bodies.

PAS - APPENDIX E - CHARGES

Performance areas	Reason for charge	Basis of charge
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III).
2. Contributions to be paid anytime but latest date by 19th of month (weekends and bank holidays on the last working day before 19th)	Due by 19th month – late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%.
3. Monthly return due anytime but latest by 19th month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Senior Pensions Officers level II).
4. Change in member detail	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to the administrator within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Pensions Officer level I).
5. Early leavers information	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I).
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II).
7. Death in membership	Due within 3 working days of the notification – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III).
8. AVC deducted from pay to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I).

9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I).
10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify the administrator of change in authorised officers list.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at Pensions Officer level I).
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III).

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