

Notice of Meeting

PENSIONS COMMITTEE

**Tuesday, 14 December 2021 at 7:30 pm
or on the completion of the earlier Member training session
Meeting to be held virtually**

Members: Cllr Kashif Haroon (Chair), Cllr Foyzur Rahman (Deputy Chair), Cllr Rocky Gill, Cllr Amardeep Singh Jamu, Cllr Mick McCarthy, Cllr Dave Miles and Cllr Tony Ramsay

Independent Advisor: John Raisin

Observers: Dean Curtis, Steve Davies and Susan Parkin

Date of publication: 6 December 2021

Chris Naylor
Chief Executive

Contact Officer: John Dawe
Tel: 020 8227 2135
E-mail: john.dawe@lbbd.gov.uk

AGENDA

- 1. Apologies for Absence**
- 2. Declaration of Members' Interests**

In accordance with the Council's Constitution, Members are asked to declare any interest they may have in any matter which is to be considered at this meeting.
- 3. Minutes - To confirm as correct the minutes of the meeting held on 15 September 2021 (Pages 3 - 5)**
- 4. Quarterly Monitoring Report (Pages 7 - 36)**
- 5. Business Plan Update (Pages 37 - 41)**
- 6. Administration and Governance Report (Pages 43 - 56)**
- 7. Any other public items which the Chair decides are urgent**
- 8. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.**

Private Business

The public and press have a legal right to attend the Pensions Committee except where business is confidential or certain other sensitive information is to be discussed. The item below contains commercially confidential information which is exempt under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

- 9. CIPFA Knowledge and Skills Guidance and Pensions Committee Training
(Pages 57 - 64)**
- 10. Any other confidential or exempt items which the Chair decides are
urgent**

Our Vision for Barking and Dagenham

ONE BOROUGH; ONE COMMUNITY; NO-ONE LEFT BEHIND

Our Priorities

Participation and Engagement

- To collaboratively build the foundations, platforms and networks that enable greater participation by:
 - Building capacity in and with the social sector to improve cross-sector collaboration
 - Developing opportunities to meaningfully participate across the Borough to improve individual agency and social networks
 - Facilitating democratic participation to create a more engaged, trusted and responsive democracy
- To design relational practices into the Council's activity and to focus that activity on the root causes of poverty and deprivation by:
 - Embedding our participatory principles across the Council's activity
 - Focusing our participatory activity on some of the root causes of poverty

Prevention, Independence and Resilience

- Working together with partners to deliver improved outcomes for children, families and adults
- Providing safe, innovative, strength-based and sustainable practice in all preventative and statutory services
- Every child gets the best start in life
- All children can attend and achieve in inclusive, good quality local schools
- More young people are supported to achieve success in adulthood through higher, further education and access to employment
- More children and young people in care find permanent, safe and stable homes
- All care leavers can access a good, enhanced local offer that meets their health, education, housing and employment needs
- Young people and vulnerable adults are safeguarded in the context of their families, peers, schools and communities

- Our children, young people, and their communities' benefit from a whole systems approach to tackling the impact of knife crime
- Zero tolerance to domestic abuse drives local action that tackles underlying causes, challenges perpetrators and empowers survivors
- All residents with a disability can access from birth, transition to, and in adulthood support that is seamless, personalised and enables them to thrive and contribute to their communities. Families with children who have Special Educational Needs or Disabilities (SEND) can access a good local offer in their communities that enables them independence and to live their lives to the full
- Children, young people and adults can better access social, emotional and mental wellbeing support - including loneliness reduction - in their communities
- All vulnerable adults are supported to access good quality, sustainable care that enables safety, independence, choice and control
- All vulnerable older people can access timely, purposeful integrated care in their communities that helps keep them safe and independent for longer, and in their own homes
- Effective use of public health interventions to reduce health inequalities

Inclusive Growth

- Homes: For local people and other working Londoners
- Jobs: A thriving and inclusive local economy
- Places: Aspirational and resilient places
- Environment: Becoming the green capital of the capital

Well Run Organisation

- Delivers value for money for the taxpayer
- Employs capable and values-driven staff, demonstrating excellent people management
- Enables democratic participation, works relationally and is transparent
- Puts the customer at the heart of what it does
- Is equipped and has the capability to deliver its vision

MINUTES OF PENSIONS COMMITTEE

Wednesday, 15 September 2021
(7:00 - 8:20 pm)

Members Present: Cllr Kashif Haroon (Chair), Cllr Foyzur Rahman (Deputy Chair), Cllr Rocky Gill, Cllr Mick McCarthy and Cllr Tony Ramsay

Observers Present: Susan Parkin

Advisors Present: Nicholas Jellema

Apologies: Cllr Amardeep Singh Jamu, Cllr Dave Miles and John Raisin

10. Training

Prior to the formal business, Members received a training session delivered by representatives by Abrdn (previously Aberdeen Standard) on diversified alternatives, namely Hedge Funds and Private Equity.

11. BDO Audit Update

The Committee received and noted a verbal update from Satinder Jas, BDO, the Council's external auditors, regarding the continuing reasons for the delay in completing the Council's Pension Fund Accounts for 2019/20.

On a related issue, the Investment Fund Manager (IFM) also reported that BDO were, due to unforeseen circumstances brought about by Covid and other factors, seeking to justify an increase in its annual audit fee from £16,000 to circa £32,000.

The Committee recorded its disappointment regarding the ongoing delays in BDO signing off the accounts for 2019/20 and supported the view of the IFM that an increase to the annual audit fee should be robustly resisted.

12. Declaration of Members' Interests

There were no declarations of interest.

13. Minutes (16 June 2021)

The minutes of the informal meeting held on 16 June 2021 were noted.

14. Pension Fund Quarterly Monitoring - April to June 2021

The report introduced by the Pension Fund Accountant provided information for the Committee, employers and other interested parties on how the Fund had performed during the quarter ("Q2") - 1 April to 30 June 2021 together with an update on the Fund's investment strategy and performance. It included a verbal update from the Investment Fund Manager on the unaudited performance of the Fund up to 31 August 2021.

The Committee **noted**:

- (i) The progress on the strategy development within the Pension Fund;
- (ii) The daily value movements of the Fund's assets and liabilities outlined in Appendix 1 to the report; and
- (iii) The quarterly performance of pension funds collectively and of fund managers individually.

15. Administration and Governance Report

The Pension Fund Accountant updated the latest administrative and governance issues relating to the Pension Fund.

The Committee **noted**:

- (i) The Independent Advisor's written LGPS update, which included details of the awaited Government consultations on Investment Pooling Guidance and the Task Force on Climate Related Financial Disclosures; the Pension Regulator's consultation on a new Code of Practice; and the proposed increase in the Normal Minimum Pension Age from 6 April 2028;
- (ii) That the Fund was cash-flow positive;
- (iii) The Pension Fund budget 1 April 2020 to 31 March 2024;
- (iv) The London Collective Investment Vehicle (LCIV) update;
- (v) The Pension Administration Software Tender update;
- (vi) The cancellation of the Annual Stakeholder meeting in 2021 with proposals to hold an online meeting in 2022; and
- (vii) The Prudential Additional Voluntary Contribution (AVC) Review.

16. Business Plan 2021 Update

The Committee **noted** progress on the delivery of the 2021/22 Business Plan as set out in appendix 1 to the report.

17. Investment Strategy Review Update

The Investment Fund Manager presented a further update on the progress made following the strategy review carried out by Hymans Robertson in September and December 2020. Consequently,

The Committee **noted**:

- That following a decision taken at the last meeting officers had completed the increase in the allocation to BlackRock to £50m, through an in-specie transfer and purchase of units on the secondary market,
- Officers had negotiated a fee reduction of 0.35% from 1.03% to 0.68% effective from 1 July 2021,
- The training dates as outlined in section 3 which were agreed at the meeting in June 2021, and

- the Fund's funding level and performance as outlined in section 4 and the Investment Strategy update in section 5 of the report.

Further to Minute 9 (16 June 2021), the Committee noted that the return from the BlackRock strategy was made up of Market appreciation, rental income and now a fee rebate, currently distributed to the Fund on a monthly basis.

In view of the value of the rebate and rental, it was **recommended** that the Investment Fund Manager be authorised to top-up the Fund's investment with BlackRock from rental and rebate distributions as deemed appropriate (i.e. when discounts are available on the secondary market), subject to remaining within the strategic allocation threshold.

(Note: The above recommendation was subsequently enacted by the Chief Executive acting under the provisions of paragraph 6.1(c) of Chapter 1, Part 3 of the Council Constitution.)

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PENSIONS COMMITTEE**14 December 2021**

Title: Pension Fund Quarterly Monitoring 2021/22 – 1 July to 30 September 2021	
Report of the Managing Director	
Open Report	For Information
Wards Affected: None	Key Decision: No
Report Author: David Dickinson, Investment Fund Manager	Contact Details: Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Claire Symonds, Managing Director	
Summary	
<p>This report provides information for employers, members of London Borough of Barking and Dagenham Pension Fund (“the Fund”) and other interested parties on how the Fund has performed during the quarter 1 July to 30 September 2021.</p> <p>The report updates the Committee on the Fund’s investment strategy and its investment performance.</p>	
Recommendation(s)	
<p>The Pension Committee is recommended to note:</p> <ul style="list-style-type: none"> (i) the progress on the strategy development within the Fund; (ii) the Fund’s assets and liabilities daily value movements outlined in Appendix 1; (iii) the purchase of £500k of BlackRock units at 30 November 2021; and (iii) the quarterly performance of the fund collectively and the performance of the fund managers individually. 	
Reason(s)	

1. Introduction and Background

- 1.1 This report provides information for employers, members of the LBBB Pension Fund (“the Fund”) and other interested parties on how the Fund has performed during the quarter 1 July to 30 September 2021 (“Q3”). The report updates the Committee on the Fund’s investment strategy and performance. Appendix 2 provides a definition of terms used in this report. Appendix 3 sets out roles and responsibilities of the parties referred to in this report. A verbal update on the unaudited performance of the Fund for the period to 13 December 2021 will be provided to Members at the Pension Committee.

2. Independent Advisors Market Background Q3 2021

- 2.1 For Q3, world equity markets were flat with the MSCI World Index, in US\$ terms, at (almost exactly) the same level on 30 September as at 30 June. The Quarter however saw equity markets as a whole clearly advancing in both July and August before experiencing a fall of over 4% in September.
- 2.2 There was a clear difference in performance across geographies. The developed US, European, UK and Japanese markets all advanced by around 0.3% to 2.5% (in their own currency terms) while Asia (excluding Japan) and Emerging Markets fell by 8%-9% overall. Positive earnings results and high COVID vaccination levels reassured developed markets. All markets, but particularly Asia and Emerging Markets were negatively impacted by supply chain shortages, the Chinese governments intervention in the Chinese technology and private education sectors, and concerns about the ability of Evergrande, China's second largest property group, to service its debts.
- 2.3 Financial market concerns regarding inflation deepened in the context of supply shortages and energy price rises with an increasing view in financial markets that higher levels of inflation may be more than "transitory." The major central banks, while acknowledging that inflation may be elevated for some time, remained of the view that it would remain "transitory." There were indications from the US Federal Reserve (the Fed) and the Bank of England (BoE) of future, but considered and measured, interest rate rises in the context of judgements regarding achieving the 2% inflation target.
- 2.4 In July and August US equities were supported by strong earnings results and reassurances regarding the timing/circumstances of monetary tightening by the Federal Open Markets Committee (FOMC) of the Fed by Chair Jay Powell at the central bankers annual Jackson Hole summit. The S&P 500 increased to 4,523 on 31 August and reached a (then) all-time closing high of 4,537 on 2 September but closed on 30 September at 4,308, which was 0.2% up for the quarter. September was a poor month due to concerns over a default by Chinese property group Evergrande, concerns whether Congress would increase the debt ceiling to avoid the government defaulting on some of its financial obligations and renewed concerns regarding the future of monetary policy following the FOMC meeting of 21-22 September.
- 2.5 At both its July and September meetings the FOMC of the Fed voted, yet again, to maintain its main interest rate at the range of 0-0.25% and its asset purchase programme at \$120 billion per month. However, there were increasing indications of approaching monetary policy tightening. The press release issued after the July meeting hinted at future reductions in asset purchases referring to "progress towards" achieving the Committee's goals of maximum employment and price stability. The press release issued after the 21-22 September meeting was clear that there could soon be a reduction in monthly asset purchases stating in relation to maximum employment and price stability that "If progress continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted." Furthermore, the "Summary of Economic Projections" issued after the September meeting indicated an increased expectation of interest rate rises during 2022 compared with the previous projections issued in June.
- 2.6 US inflation as measured by the Core PCE index (the Fed favoured index) remained clearly above the policy target of 2% with July, August and September all registering 3.6%. The FOMC indicated some heightened expectations regarding future inflation

with the Minutes of the September 2021 meeting stating (page 8) “Participants marked up their inflation projections...Some participants expressed concerns that elevated rates of inflation could feed through into longer-term inflation expectations...” The “Summary of Economic Projections” issued after the September meeting suggested Core CPI at 2.3% in 2022 up from the 2.1% issued following the June FOMC meeting. Unemployment continued to fall, to 4.8% in September compared to 5.9% in June.

- 2.7 US economic growth continued but slowed dramatically in the Quarter. On 28 October, the US Bureau of Economic Analysis estimated US GDP increased at an annual rate of 2.0% in the period July to September compared to 6.7% in the previous Quarter. This equates to growth of 0.5% over the July to September period. The University of Michigan survey of consumers saw a major fall, during Q3 in consumer sentiment. The August Final Results release referred to consumers negative reactions citing “the surging Delta variant, higher inflation, slower wage growth, and smaller declines in unemployment” but cautioned this “does not imply an imminent economic downturn...”
- 2.8 Eurozone equities enjoyed a positive July and August supported by positive corporate earnings and high vaccine rates. However, in September Eurozone equities, as with world equities as a whole experienced a clear decline. The MSCI EMU index advanced by 0.3% in Euro terms over the Quarter. On 29 October Eurostat issued “a preliminary flash estimate” of Q3 Eurozone GDP growth of 2.2%. This was compared with the official estimates for the US of 0.5% and China of 0.2% for the same period. The Eurozone, however, remains behind the US and China in terms of its pandemic economic recovery. Euro area inflation as measured by the Harmonised Index of Consumer Prices (HIPC) and reported by Eurostat exceeded the new ECB inflation goal of 2% over the medium term throughout Q3 reaching 3.0% in August and 3.4% in September. At her press conference of 9 September ECB President Christine Lagarde, while referring to improvements in the euro area economy as a whole, increased consumer spending and an improving labour market struck a somewhat cautious note stating that “We see the risks to the economic outlook as finely balanced...”
- 2.09 On 8 July 2021, the ECB published its new Monetary Policy Strategy Statement which was last revised in 2003. The new strategy is modestly but clearly more tolerant of inflation. While the previous target was below but close to 2% the new target is 2%. In addition, the ECB indicated in a commentary also issued on 8 July (entitled “An overview of the ECB’s monetary policy strategy”) that while the old inflation target had led to a perception of aiming not above the target the new inflation target is a “symmetric” one where moderate deviation above and below the target were allowable on a temporary basis. This new Policy Strategy should therefore clearly reduce the chance of premature monetary tightening and make it more likely that the ECB will keep its ultra-loose monetary policy approach for a longer period.
- 2.10 At the July policy setting meeting the ECB retained its previous ultra-supportive monetary policy approach. At the meeting that concluded on 9 September the ECB maintained its ultra-low/negative interest rate policy, forward guidance on interest rate policy, standard asset purchase programme at 20 billion Euros a month, its reinvestment policies and longer-term refinancing operations. There was however a slight tightening of policy with the Press Release issued after the meeting stating “Based on a joint assessment of financing conditions and the inflation outlook, the Governing Council judges that favourable financing conditions can be maintained with a moderately lower pace of net asset purchases under the pandemic emergency purchase programme (PEPP) than in the previous two quarters.” At the press

conference following the meeting Christine Lagarde, however, definitively stated that the ECB was not “tapering” but merely “recalibrating” the PEPP.

- 2.11 Compared with World equities, UK equities enjoyed a successful Q3. Corporate earnings were positive, and merger and acquisition activity also buoyed small and mid-cap equities in particular. Notwithstanding market falls in September the FTSE All Share index ended the Quarter 2% up while the mid cap FTSE 250 advanced by 3%. UK unemployment rate was 4.5% for the Q3 which was only 0.5% above the pre pandemic level. CPI inflation which had been 2.5% in June continued its upward trend recording over 3% in both August and September with further increases expected. The September Monetary Policy Summary issued by the BoE stated “CPI inflation is expected to rise further in the near term, to slightly above 4% in 2021 Q4...”. August and September meetings of the BoE MPC retained Bank Rate at its all-time low of 0.1% and maintained existing policy regarding asset (bond) purchases. The MPC indicated potential future tightening of monetary policy at both the August and September meetings, but this was clearly nuanced. However, given the overall content of the Minutes and Monetary Policy Statement issued after the 23 September meeting market commentators indicated expectations of an increase in interest rates (Bank Rate) by February 2022. Following a speech by Andrew Bailey the Governor of the BoE on 27 September the Financial Times printed an article (28 September 2021, page 2) entitled “Bailey says MPC united behind rate increase this year if needed.”
- 2.12 Japanese equities outperformed world markets with the Nikkei 225 Index advancing by over 2% for Q3. Deflation in Japan (which had persisted since October 2020) continued, but September saw inflation return (just) with the CPI index at +0.2%. Unsurprisingly, in contrast to the Fed and BoE, the Bank of Japan did not at all indicate that it was considering tightening its longstanding ultra-loose approach to monetary policy at either its July or September meetings. Asia (ex Japan) and Emerging Markets (EM) were negatively impacted by the Chinese governments intervention in the Chinese technology and private education sectors, and concerns Evergrande. The MSCI EM index declined by over 8% (in \$) while the MSCI AC Asia (ex Japan) index declined more than 9% (in \$). Chinese economic activity was constrained by energy shortages and government action to control leverage in the property sector. Official Chinese Government statistics indicated China’s GDP grew by 0.2% during the Q3.
- 2.13 The benchmark US 10 Year Treasury weakened slightly from 1.47% to 1.49% and UK 10 Year Gilt weakened from 0.72% to 1.02% over the Quarter. Both weakened clearly (but not dramatically) in late September. This was in the context of increasing financial market inflation concerns, and indications following their September meetings from both the US Fed and in particular the BoE resulting in markets anticipating they could soon tighten their monetary policy approach.
- 2.14 In conclusion, Q3 saw a respite from the overall dramatic upward trend in Equity prices seen since April 2020 but not an overall fall. This ultimately sideward move in markets occurred even in the light of concerns about China, supply side shortages, ST inflation and indications from two of the world’s leading central banks of potential forthcoming monetary policy tightening. While the Fed & BoE gave clear indications of likely future, but limited, monetary tightening this did not result in a “tantrum” in either Equity or Bond markets. It remains, however, a matter of considerable debate as to whether inflation will remain clearly above 2% for a prolonged period or not. This is, of course, a matter of real concern and potential impact upon all of national economies, individuals and financial markets/asset performance going forward.

3. Overall Fund Performance

3.1 The Fund's closed Q3 valued at £1,396.9m, an increase of £7.7m from its value of £1,389.2m at 30 June 2021. Cash held by the Fund was £0.48m, giving a total Fund value of £1,397.35m. The gross value includes a prepayment of £30.0m and a short-term loan of £23.7m from the Council. Adjusting for this reduces the Q3 value to £1,342.75m, an increase of £16.07m from the 30 June figure of £1,326.68m.

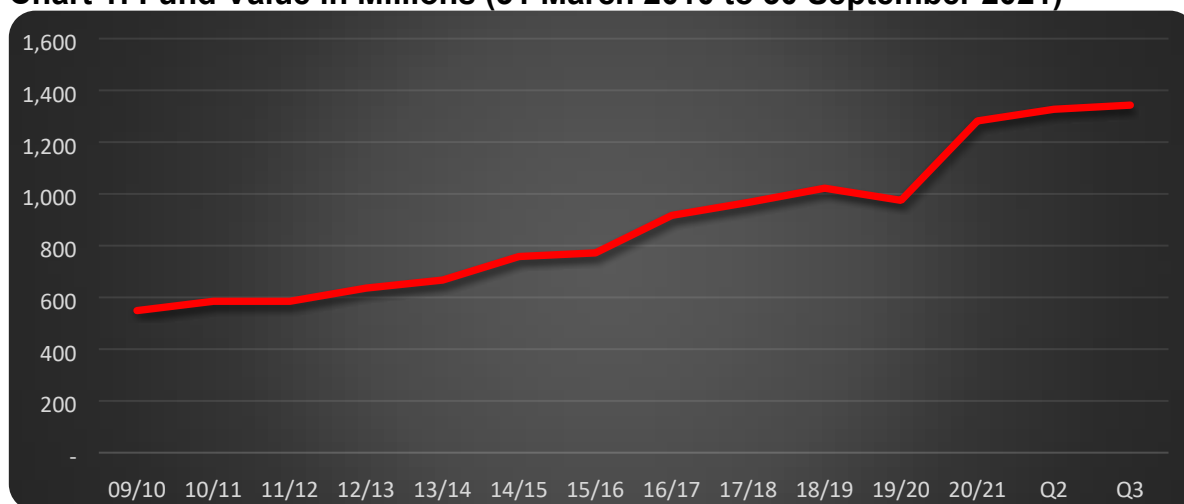
3.2 For Q3 the Fund returned 1.1%, net of fees, underperforming its benchmark by 0.6%. Over one year the Fund outperformed its benchmark by 4.2%, returning 19.8% and underperformed the benchmark by 0.9% over three years, returning 8.6%. The Fund has also underperformed its benchmark over five years by 0.2%, returning 9.6%. Compared to the LGPS universe of Funds, represented below by the PIRC Universe, the Fund has outperformed by 3.4% over one year and by 0.9% over three years. Over five years the Fund has outperformed by 1.1%. The Fund's returns are below:

Table 1: Fund's 2021, 2020 and 2019 Quarterly and Yearly Returns

Year	2021			2020			2019	One Year	Two Years	Three Years	Five Years	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1					Q4
Actual Return	1.1	4.2	3.6	8.0	2.8	12.3	(11.4)	2.2	19.8	11.4	8.6	9.6
Benchmark	1.7	4.6	2.5	5.1	2.5	9.6	(7.7)	1.7	15.6	10.0	9.5	9.8
Difference	(0.6)	(0.4)	1.1	2.9	0.3	2.7	(3.7)	0.5	4.2	1.4	(0.9)	(0.2)
PIRC Universe	1.4	5.6	2.4	5.8	1.8	11.3			16.4		7.7	8.4
Difference to PIRC	(0.3)	(1.4)	1.2	2.2	1.0	1.0			3.4	11.4	0.9	1.1

3.3 Chart 1 below shows the Fund's value since 31 March 2010 to 30 September 2021.

Chart 1: Fund Value in Millions (31 March 2010 to 30 September 2021)



3.4 The fund manager's performance has been scored using a quantitative analysis compared to the benchmark returns, defined below:

	RED- Fund underperformed by more than 3% against the benchmark
	AMBER- Fund underperformed by less than 3% against the benchmark
	GREEN- Fund is achieving the benchmark return or better

3.5 Appendix 1 illustrates changes in the market value, the liability value, the Fund's deficit and the funding level from 31 March 2013 to 27 October 2021. Members are asked to note the changes in value and the movements in the Fund's funding level.

