Barking & Dagenham

Notice of Meeting

PENSIONS COMMITTEE

Wednesday, 14 June 2023 - 7:00 pm
Council Chamber, Town Hall, Barking

Members: Cllr Moin Quadri (Chair), Cllr Manzoor Hussain (Deputy Chair), Cllr Rocky Gill, Cllr Giasuddin Miah and Cllr Tony Ramsay

Independent Advisor: John Raisin

Observers: Steve Davies, Susan Parkin and Marc Albano

Date of publication: 6 June 2023

Fiona Taylor
Chief Executive

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Please note that this meeting will be webcast via the Council's website. Members of the public wishing to attend the meeting in person can sit in the public gallery on the second floor of the Town Hall, which is not covered by the webcast cameras. To view the webcast online, click here and select the relevant meeting (the weblink will be available at least 24-hours before the meeting).

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 (15 March 2023) (Pages 3 - 5)

4. Pension Fund Quarterly Monitoring Report - 1 January - 31 March 2023 (Pages 7 - 40)

5. Administrative and Governance Report (Pages 41 - 44)

6. Independent Advisor Report - LGPS Update (Pages 45 - 49)

7. