



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Status	Public with the exception of Appendix B Exempt enclosures – Not for publication by virtue of paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended (Information in respect of which a claim to legal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Update 30 September 2023 (as shared at 29 November 2023 Committee Meeting) Appendix B – Updated Legal Advice – Not for publication by virtue of paragraph 5 of Part 1 of Schedule 12A of the Local Government Act as amended (to follow) Appendix C – Actuarial advice related to Contribution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)
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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:
 - o A change in its immediate financial strength; and/or
 - o 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 meet 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 Therasas 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)	<p>Actuarial advice confirms that there is scope to provide a contribution easement within the parameters of the 2022 FSS.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Easement less than 8%	The Actuary has presented 8% as the maximum – the Committee could agree to lower easement	<p>Officers felt that agreeing to a lower easement than implied by the Actuary's calculation would be arbitrary and not consistent with the FSS.</p> <p>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.</p>

<p>Easement of more than 8%</p>	<p>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%</p>	<p>Officers, in consultation with the Actuary felt that this would be a more risky approach and may attract negative comment and scrutiny.</p> <p>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%)</p>
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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