3.6 Table 2 – Fund Manager Q3 2021 Performance

Fund Manager	Actual %	Benchmark %	Variance %	Ranking
Abrdn	4.9	1.0	3.9	
Baillie Gifford	(0.6)	1.5	(2.0)	
BlackRock	4.3	4.5	(0.2)	
Hermes GPE	2.2	1.4	0.7	
Kempen	3.0	2.5	0.5	
Newton	(0.1)	1.0	(1.1)	
Pyrford	0.3	2.7	(2.4)	
Schroders	(4.5)	4.5	(9.0)	
Insight	0.0	1.0	(1.0)	
UBS Bonds	(1.8)	(1.8)	0.0	
UBS Equities	0.9	0.9	0.0	

Table 2 highlights the Q3 2021 returns. Abrdn, BlackRock and Kempen provided returns above 3%, with Hermes providing a 2.2% return. Most other funds were flat. Schroders underperformed its benchmark by 4.5% but this is being investigated as this may be an issue caused by the reporting methodology used by the Fund's Custodian. UBS bonds returned -1.8% as bond yields increased during the quarter

3.7 Table 3 – Fund Manager Performance Over One Year

Fund Manager	Type	Asset (%)	Market Value (£000)	Actual	Bench mark	Variance	Ranking
Baillie Gifford	Equity Active	23.80%	332,757	19.9	21.1	- 1.3	
Kempen	Equity Active	14.20%	198,067	31.3	21.8	9.6	
UBS Equities	Equity	19.10%	266,133	25.3	25.3	-	
Abrdn	Alternatives	10.00%	140,170	25.0	4.0	21.0	
BlackRock	UK Property	3.70%	51,813	11.7	12.6	- 0.9	
Schroders	UK Property	0.80%	11,318	5.0	12.6	- 7.6	
Newton	Diversified Growth	5.90%	82,595	9.0	4.0	5.0	
Pyrford	Diversified Growth	8.00%	111,242	5.5	9.6	- 4.1	
Hermes GPE	Infrastructure	6.80%	95,586	0.3	5.8	- 5.5	
Mellon Corp.	Credit	4.90%	68,339	2.3	4.0	- 1.7	
UBS Bonds	Bonds	2.80%	38,706	- 6.8	- 6.8	-	
LCV	Equity	0.00%	150				
Cash	Cash	0.00%	476				
Fund Value		100.00%	1,396,400				
ST Loan	Loan		- 23,650				
Prepayment	Prepayment		- 30,000				
Net Fund Value			1,342,750	19.8	15.6	4.3	

			Value (£000)	Funding Level
Liabilities	Hymans Robertson		1,352,763	99.3%
Liabilities	Barnett Waddingham		1,328,436	101.1%

Over one-year Kempen has provided a return of 31.3% which was 9.6% above the benchmark, Baillie Gifford has returned 20.0%, underperforming the benchmark by

1.3% and UBS a return of 25.3%. UBS Bonds has returned -6.8% over the 1-year period. Both Blackrock, the funds property manager and Hermes the infrastructure manager underperformed the benchmark by 0.9% & 5.5% respectively. Market value, type of asset and Funding level has been included to provide context.

3.8 Table 4 – Fund manager performance over two years

Fund Manager	Actual %	Benchmark %	Variance %	Ranking
Abrdn	15.0	4.4	10.6	
Baillie Gifford	23.5	15.0	8.5	
BlackRock	3.6	4.9	(1.3)	
Hermes GPE	2.4	5.8	(3.4)	
Kempen	9.1	15.0	(5.9)	
Prudential / M&G	0.9	1.2	(0.3)	
Newton	6.4	4.2	2.2	
Pyrford	3.0	7.8	(4.8)	
Schroders	0.2	4.9	(4.7)	
Insight	3.0	4.4	(1.3)	
UBS Bonds	(1.5)	(1.6)	0.0	
UBS Equities	18.0	18.0	0.0	

Over two years, (table 4), all mandates, with the exception of UBS bonds, are positive. Returns ranged from (1.5%) for UBS bonds to 23.5% for Baillie Gifford. Pyrford and Insight (formerly Mellon Corp and Standish) continue to struggle, underperforming their benchmarks but providing positive actual returns overall. Kempen also underperformed the benchmark by 5.9% with a return of 9.1%

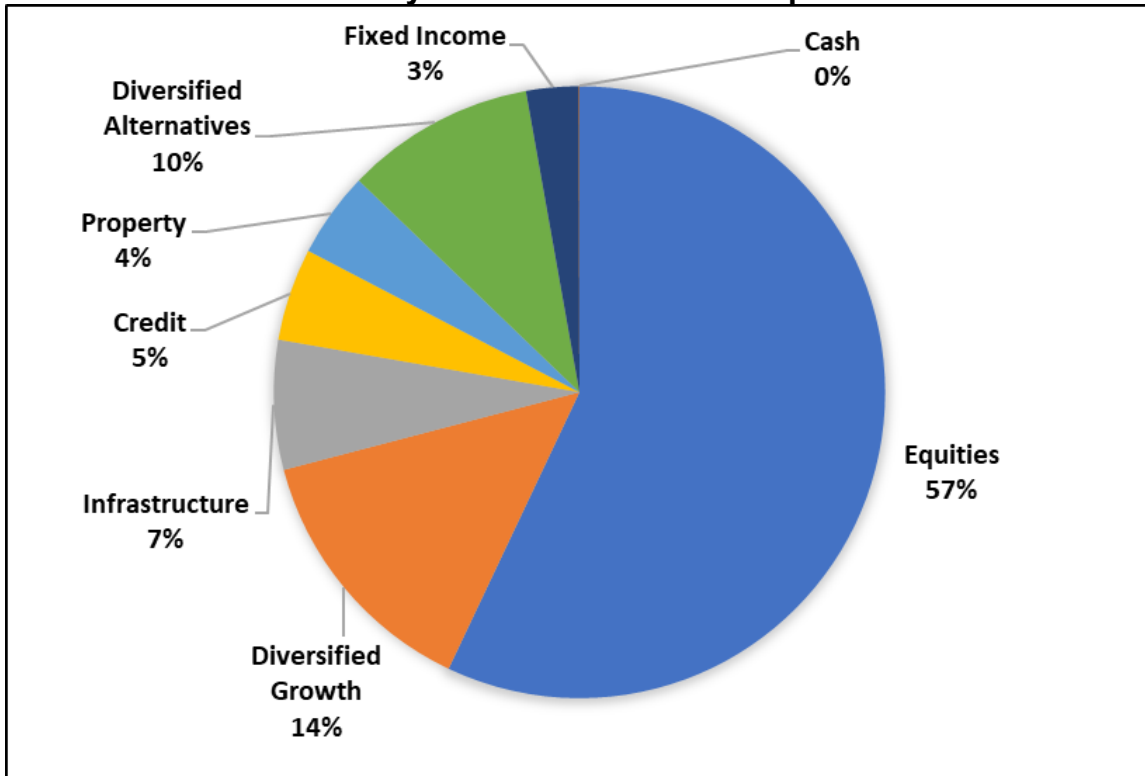
4. Asset Allocations and Benchmark: Table 5 outlines the Fund's asset allocation, asset value & benchmark as at 30 September 2021.

4.1 Table 5: Fund Asset Allocation and Benchmarks as at 30 September 2021

Fund Manager	Asset (%)	Market Values (£000)	Benchmark
Abrdn	10.0%	140,170	3 Mth LIBOR + 4% per annum
Baillie Gifford	23.8%	332,757	MSCI AC World Index
BlackRock	3.7%	51,813	AREF/ IPD All Balanced
Hermes GPE	6.8%	95,586	Target yield 5.9% per annum
Kempen	14.2%	198,067	MSCI World NDR Index
Newton	5.9%	82,595	One-month LIBOR +4% per annum
Pyrford	8.0%	111,242	UK RPI +5% per annum
Schroders	0.8%	11,318	AREF/ IPD All Balanced
Mellon Corp.	4.9%	68,339	3 Mth LIBOR + 4% per annum
UBS Bonds	2.8%	38,706	FTSE UK Gilts All Stocks
UBS Equities	19.1%	266,133	FTSE AW Developed (partly hedged)
LCIV	0.0%	150	None
Cash	0.0%	476	
Fund Value	100.0%	1,396,400	
ST Loan		(23,650)	One-month LIBOR
Prepayment		(30,000)	2 year Prepayment - £40m
Net Fund Value		1,342,750	

4.2 The percentage split by asset class is graphically shown in the pie chart below.

Chart 2: Fund Allocation by Asset Class as at 30 September 2021



4.3 The strategy is overweight equities, with equities near the top end of the range. Cash excludes the pre-payment and short-term borrowing from the council. The current position, compared to the strategic allocation, is in table 6 below:

Table 6: Strategic Asset Allocation

Asset Class	Current Position	Strategic Allocation Target	Variance	Range
Equities	57.0%	52%	5.0%	50-60
Diversified Growth	13.9%	16%	-2.1%	14-18
Infrastructure	6.8%	8%	-1.2%	7-11
Credit	4.9%	8%	-3.1%	6-10
Property	4.5%	5%	-0.5%	4-7
Diversified Alternatives	10.0%	9%	1.0%	7-10
Fixed Income	2.8%	4%	-1.2%	3-5
Cash	0.0%	0%	0.0%	0-1
Total Fund	100.00%	100.00%		

5. Fund Manager Performance

5.1 Kempen

Kempen	2021			2020				2019	One Year	Two Years	Since 6/2/13
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£198.67m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	3.0	2.9	10.2	15.3	(3.2)	16.9	(27.9)	1.2	31.3	9.1	8.7
Benchmark	2.5	7.6	4.0	7.8	3.2	19.8	(15.7)	1.0	21.8	15.0	13.4
Difference	0.5	(4.7)	6.2	7.5	(6.4)	(2.9)	(12.2)	0.2	9.6	(5.9)	(4.7)

Reason for appointment

Kempen were appointed as one of the Fund's global equity managers, specialising in investing in less risky, high dividend paying companies which will provide the Fund with significant income. Kempen holds approximately 100 stocks of roughly equal weighting, with the portfolio rebalanced on a quarterly basis. During market rallies Kempen are likely to lag the benchmark.

Performance Review

The strategy outperformed its benchmark by 0.5% for Q3 and has outperformed over one-year by 9.6%. Kempen provided an annual return of 9.1% over two years which was 5.9% below the benchmark. It has also underperformed its benchmark since inception by 4.7% but providing an annualised return of 8.7%.

Portfolio Rebalancing

The strategy outperformed both its benchmark and the dividend universe (by 0.9%), driven by stock selection Energy and Financials and in each region. The portfolio has a forward-looking dividend yield of 4.8%, a significant uplift in outlook.

On 1 July Roderick van Zuylen and Reineke Davidsz joined Kempen. Roderick joins from Laaken Asset Management and will cover Energy and Utilities. Reineke joins from APG Asset Management and will cover Consumer Staples and Consumer Discretionary.

Kempen continue to believe that the valuation dispersion in the market provides an attractive opportunity for long-term investors. The portfolio still trades at a discount versus the market and we believe offers exposure to attractively valued companies with good capital discipline and positive cash flow generation. The dividend outlook for the portfolio has improved and Kempen foresee a 15-20% increase in dividends in 2021.

5.2 Baillie Gifford

Baillie Gifford	2021			2020				2019	One Year	Two Years	Since 6/2/13
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£332.76m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(0.6)	7.1	2.2	11.1	7.6	27.9	(13.2)	4.9	19.9	23.5	16.8
Benchmark	1.5	7.4	3.7	8.6	3.5	19.8	(15.9)	1.5	21.1	15.0	13.4
Difference	(2.0)	(0.3)	(1.5)	2.5	4.1	8.1	2.7	3.4	(1.3)	8.5	3.4

Reason for appointment

Baillie Gifford (BG) is a bottom-up, active investor, seeking to invest in companies that will enjoy sustainable competitive advantages in their industries and will grow earnings faster than the market average. BG's investment process aims to produce above average long-term performance by picking the best growth global stocks available by combining the specialised knowledge of BG's investment teams with the experience of their most senior investors. BG holds approximately 90-105 stocks.

Performance Review

For Q3 BG returned (0.6%), underperforming its benchmark by 2.0%. BG's one-year return was 19.9%, underperforming its benchmark by 1.3%. Since initial funding, the strategy has returned 16.8% p.a. outperforming its benchmark by 3.4%.

Despite some broader concerns fuelled by uncertainty over the short-term macroeconomic outlook, BG remains optimistic and focused on the long-term growth prospects. BG argue the pandemic has been a catalyst of change in the ways we work, shop and play and have been positioning the Sub-fund to take advantage of these changes.

In their view the current, post-pandemic, period has not only pulled forward some portion of a finite amount of demand but offers glimpses of how the pandemic has accelerated changes in a number of industries and broadened the impact of technology.

These views are expressed most clearly in the 'Rapid Growth' segment of the fund which contains a broad representation of the real economy including entertainment, transportation, real estate, retail and last mile logistics. They advocate that the pandemic has triggered an avalanche of change and there will be structural consequences which are not yet fully appreciated. Importantly, the investment manager believes that innovation is speeding up and spreading out and we are closer to the beginning than the end of that process.

As noted in previous quarterly notes, following the retirement of Charles Plowden, Senior Partner, Helen Xiong was promoted to replace him in the portfolio management team of the Sub-fund. This team now comprises Helen Xiong, Spencer Adair and Malcolm MacColl who concurrently was promoted to Senior Partner.

Despite recent weakness BG continues to deliver good value over the long term. Recent activity has been healthy and well balanced between exiting positions that have not delivered and recycling capital into more promising areas.

5.3 UBS Equities

UBS Equities	2021			2020				2019	One Year	Two Years	Since Start 31/08/12
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£263.85m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	0.9	7.5	5.8	11.2	5.6	18.8	(19.3)	5.7	25.3	18.0	14.5
Benchmark	0.9	7.5	5.8	11.2	5.6	18.8	(19.3)	5.7	25.3	18.0	14.5
Difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Reason for appointment

UBS are the Fund's passive equity manager, helping reduce risk from underperforming equity managers and providing a cost-effective way of accessing the full range of developed market equity growth.

Performance

The fund returned 0.9% for Q3 and 25.3% over one year. Since funding in August 2012, the strategy has provided an annualised return of 14.5%.

Equities

Global stocks were on track for a positive Q3, but after touching an all-time peak in early September, global stocks have trended lower for the month. The magnitude of falls in September overall more than erased gains for the quarter. This reflected a wide array of concerns, from worries over the pace of growth; current valuations; persistent inflationary pressures; to anxiety over a faster-than-expected move towards tightening by central banks against a robust, albeit deteriorating backdrop.

5.4 UBS Bonds

UBS Bonds	2021			2020				2019	One Year	Two Years	Since Start 5/7/2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£39.43m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(1.8)	1.7	(7.2)	0.6	(1.2)	2.5	6.3	(3.9)	(6.8)	(1.5)	3.9
Benchmark	(1.8)	1.7	(7.2)	0.6	(1.2)	2.5	6.3	(3.9)	(6.8)	(1.6)	3.9
Difference	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Reason for appointment

UBS were appointed as the Fund's passive bond manager to allow the Fund to hold a small allocation (4%) of UK fixed income government bonds.

Performance

The fund returned (1.8%) for Q3, (6.8%) for one year and (1.5%) for two-year return.

The All Stock Gilt index returned -1.84% in sterling in Q3. Two year nominal yields rose by 0.35% to 0.40% and 10 year nominal yields rose by 0.30% to 1.02%. The modified duration of the index is 12.16 years. The BoE MPC decreased the policy rate to 0.1%. The UK Debt Management Office held 15 nominal bond auctions during the quarter across a range of maturities. Activity reflected these changes.

5.5 Schroders Indirect Real Estate (SIRE)

Schroders	2021			2020				2019	One Year	Two Years	Since Start 6/8/2010
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£18.54m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	tbc	3.9	2.9	2.7	0.3	(2.0)	(3.9)	1.0	9.5	2.4	5.1
Benchmark	4.5	3.8	2.2	2.1	0.2	(2.0)	(1.3)	0.3	12.6	4.9	7.1
Difference	tbc	0.1	0.7	0.6	0.1	0.0	(2.6)	0.7	tbc	tbc	tbc

Reason for appointment: Schroders is a Fund of Fund manager appointed to manage a part of the Fund's property holdings. The mandate provides the Fund with exposure to 210 underlying funds, with a total exposure to 1,500 highly diversified UK commercial properties. The strategy is currently being sold down and will cease towards the end of 2021.

Q2 2021 Performance and Investment Update

The fund generated a return in Q2 of 3.9% with a one-year return of 9.9% and a two-year return of 2.6%. The performance of the UK commercial real estate market accelerated in Q2 2021 with the benchmark delivering its strongest quarterly performance since December 2014.

A number of disinvestments were made in Q3. Further sales are in progress and Schroders anticipate the majority of SIRE's underlying investments will be sold by the end of 2021. As at the end of November 2021 only £2.2m remained of the strategy.

5.7 BlackRock

BlackRock	2021			2020				2019	One Year	Two Years	Since Start 1/1/2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£50.27m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	4.3	2.9	2.1	2.5	0.5	(2.9)	(2.8)	0.6	11.7	3.6	1.1
Benchmark	4.5	3.8	2.2	2.1	0.2	(2.0)	(1.3)	0.3	12.6	4.9	4.2
Difference	tbc	(0.9)	(0.1)	0.4	0.3	(0.9)	(1.5)	0.3	tbc	tbc	tbc

Reason for appointment: In December 2012, a sizable portion of the Fund's holdings with Rreef were transferred to BlackRock (BR). The transfer to BR provides the Fund with access to a greater, more diversified range of property holdings within the UK.

Q2 2021 Performance and Investment Update

BR returned 4.3% for Q3 against a benchmark of 4.5%, returned 11.7% over one year against a benchmark of 12.6%. A further 10,681 units were purchased on 30 November, costing £500k at October NAV prices as part of increasing the allocation to BR. This will increase the BR holding to over £53m, based on current values.

In Q3 there were no acquisitions but five disposals of mostly retail or car showroom totaling £50.67m and were at or above valuation. This concluded the repositioning of the Fund's retail holdings, refining the portfolio of mainly retail warehouses to c.80% in Greater London compared with c.20% for the benchmark. Being 99% leased, BR believe that this residual holding offers robust leasing market dynamics and strong.

5.8 Hermes

Hermes	2021			2020				2019	One Year	Two Years	Since 9/11/2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£95.59m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	2.2	(1.1)	0.6	(1.5)	0.0	0.9	3.9	(0.2)	0.3	2.4	7.5
Benchmark	1.4	1.4	1.5	1.4	1.4	1.4	1.5	1.4	5.8	5.8	5.9
Difference	0.7	(2.5)	(0.9)	(2.9)	(1.4)	(0.6)	2.4	(1.6)	(5.5)	(3.4)	1.6

Reason for appointment

Hermes were appointed as the Fund's infrastructure manager to diversify the Fund away from index linked fixed income. The investment is in the Hermes Infrastructure Fund I (HIF I) and has a five-year investment period which ended on 30th April 2020 and a base term of 18 years. In March 2015 Members agreed to increase the Fund's allocation to Hermes to 10%.

Performance

Hermes returned 2.2% in Q3 outperforming the benchmark by 0.7%. Over one year the strategy reported a one-year return of 0.3%, underperforming its benchmark by 5.5%. Since inception the strategy has provided a good, annualised return of 7.5%, outperforming its benchmark by 1.6%.

Portfolio review

Performance over the past 6 months was driven by:

- Cadent (3.6%) primarily due to updated business plan assumptions; and
- ASG I & II (-16.0% and -12.5%) due to the increase in future corporate tax rates.

Portfolio Performance - Value Added 1

VA reported LTD gross IRR of 9.5% (up from 9.3% at 31 March) and LTD cash yield of 9.8% (down from 10.1% at 31 March). NAV increased by £8.9m (2.3%) since 31 March, principally because the negative valuation impact of the Southern Water re-capitalisation (see below) was more than offset by increased value of:

- Viridor: 4.8% reflecting improved short-term power prices & favourable pricing terms following agreed sale of the collections & recycling business to Biffa plc;
- Eurostar: 4.2% due to the shareholder equity injection as part of refinancing;
- Scandlines: 4.4% due to easing of travel restrictions; and

Transport Assets

Transport assets benefitted from easing of travel restrictions. In the Core, Iridium continues to show signs of recovery following further easing of restrictions in Spain, with traffic during Q2 performing above budget. Continuing strong volumes and tight cost control at Associated British Ports has contributed to EBITDA performing above budget on a year-to-date basis to June.

In the VA portfolio, the August announcement that quarantining will not be imposed on fully vaccinated passengers travelling between the UK and France led to some recovery in performance for Eurostar during August 2021, ahead of management's planned recovery, which was anticipated to begin in September 2021. The recent announcement of further relaxation of restrictions taking effect from 4 October is also expected to be positive. Reduced restrictions in travel across the EU, along with tight cost control, has also resulted in improved performance for Scandlines, with June 2021 trading above budget on a year-to-date basis.

Regulatory update

Following Cadent appealing certain aspects of Ofgem's RIIO-2 Final Determination to the Competition and Markets Authority ("CMA"), the CMA has now published its Provisional Determination with its Final Determination (and remedies) due by the end of October 2021. At a high level, the CMA upheld three of Cadent's five grounds of appeal and is therefore seen, in the round, as a relatively positive marker. Two of these relate to cost allowances, with the CMA also proposing to remove the 25 bps "outperformance wedge" from the cost of equity. However, it has not made any other changes to cost of equity/allowed returns.

Ofwat published their High-Level Consultation paper on PR24 for the water sector. The overarching theme is that PR24 will be an evolution from the PR19 approach with more emphasis on planning for the longer term, which is seen as positive for both Anglian and Southern Water.

On 9 July 2021, Southern Water was fined £90.0m (plus £2.5m of costs) following its guilty plea to all 51 charges brought by the Environment Agency ("EA") for unlawful discharge of wastewater across 17 sites on the North Kent and Solent coasts, dating back to 2010-2015. Whilst we did not have Board representation at the time or any knowledge of the incidents, we are appalled by the cultural failures at Southern Water which permitted the incidents to occur and the environmental damage that resulted. There is currently another ongoing EA investigation into the manipulation of sampling that occurred over the same period, and for which Ofwat, in 2019, fined Southern Water £3.0m and required it to rebate customers £123.0m. To date, no charges have been brought against Southern Water in relation to this investigation by the EA and consequently no provision for any potential fine has been made by the company.

Manager update

Perry Noble has been appointed as Head of Infrastructure following Hamish de Run stepping down from his role. Perry, who has been with the business since 2012, has 25 years of infrastructure industry experience and will now chair the Infrastructure Investment Committee. Perry will lead a team of infrastructure professionals including James Wardlaw, Lead Client Partner who joined us from Campbell Lutyens last year; Emma Howell, Head of Asset Management; and Steve Pugh, Head of Origination.

Outlook

Both the Core and VA portfolios are highly correlated to inflation and would stand to benefit if increasing inflation expectations come to pass in the longer term. In the short term, current year on year CPIH inflation in the UK continues to rise compared to the past couple of years; for the 12 months ending August 2021 it was 3.0%, 2.4% to June 2021, and 1.0% to March 2021.

5.9 Abrdn Asset Management

Abrdn	2021			2020				2019	One Year	Two Years	Since Start 15/9/2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£133.67m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	4.9	4.4	7.4	8.3	5.1	(0.6)	0.7	(0.2)	25.0	15.0	7.2
Benchmark	1.0	1.0	1.0	1.0	1.0	1.3	1.2	1.2	4.0	4.4	4.6
Difference	3.9	3.4	6.4	7.3	4.1	(1.9)	(0.5)	(1.4)	21.0	10.6	2.6

Reason for appointment

As part of the Fund's diversification from equities, Members agreed to tender for a Diversified Alternatives Mandate. Abrdn Asset Management (ASAM) were appointed to build and maintain a portfolio of Hedge Funds (HF) and Private Equity (PE). All positions held within the portfolio are hedged back to Sterling.

Since being appointed ASAM have built a portfolio of HFs and PEs, which offer a balanced return not dependent on traditional asset class returns. In the case of PE, the intention is to be able to extract an illiquidity premium over time. The allocation to PE, co-investments, infrastructure, private debt, and real assets will be opportunistic and subject to being able to access opportunities on appropriate terms.

Performance summary

The Portfolio had a strong Q3, posting a gain of around 6.4% over the three months to the end of September. This was largely due to higher June 30 valuations across some of the more seasoned private equity investments (Advent, OEP) which Abrdn were able to reflect in July, but also some excellent performance from some of the more recent co-investments which we've added to the portfolio. For example, Herbivore (a prestige skincare brand offering non-toxic, organic products) was up over 120% and contributed over 1.2% to the quarter's return.

Return for one year is 25.0%, 21.0% above the benchmark of 4.0%. Over two years the strategy is 10.6% above its benchmark of 15.0%.

Abrdn have built a portfolio of hedge funds, private equity funds and co-investments, which can offer a balanced return not wholly dependent on traditional asset class returns. In the case of private equity, the intention is to be able to extract an illiquidity premium over time. The allocation to private equity (and other less liquid opportunities such as infrastructure, private debt and real assets) will be opportunistic and subject to being able to access opportunities on appropriate terms.

The hedge funds selected for the Portfolio include a blend of:

- i) relative value strategies, intended to profit from price dislocations across fixed income and equity markets;
- ii) macro strategies, which are intended to benefit significantly from global trends, whether these trends are up or down, across asset classes and geographies; and
- iii) iii) tail risk protection which is intended to offer significant returns at times of stress and more muted returns in normal market environments.

Outlook

For hedge funds, Abrdn are constructive on the outlook for equity hedge overall but the strategy is not without its risks. Market and factor beta have been key drivers of equity hedge performance in what has been a macro-driven equity market environment. The alpha environment has been extremely challenging, and those managers focused on minimizing factor exposures and relying on alpha/idiosyncratic risk to dictate performance have generally found it difficult to produce satisfactory returns. This is unsurprising in a market driven by incremental economic or COVID-related data; stocks and sectors move in tandem based on their characteristics, investors more concerned with owning the 'right' type of stocks as the economic picture shifts rather than necessarily the best companies.

Fundamentals have taken a back seat. But this dynamic won't last forever, and there are reasons to believe that company fundamentals, stock-picking and alpha will become increasingly relevant from here. A market which has been characterized by relative indifference to company fundamentals, by definition, creates a tremendous stock-picking opportunity set from which to generate abnormal levels of alpha thereafter.

Abrdn's outlook for discretionary macro remains positive. Abrdn continue to see a global recovery divergence theme playing out, which is set to continue into 2022. Abrdn see both the regional and country-specific recoveries from this pandemic being attributed to a few key factors including the depth of recession during 2020 (and if it bled into 2021), the speed of vaccination and the ability to avoid new lockdowns. This macro backdrop should allow regional specialists to identify attractive directional and relative value opportunities, particularly in currencies and interest rates.

From a regional perspective, Abrdn expect more emerging markets-tilted managers to generate volatile performance into 2022, as inflation spikes and central bank actions in a number of developing countries continue to surprise market participants this year. Thus, data releases and policy responses remain in focus as global economies unevenly recover from the COVID-19 pandemic. Given the vast opportunity set, Abrdn are closely monitoring certain risks, such as style drift, as managers might want to do too much in this environment, potentially building outsized directional positions or trading in areas where they lack expertise.

Abrdn's outlook for fixed income relative value strategies remains neutral but Abrdn are cautiously optimistic. Abrdn maintain the rating at neutral because the opportunity set for bond basis trading in G3 countries remains moderate, although slightly better than earlier in the year. The recent volatility in developed market rates, though costly at times in terms of mark-to-market P&L, has created larger dislocations between cash bonds and futures that managers hope to be able to capture in the next one to two calendar roll cycles.

In terms of private equity, the market has remained robust, both in terms of fund-raising and deal activity, and deal pricing remains competitive. However, the underlying managers within the LBBB portfolio have continued to deploy capital in a disciplined manner to acquire assets with the potential for future earnings growth.

5.10 Pyrford

Pyrford	2021			2020				2019	One Year	Two Years	Since 28/9/2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
111.24m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	0.3	1.1	0.9	3.1	(1.6)	6.2	(4.8)	0.7	5.5	3.0	3.4
Benchmark	2.7	3.6	1.7	1.6	1.8	1.3	1.5	1.5	9.6	7.8	7.3
Difference	(2.4)	(2.5)	(0.8)	1.6	(3.4)	4.9	(6.3)	(0.8)	(4.1)	(4.8)	(3.9)

Reason for appointment

Pyrford were appointed as the Fund's absolute return manager (AR) to diversify from equities. The manager's benchmark is to RPI, which means that the manager is likely to outperform the benchmark during significant market rallies. AR managers can be compared to equities, which have a similar return target. When compared to equities, absolute return will underperform when markets increase rapidly and tend to outperform equities during periods when markets fall.

Performance

Pyrford generated a return of 0.3% in Q3 underperforming its benchmark by 2.4%. Over one year the strategy has returned 3.0%, underperforming its benchmark of 9.6% (which reflects the surge in RPI since the early part of 2021), by 4.8%. Pyrford underperformed its benchmark by 3.9% since inception and has returned 3.4% p.a.

The equity portfolio was the biggest source of profits, with UK stocks providing a small profit, but overseas holdings performed better. Holdings in UK Gilts were a drag on returns, but foreign sovereign bonds made a positive contribution. The impact of rising yields was mitigated in part by the dominance of short maturity bonds: the duration of the bond portfolio is 1.5 years. Part of the positive return earned from non-UK stocks and bonds can be attributed to gains linked to the decline of Sterling against unhedged sources of currency exposure.

Outlook and Change in Ownership

Pyrford view the current environment as very challenging in the context of a strategy focused on generating positive real returns at low levels of volatility and low risk of capital loss in any 12-month period. At the headline level, they believe that equities are very overvalued, particularly in the United States, bond yields are too low in the context of inflation risk and credit spreads are misaligned to potential default risk.

Pyrford's asset allocation response is defensive as they bide their time until the pricing of assets returns to levels they think are appropriate from a return to risk perspective. They will also seek to tap into diversifying sources of return within asset classes, i.e. investing in property and infrastructure assets within the equity portfolio.

There is a change in ownership as Bank of Montreal (BMO) is selling its European asset management business, including Pyrford, to Columbia Threadneedle (CT). Pyrford operates as a semi-autonomous boutique and will be part of CT's Alternatives unit, where they are expected to continue to operate independently and autonomously, with no changes to the team responsible for managing the fund portfolio or the process used to make decisions.

5.11 Newton

Newton	2021			2020				2019	One Year	Two Years	Since 31/8/2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£82.60m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(0.1)	2.4	1.1	5.6	3.5	8.0	(9.2)	1.6	9.0	6.4	4.4
Benchmark	1.0	1.0	1.0	1.0	1.0	1.1	1.2	1.2	4.0	4.2	4.4
Difference	(1.1)	1.4	0.1	4.6	2.5	6.9	(10.4)	0.4	5.0	2.2	0.0

Reason for appointment

Newton was appointed to act as a diversifier from equities. The manager has a fixed benchmark of one-month LIBOR plus 4%. AR managers have a similar return compared to equity but are likely to underperform equity when markets increase rapidly and outperform equity when markets suffer a sharp fall.

Performance

Newton generated a return of -0.1% in Q3, underperforming its benchmark by 1.1%. Over one year the strategy has returned 9.0%, outperforming its benchmark by 5.0%. Newton's performance since inception is 4.4%, which matches its benchmark.

Q3 marked a reversal in the fortunes of Newton after three quarters of performance ahead of the Libor + 4% target. The equity portfolio contributed 0.4% of the loss. The worst performance came from Chinese companies, Alibaba and Tencent specifically, which are exposed to more aggressive scrutiny by regulators and central government. Companies reliant on growth in China, such as the AIA Group, Yum China and LVMH were also weak. The loss of momentum in core holdings, including Alphabet (Google), Amazon and Microsoft, was another headwind.

On the positive side the increased allocation to financial stocks worked well as debt yields increased. Prudential Plc gained almost 6%, reflecting steps taken to demerge its US business and raise equity capital in Hong Kong to fund growth in Asia. Alcon, the eye care products company, reported stronger than expected earnings and the shares gained 17% (in Swiss Franc terms) during the quarter.

The losses on physical holdings in stocks were amplified by losses of 0.3% on derivatives linked to equity indices. Put options on major stock indices are used primarily to guard against large falls in markets so they were of limited value in September. The timing of the expiry of some contracts also worked against Newton.

Fixed income assets contributed 0.3% of the loss. The last sovereign bond holdings were removed from the portfolio in Q1 2021, but Newton retained exposure to US Treasury bonds through futures contracts which have now been sold. Index linked bonds have also been sold. Exposure to emerging markets bonds was cut sharply during the most recent quarter. As a result, fixed income exposure is focused on corporate subinvestment grade bonds which held their value.

The position in gold lost 0.1% and alternative assets, such as renewable power generators, REITs and ETFs providing exposure to energy and metals prices generated a positive return of 0.2%. Currency positioning added 0.1%.

5.12 Insight (Mellon Corporation / Standish)

Insight	2021			2020				2019	One Year	Two Years	Since 20/8/2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£68.34m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	0.0	0.2	(0.1)	2.2	1.5	4.7	(2.3)	(0.0)	2.3	3.0	1.1
Benchmark	1.0	1.0	1.0	1.0	1.0	1.3	1.2	1.2	4.0	4.4	5.0
Difference	(1.0)	(0.8)	(1.1)	1.2	0.5	3.4	(3.5)	(1.2)	(1.7)	(1.3)	(4.0)

Reason for appointment

Insight were appointed to achieve a 6% total return from income and capital growth by investing in a globally diversified multi-sector portfolio of transferable fixed income securities including corporate bonds, agency and governments debt. The return target was later reduced to 4.4%.

Performance

In Q3, the Fund returned 0.0% against a benchmark return of 1.0%. Over one year the strategy has underperformed its benchmark of 4.0% by 1.7%, providing a return of 2.3%. Since funding in August 2013, Mellon Corporation has only provided an annual return of 1.1%. The Fund's asset allocation to corporate credit was the primary contributor to its return.

Portfolio Composition:

The third quarter saw the fund flat for the quarter with asset allocation and rates positioning making the most notably positively contributions to relative performance. In rates space, the Fund benefitted from underweights in the UK and Canada as strong growth and firming underlying inflation pulled rate hikes forward and pressured yields higher.

Alpha generated in the British and Canadian rates markets was partially offset by underperformance associated with overweight in the Norwegian, Italian and Mexican government bond markets.

From an asset allocation standpoint, the Fund's overweight to corporate debt, specifically high yield corporate debt, made a significant positive contribution to the quarter's outperformance. The overweight to securitized assets provided a similar, albeit more modest tailwind to relative returns.

Positioning in hard currency Emerging Market debt was a source of modest underperformance on the quarter as the sector came under broad based pressure. With the credit curve steepening and EM corporates holding in relatively well, it was single B sovereigns that saw the bulk of the spread widening.

In aggregate, active FX positioning made no material contribution to relative performance in the third quarter. On a more granular level, the small amount of negative alpha associated with positioning in Emerging market Asia and Europe was offset by strong performance from the NZD and EUR.

5.13 Currency Hedging

No new currency hedging positions were placed in Q2 2021.

6. Consultation

- 6.1 Council's Fund monitoring arrangements involve continuous dialogue and consultation between finance staff, external fund managers and external advisers. The Chief Operating Officer and the Fund's Chair have been informed of the approach, data and commentary in this report.

7. Financial Implications

Implications completed by: Philip Gregory, Finance Director

- 7.1 The Council's Fund is a statutory requirement to provide a defined benefit pension to scheme members. Investment decisions are taken based on a long-term investment strategy. The investment performance has a significant impact on the General Fund. Pensions and other benefits are statutorily calculated and are guaranteed. Any shortfall in the assets of the Fund compared to the potential benefits must be met by an employer's contribution.
- 7.2 This report updates the Committee on developments within the Investment Strategy and on scheme administration issues and provides an overview of the performance of the Fund during the period.

8. Legal Implications

Implications completed by: Dr. Paul Feild, Senior Governance Solicitor

- 8.1 The Council operates the Local Government Pension Scheme which provides death and retirement benefits for all eligible employees of the Council and organisations which have admitted body status. There is a legal duty fiduciary to administer such funds soundly according to best principles balancing return on investment against risk and creating risk to call on the general fund in the event of deficits. With the returns of investments in Government Stock (Gilts) being very low they cannot be the primary investment. Therefore, to ensure an ability to meet the liability to pay beneficiaries the Fund is actively managed to seek out the best investments. These investments are carried out by fund managers as set out in the report working with the Council's Officers and Members.
- 8.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 are the primary regulations that set out the investment framework for the Fund. These regulations are themselves amended from time to time. The Regulations are made under sections 1(1) and 3(1) to (4) of, and Schedule 3 to, the Public Service Pensions Act 2013. They set out the arrangements which apply to the management and investment of funds arising in relation to a Fund maintained under the Local Government Pension Scheme.

9. Other Implications

- 9.1 **Risk Management** - Investment decisions are taken based on a long-term investment strategy. Investments are diversified over several investment vehicles (equities – UK and overseas, bonds, property, infrastructure, global credit and cash) and Fund Managers to spread risk.

Performance is under constant review, with this focused on how the Fund has performed over the past three months, one year and three years.

Background Papers Used in the Preparation of the Report:

- Northern Trust Quarterly Q2 2021 Report; and
- Fund Manager Q2 2021 Reports.

List of appendices:

Appendix 1 - Fund Asset and Liability Values 31 March 2013 to 30 June 2021

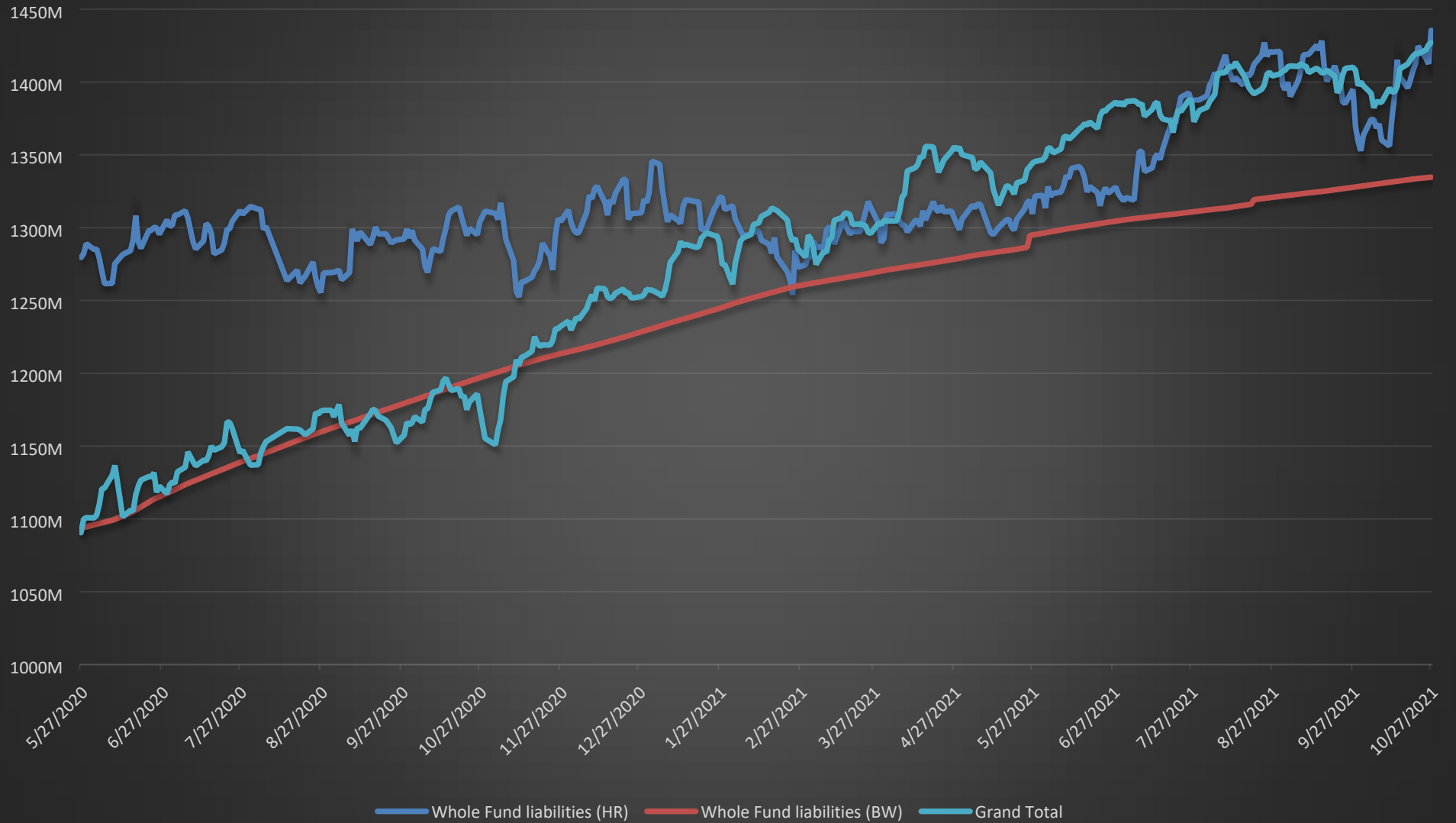
Appendix 2 - Definitions

Appendix 3 - Roles and Responsibilities

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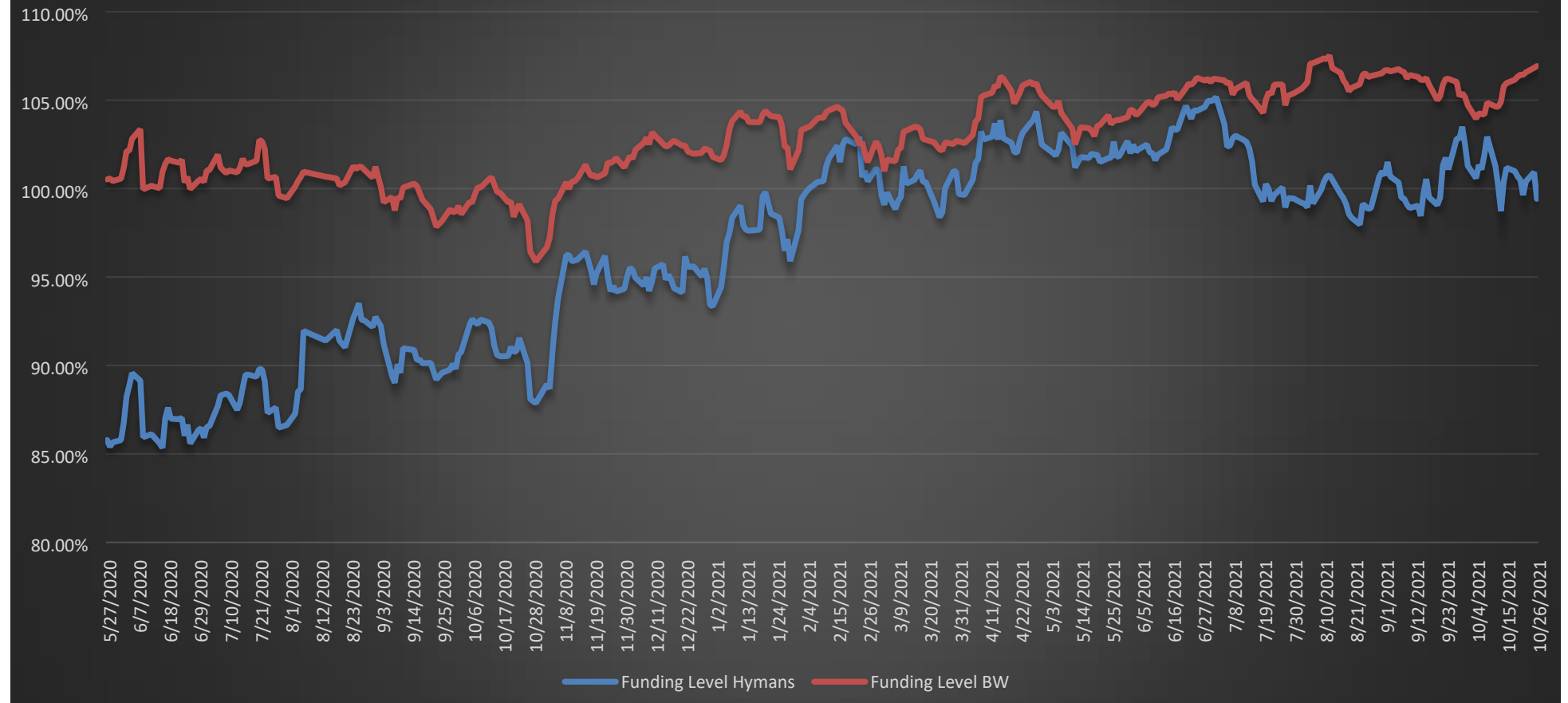
APPENDIX 1 - Fund Asset Values 31 March 2020 to 27 October 2021

LBBB Pension Fund Funding Level April 2020 to 27 October 2021



Funding Level between 31 March 2020 to 27 October 2021

Funding Level April 2020 to 27 October 2021



A Definitions

A.1 Scheduled bodies

Scheduled bodies have an automatic right, and requirement, to be an employer in the LGPS that covers their geographical area. Therefore, scheduled bodies do not need to sign an admission agreement. Scheduled bodies are defined in the LGPS Regulations 2013 in Schedule 2 Part 1. Common examples of scheduled bodies are Unitary Authorities, Police and Fire Authorities and Academies.

A.2 Admitted bodies

Admitted Bodies either become members of the LGPS as a result of a TUPE transfer or following an application to the Fund to become an employer in the scheme. In both cases, their admission is subject to the body meeting the eligibility criteria and an admission agreement being signed by all relevant parties.

A.3 Schedule of Admitted and Scheduled bodies

A list of scheduled and Admitted Bodies is provided below

Scheduled bodies	LBBB Barking College Dorothy Barely Academy Eastbury Academy Elutec Goresbrook Free School Greatfields Free School James Campbell Primary Partnerships Learning Pathways Riverside Bridge Riverside Free School Riverside School St Joseph's Barking St Joseph's Dagenham St Margarets St Theresa's Sydney Russell Thames View Infants Academy Thames View Junior Academy University of East London Warren Academy
Admitted Bodies	Aspens Aspens 2 B&D Citizen's Advice Bureau BD Corporate Cleaning BD Schools Improvement Partnership BD Together Be First BD Trading Partner Caterlink

	Cleantech Elevate East London LLP Laing O'Rourke Lewis and Graves Schools Offices Services Ltd Sports Leisure Management The Broadway Theatre Town and Country Cleaners
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B Roles & Responsibilities

B.1 Administering Authority

The London Borough of Barking and Dagenham is, by virtue of Regulation 53 and Part 1 of Schedule 3 of the Local Government Pension Scheme Regulations 2013 the “Administering Authority” for the Local Government Pension Scheme within the geographic area of the London Borough of Barking and Dagenham. In its role as Administering Authority (also known as Scheme Manager) the Council is responsible for “*managing and administering the Scheme.*”

It is normal practice within the Local Government Pension Scheme (LGPS) for the role of the Administering Authority to be exercised by a Pensions Committee. In the case of the London Borough of Barking and Dagenham the Council has delegated the exercise of its role as Administering Authority to the Pensions Committee.

Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (As amended), Pensions is not an Executive Function. Therefore, the Cabinet cannot make decisions in respect of a LGPS Pension Fund. The committee responsible for the Pension Fund must report to the Council and cannot be subject to the Cabinet.

B.2 Pensions Committee

Under the Constitution of the London Borough of Barking and Dagenham (May 2018) the Pensions Committee exercises “*on behalf of the Council all the powers and duties of the Council in relation to its functions as Administering Authority of the London Borough of Barking and Dagenham Pension Fund.*”

The voting membership of the Pensions Committee is seven Councillors. The Committee may also appoint representatives of interested parties (Trade Unions, Admitted Bodies, pensioners etc) as non-voting members.

Responsibilities

As already stated the Pensions Committee exercises all the powers and duties of the Council in relation to the Local Government Pension Scheme (LGPS). As detailed in the Council’s Constitution this includes:

- (i) To approve all policy statements required or prepared under the LGPS Regulations;
- (ii) To be responsible for the overall investment policy, strategy and operation of the Fund and its overall performance, including taking into account the profile of Fund liabilities;
- (iii) To appoint and terminate the appointments of the Fund Actuary, Custodian, professional advisors to, and external managers of, the Fund and agree the basis of their remuneration;
- (iv) To monitor and review the performance of the Fund’s investments including receiving a quarterly report from the Chief Operating Officer;
- (v) To receive actuarial valuations of the Fund;

(vi) To monitor the LGPS Regulations, Codes of Practice or guidance issued by the Pensions Regulator and the National Scheme Advisory Board as they apply to pension benefits and the payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme;

(vii) Selection, appointment and termination of external Additional Voluntary Contribution (AVC) providers and reviewing performance;

(viii) To consider any recommendations made or views expressed by the London Borough of Barking and Dagenham Pension Board.

Individual members of the Pensions Committee have a responsibility to obtain a high level of knowledge and skills in relation to their broad ranging responsibilities in respect of the Local Government Pension Scheme. Therefore, ongoing training is essential.

In 2010/2011 CIPFA produced a Pensions Finance, Knowledge & Skills Framework and a Code of Practice on Public Sector Pensions Finance Knowledge and Skills. The Barking and Dagenham Pension Fund subsequently adopted the recommendations of the CIPFA Code of Practice and accepted the need for competencies by both Members and Officers in the six technical areas of knowledge and skills as then set out by CIPFA:

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and product knowledge (including Investment Strategy)
- Actuarial methods, standards and practices

As a result of changes to the Local Government Pension Scheme and CIPFA guidance since 2014 it is also necessary for members of the Pensions Committee to have clear knowledge and understanding of:

- Pensions Administration (including the role of The Pensions Regulator)

B.3 Fund Administrator

The Chief Operating Officer is responsible as the Fund Administrator for:

- Acting as principal advisor to the Fund
- Ensuring compliance with Legislation, Regulation and Statutory Guidance including advising in respect of the various policy documents and statements required under the LGPS Regulations
- Ensuring effective governance and audit arrangements

On a day to day basis the management and co-ordination of all Pension Fund activity is led by the Investment Fund Manager.

B.4 Fund Actuary

The appointment of a Fund Actuary required in order to comply with Regulations 62 and 64 of the LGPS Regulations 2013.

The Fund Actuary is a completely independent and appropriately qualified adviser who carries out statutorily required Fund Actuarial Valuations and other valuations as required and who will also provide general actuarial advice. The work of the Actuary includes (but is not limited to):

- Undertaking an Actuarial Valuation of the Fund every three years. The next Valuation will be as at 31 March 2019 and the Actuary must complete his report by March 2020. The results of this Valuation will result in the setting of the Employer Contribution Rates for the three years 2020-2021, 2021-2022 and 2022-2023
- Undertaking more limited Valuations in respect of New Employers, Exiting Employers, Bulk Transfers and for Accounting purposes

B.5 Investment Advisor

The Investment Advisor (otherwise known as the Investment Consultant) is completely independent of the Fund and provides advice in respect of investment matters. This includes:

- The Fund's Investment Strategy Statement including its asset allocation
- The selection of investment managers
- Monitoring and reviewing Investment Managers' performance

B.6 The Independent Advisor

The Independent Advisor who is also completely independent of the Fund provides governance and investment challenge and input together with training across the activities and responsibilities of the Fund.

B.7 Investment Managers

External Investment Managers manage the Funds investments on behalf of the Pensions Committee.

The Investment Managers' responsibilities include

- Investment of Pension Fund assets in compliance with legislation, the Fund's Investment Strategy Statement and the Investment Management Agreement between the Pension Fund and the Investment manager
- The selection of investments
- Providing regular reports on performance to the Fund Officers
- Attending the Pensions Committee if requested

As a result of the Government's Investment Pooling initiative the relationship between Investment Managers and the London Borough of Barking and Dagenham Pension Fund will, over an extended period of time, become an indirect relationship due to the increasing involvement of the London Collective Investment Vehicle (London CIV) in the selection and monitoring of Investment Managers.

B.8 Employers

The Employers within the London Borough of Barking and Dagenham Pension Fund are listed at Appendix 2.

Employers have a wide range of responsibilities which include

- Automatically enrolling eligible Employees in the LGPS
- Providing timely and accurate data to the Administering Authority in respect of individual members including joiners, leavers, pay details etc
- Deducting contributions from Employees pay correctly
- Paying to the Administering Authority both Employers and Employees contributions by the due date
- Determining their Discretions policy in accordance with the LGPS Regulations
- Operating Stage 1 of the Internal Dispute Resolution Procedure
- Communicating, as appropriate, with both Scheme Members and the London Borough of Barking and Dagenham Pensions Team

In undertaking their responsibilities Employers should have regard to any documentation issued by the London Borough of Barking and Dagenham in its role as Administering Authority including any Pension Administration Strategy issued in accordance with the LGPS Regulations.

Employers should also be aware of the requirements placed upon them as detailed in the Pension Regulator's Code of Practice No 14 "*Governance and Administration of Public Service Pension Schemes.*"

PENSIONS COMMITTEE

14 December 2021

Title: Business Plan Update 2021/22	
Report of the Managing Director	
Public Report	Public Report
Wards Affected: None	Wards Affected: None
Report Author: David Dickinson Investment Fund Manager	Contact Details: Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Managing Director	
Recommendations	
The Committee is asked to note progress on the delivery of the 2021/22 Business Plan actions in Appendix 1 to the report	

1. Introduction and Background

- 1.1 The purpose of this report is to update the Pension Committee on the progress of the Pension Fund's 2021/22 business plan.
- 1.2 Appendix 1 provides a summary of the Business Plan actions from 1 April 2021 to 30 November 2021.
- 1.3 A Strategic Asset Allocation Review is being carried out by the funds Actuary and a full business plan for 2021 to 2023 has been drafted alongside this. This sets out the key tasks for the Pension Committee in respect to the Pension Fund issues for 2021/22 and was agreed by members in the December 2020 committee.

2. Comments of the Finance Director

- 2.1 The Business Plan includes the major milestones and issues to be considered by the Committee and includes financial estimates for the investment and administration of the fund and appropriate provision for training.
- 2.2 The key actions, the date they were completed and by whom are summarised in the Business Plan Update report.

3. Comments of the Legal Officer

- 3.1 The Committee has been constituted by the Council to perform the role of administering authority to manage the Fund and as such has legal authority to make the decisions sought by the recommendations. Committee Members have a legal responsibility for the prudent and effective stewardship of LGPS funds, and in more general terms, have a fiduciary duty in the performance of their functions.

List of appendices:

Appendix 1 - Business Plan Update

Business Plan Update

Month	Action Scheduled	By	Actual Activity
Jan 21	Fund Manager Meetings:		
	<ul style="list-style-type: none"> London CIV 	Officers	Meeting held with LCIV on 15 th
	External Audit	Officers	On-going
Feb 21	Pensions Committee Training: Equities	All	Training held on 25 th
Mar 21	Fund Manager Meetings:		
	<ul style="list-style-type: none"> Alternatives: Aberdeen Standard 	Officers	Meeting held with Aberdeen Standard on 23 rd
	<ul style="list-style-type: none"> Property: Schroders 	Officers	Meeting held with Schroders on 24 th
	<ul style="list-style-type: none"> Property: Blackrock 	Officers	Meeting held with Blackrock on 16 th
	Quarterly Pension Committee Meeting	All	Held on 17 th
	Bi-annual Pension Board	Officers	Held on 17 th
	Closure of Accounts	Officers	On-going
	Pension Internal Audit	Officers	On-going
Apr 21	Submission of Data for Employers Accounting report	Officers	Report produced by Barnett Waddingham in May
	Fund Manager Meetings:		
	<ul style="list-style-type: none"> Property: Schroders 	Officers	Meeting held with Schroders on 1 st
	<ul style="list-style-type: none"> Infrastructure: Hermes 	Officers	Meeting held with Hermes on 26 th
May 21	<ul style="list-style-type: none"> Fund Manager Meetings: 		
	<ul style="list-style-type: none"> Property: Schroders 	Officers	Meeting held with Schroders on 5 th
	Credit: BNY Mellon	Officers	Meeting held with BNY Mellon on 26 th
Jun 21	Quarterly Pension Committee Meeting	All	Held on 16 th June 2021
	Fund Manager Meetings:		
	<ul style="list-style-type: none"> Infrastructure: Hermes 	Officers	Meeting held with Hermes on 8 th
	<ul style="list-style-type: none"> Equities: Kempen 	Officers	Meeting held with Kempen on 17 th
Jul 21	LCIV Business Update	All	Held on 16 th
	Fund Manager Meetings:		
	<ul style="list-style-type: none"> Contract Review: Heywood 	Officers	Meeting held with Heywood on Administration Systems and Costs on 27 th

Sep 21	Quarterly Pension Committee Meeting	All	Held on 15 th
	Fund Manager Meetings:		
	• LCIV	Officers	Meeting held with LCIV on 17 th
	• Insight (Mellon Corp)	Officers	Meeting held with Insight on 20 th
	• Hymans	Officers	Meeting held with Hymans on 21 st
Oct 21	Fund Manager Meetings:		
	• Insight (Mellon Corp)	Officers	Meeting held with Insight on 5 th

Key Fund Activities 2021 to 2024

Activity	2021	2022	2023
Administration			
Pension Administration Software Tender	January to March		
Pension Internal Audit	March		March
Data Cleanse	February / March	February / March	February / March
Valuation – collection of data		April to July	
Triennial Valuation		Apr to July	January - March
Valuation Results to Employers		Nov - December	
Submission of Data for Employers	April to July	April to July	April to July
Administration Performance Review	Quarterly	Quarterly	Quarterly
Business Plan Review		March	March
Annual Benefit Statements	May to August	May to August	May to August
Refresh pensions website	August	August	August
I-Connect implementation	March		
Investments and Accounting			
Investment Strategy Review			July to December
Investment Performance Review	September	September	September
Review of Strategy (Annual)	December	December	December
Employer Accounting Reports	July, Aug & March	July, Aug & March	July, Aug & March
Governance			
Annual Report and Accounts	Apr to June	Apr to June	Apr to June
Pension Board Meeting	Biannual	Biannual	Biannual
Review Risk Register	August	August	August
Review AVC Provider		March	
Independent Adviser contract	March	March	March
Fund Manager Meetings			
Equities	January / July	January / July	January / July
Fixed Income	February / August	February / August	February / August
Property	Mar / September	Mar / September	Mar / September
Diversified Growth	April / October	April / October	April / October
Infrastructure	May / November	May / November	May / November
Diversified Alternatives	June / December	June / December	June / December

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PENSIONS COMMITTEE

14 December 2021

Title: Administration and Governance Report	
Report of the Managing Director	
Public Report	For Information
Wards Affected: None	Key Decision: No
Report Author: David Dickinson Investment Fund Manager	Contact Details: Tel: 020 8227 2722 E-mail: David.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Managing Director	
<p>Summary</p> <p>This report provides Members with an update on any administration and governance changes that have occurred and the potential impact that these changes may have on the Pension Fund. The report also provides an update on the Fund's one year and three-year cashflow forecast and on the London Collective Investment Vehicle (LCIV) as the Fund moves towards more pooled investments.</p> <p>The report includes two appendices which are in the exempt section of the agenda as they contain commercially confidential information (relevant legislation: paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972), and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	
<p>Recommendations</p> <p>The Committee is recommended to note:</p> <ul style="list-style-type: none"> i. that the Fund is cash flow positive, ii. the Fund's three-year budget for the period 1 April 2021 to 31 March 2024, iii. the London CIV Update, and iv. Pension Administration Software Tender. <p>The Committee is recommended to agree:</p> <ul style="list-style-type: none"> v. Changes to the date and approach for Committee Member Training; and vi. Investment Consultants Strategic Objectives for 2022. 	
Reason(s)	

1. Introduction

1.1 It is best practice for Members to receive regular administration data and governance updates. This report covers seven main areas including:

- i. Pension Fund Budget 1 April 2021 to 31 March 2024,
- ii. Cash flow to 30 September 2021,
- iii. London CIV update,
- iv. Pension Administration Software Tender,
- v. Committee Training, and
- vi. Investment Consultants Strategic Objectives Review

2. Pension Fund Budget 1 April 2021 to 31 March 2024

2.1 Table 1 below provides Members with the Fund's three-year budget to 31 March 2024.

Contributions	2021/22 Budget	2022/23 Budget	2023/24 Budget
Opening Market Value	1,281,890	1,341,280	1,400,650
Employee Contributions			
Council	7,700	7,700	7,700
Admitted bodies	640	620	600
Scheduled bodies	1,950	2,000	2,050
Employer Contributions			
Council	25,000	26,000	26,000
Admitted bodies	2,600	2,500	2,400
Scheduled bodies	7,700	7,750	7,800
Pension Strain	1,000	1,000	1,000
Transfers In	3,500	3,500	3,500
Total Member Income	50,090	51,070	51,050
Expenditure			
Pensions	-36,500	-37,500	-38,500
Lump Sums and Death Grants	-6,500	-6,500	-6,500
Transfers Out	-3,500	-3,500	-3,500
Administrative expenses	-700	-700	-700
Total Expenditure on members	-47,200	-48,200	-49,200
Net dealings with members	2,890	2,870	1,850
Returns on Investments			
Investment Income	11,000	11,000	11,000
Profit (losses)	50,000	50,000	50,000
Investment management expenses	-4,500	-4,500	-4,500
Net returns on investments	56,500	56,500	56,500
Net increase (decrease) in assets	59,390	59,370	58,350
Closing Market Value	1,341,280	1,400,650	1,459,000

- 2.2 The three-year budget shows a movement from members being employed by the Council to being funded by admitted bodies as staff move to the various subsidiary companies. The Council contribution will increase from 22.0% in 2021/22 to 23.0% in 2022/23. Admitted body contribution will initially increase, but as the admitted bodies are closed to new entries, their contributions will decrease over time.
- 2.3 Pension payments are forecast to increase due to an increase in the number of pensioners as well as to reflect a pension increase of 0.5% for 2021/22. An increase in management expenses is being forecasted in 2021/22 as asset values have increased thus increasing the expenses. Overall, the Fund is expected to be cashflow positive, although relatively marginally, for net dealings with members and also cashflow positive if investment income and management expenses are included.

3. Cash flow to 30 September 2021

- 3.1 Table 2 below provides Members with the Fund's Cash flow to 30 September 2021.

	2021/22 Budget £000's	2021/22 Forecast £000's	Over / Under £000's
<u>Contributions</u>			
<u>Employee Contributions</u>			
Council	7,700	8,187	487
Admitted bodies	640	503	-137
Scheduled bodies	1,950	1,890	-60
<u>Employer Contributions</u>			
Council	25,000	26,581	1,581
Admitted bodies	2,600	2,204	-396
Scheduled bodies	7,700	7,364	-336
Pension Strain	1,000	700	-300
Transfers In	3,500	1,862	-1,638
<u>Total Member Income</u>	50,090	49,292	-798
<u>Expenditure</u>			
Pensions	-36,500	-36,111	389
Lump Sums and Death Grants	-6,500	-6,738	-238
Payments to and on account of leavers	-3,500	-3,612	-112
Administrative expenses	-700	-700	0
Total Expenditure on members	-47,200	-47,162	38
<u>Net additions for dealings with members</u>	2,890	2,130	-760
<u>Returns on Investments</u>			
Investment Income	11,000	11,000	0
Profit (losses)	50,000	100,000	50,000
Investment management expenses	-4,500	-4,500	0
Net returns on investments	56,500	106,500	50,000
Net increase (decrease) in the net assets	59,390	108,630	49,240
Asset Values	1,341,280	1,401,074	59,794
Liabilities	1,292,444	1,320,616	28,172
Funding Level	103.78%	106.09%	2.31%

4. London Collective Investment Vehicle (LCIV) Update

- 4.1 The LCIV is the first fully authorised investment management company set up by Local Government. It aims to be the LGPS pool for London to enable Local Authorities to achieve their pooling requirements.
- 4.2 Having been set up in 2015, LCIV launched a number of funds which were seeded by London Funds. On 30 September 2021, the total assets deemed pooled were circa £25.9 billion, of which £12.9 billion are in funds managed by LCIV. Assets under management in public markets via LCIV's Authorised Contractual Scheme (ACS) stood at £12.6 billion and drawn down assets in private market funds totalled £347.8 million. Over Q3, a further £387.5 million of commitments were allocated to private markets, bringing a total of commitments raised by private market funds as at Q3 to £1.8 billion. The value of 'pooled' passive assets was £13 billion, with £9.7 billion managed by Legal and General Investment Management and £3.3 billion managed by BlackRock.
- 4.3 The table below shows the Fund's holdings in LCIV as at 30 September 2021.

Fund	Manager	Holdings (£000)
Global Alpha Growth Fund	Baillie Gifford	332,757
Real Return Fund	Newton	82,595
Global Total Real Fund	Pyrford	111,242
Total		526,594

- 4.4 The funds passive investment could be transferred to LCIV, however there is a transfer cost, so funds remain with UBS. If they were transferred to LCIV, this would increase the percentage of assets through the LCIV from 38% to 57%. The fund is considering further investments into LCIV's equity funds in the strategic asset allocation review.

5. Private Market Funds

- 5.1 £63m in drawdowns has occurred across Private Debt Fund, Infrastructure and Inflation Plus in Q3. In addition, there was a second close for the LCIV Renewable Infrastructure Fund in July 2021 taking the number of investors from five to ten and the committed assets from £435m to £682.5m.
- 5.2 LCIV have committed 74% of the existing investors' commitments to four primary funds have deployed 7.5% or £51.6 million of the capital through to 30 September 2021. It is estimated that the fund will be c.10% drawdown by the end of this year.
- 5.3 The Infrastructure Fund had one close in October 2019 with £399m from six investors. The manager, Stepstone, has committed 75% of the existing investors' commitments to primary funds and deployed 27% of this total. There have been no commitments to primary funds year to date.
- 5.4 The Inflation Plus Fund invests in UK real estate long income. Since inception in June 2020, LCIV have held two closes with a total of £207m from three investors. The investment manager, Aviva, is currently working on a transaction and it is expected that this Fund will be fully funded by year-end.

5.5 The LCIV Private Debt Fund's first close was in March 2021 with £290m from three investors. As of 30 September 2021, 32% of the total commitment, or £91.5m, was drawdown. LCIV expect a second close of £245m with four additional investors during Q4 of 2021. Looking ahead, LCIV anticipate a 3-year investment period for this Fund and an 8% drawdown per quarter over 12 quarters. In monetary terms LCIV expect this 8% per quarter drawdown to be approximately £130m, and due to its very nature can be "lumpy" when calls are made based on how the managers wish to invest.

5.6 Since its inception The London Fund has held three closes with total commitments no at £195m from two investors. LCIV had success at the recent Investment & Pensions Real Estate Awards 2021 that were held in Copenhagen in September, with The London Fund receiving its first award in the "Newcomer" category. LCIV continue to review the pipeline of investments for this Fund which will help alleviate the housing and infrastructure challenges facing London and, at the same time, generate sustainable returns combined with positive social and environmental outcomes for Londoners, thereby creating a double bottom line.

6. Pooling Strategy

6.1 Feedback from LCIV Client Funds responses to the September 2021 MHCLG Annual Survey on pooling suggests that:

- overall pooling ratio will increase by 14% from March 2021 to March 2025 to 67% broken down as an increase of 6% of the pooling ratio by March 2022, and a further increase of 8% by March 2025.
- By March 2025, LCIV anticipate 29 of the 32 of LCIV Client Funds will have at least a 50% pooling ratio.

6.2 During this period:

- 12 Funds are looking to have at least 75% of pension fund assets pooled.
- 11 Funds plan to increase their current pooling ratio from between 20% to 48%,
- A further 11 Funds are projecting an increase from between 5% to 19%, and
- 8 Funds have indicated their pooling ratio will remain unchanged / minor decline.

6.3 The LBBD fund is expecting to increase its allocation to nearly 75%, with only illiquid investments likely to not be invested through LCIV. However, this will only occur if the funds available through LCIV cover the asset allocation requirement of the Fund and then the fund manager are of sufficient quality.

7. Pension Administration Software Tender

7.1 Officers have reviewed the Fund's software provision to manage the Fund's administration requirements, specifically looking at member self-service. Unfortunately, the costs being quoted do not provide value for money and will require the Fund to pay significantly more (£200k over 3 years) than the potential benefits from staff savings.

7.2 A further review will be carried out in 2022 following the triennial valuation data collection exercise, with a range of options investigated.

8. Committee Training

- 8.1 Having previously agreed a programme of training sessions, Members at the meeting in September 2021 agreed a series of revised training dates, the first of which on Environmental, Social & Governance (ESG) was originally due to be delivered in October 2021. This was delayed initially to November, and subsequently was undertaken prior to this meeting. Details as to the next steps which formed part of the presentation at that training session were put forward for approval by Members.
- 8.2 A number of other asset classes were to be covered as part of individual training sessions as part of the Fund's strategy review. To reduce the number of training sessions it is recommended that training is provided covering all the assets classes, with a training date of sometime in early February proposed. The training will cover:
1. Private debt,
 2. DGFs,
 3. Global and residential property, and
 4. Multi-asset Credit.
- 8.3 The Chair will be consulted about a date, and this will be subsequently emailed to Members before the Christmas and New Year holiday break. The training will take approximately 90 minutes.

9. Investment Consultants Strategic Objectives Review

Introduction and Background

- 9.1 The Fund is required, under Part 9 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019, to provide a Compliance Statement (CS) confirming compliance with Part 7 of the Order which requires the Fund to set Strategic Objectives for its investment consultancy provider. The CS was required to confirm the extent to which the relevant applicable Articles of the relevant Part or Parts of the Order that were in force during the reporting period have been complied with during that period.
- 9.2 The Fund must ensure it takes "proper advice" in accordance with the LGPS (Management and Investment of Funds) Regulations 2016 on investment matters in order to carry out its role as the Administering Authority for the Fund, it does this by having an appointed Investment Consultant, which is currently Hymans Robertson.
- 9.3 Hymans Robertson undertook a self-evaluation of their performance against the Objectives for 2020 and have provided an update, which is included as appendix 1. A subsequent evaluation has been carried out by officers for 2021 and this is contained in the confidential Appendix 2 to this report.
- 9.4 To comply with The Order the Fund is required to report back to the Competition and Markets Authority by 7 January 2022. The Strategic Objectives for Hymans Robertson, for the period 15 December 2021 to 14 December 2022, have been given consideration and it is considered that the existing Strategic Objectives remain appropriate. It is therefore recommended that the Pensions Committee confirm this proposal.

10. Consultation

- 10.1 Council's Pension Fund governance arrangements involve continuous dialogue and consultation between finance staff and external advisers. The Finance Director and the Fund's Chair have been informed of the commentary in this report.
- 10.2 With regard to the Investment Consultants Strategic Objectives Review, the Independent Advisor has been closely and specifically consulted. The closed Appendix to this report has been prepared based on a self-assessment prepared by the Funds Investment Consultant Hymans Robertson which was reviewed and scrutinised by the Independent Advisor as well as Fund Officers.

11. Financial Implications

Implications completed by: Philip Gregory, Finance Director

- 11.1 The Pension Fund is a statutory requirement to provide a defined benefit pension to scheme members. The management of the administration of benefits the Fund is supported and monitored by the Pension Board.

12. Legal Implications

Implications completed by: Dr. Paul Feild Senior Governance Solicitor

- 12.1 The Council operates the Local Government Pension Scheme which provides death and retirement benefits for all eligible employees of the Council and organisations which have admitted body status. There is a legal duty fiduciary to administer such funds soundly according to best principles balancing return on investment against risk and creating risk to call on the general fund in the event of deficits. With the returns of investments in Government Stock (Gilts) being very low they cannot be the primary investment. Therefore, to ensure an ability to meet the liability to pay beneficiaries the pension fund is actively managed to seek out the best investments. These investments are carried out by fund managers as set out in the report working with the Council's Officers and Members.

13. Other Implications

- 13.1 There are no other immediate implications arising from this report though the Public Service Pensions Act changes will have an impact on the short and long-term workload of the Pension Fund. This will continue to be monitored.

Background Papers Used in the Preparation of the Report:

Appendix 1: CMA objectives for consultants (Hymans Robertson) (exempt document)

Appendix 2: CMA objectives – London Borough of Barking and Dagenham Pension Fund (exempt document)

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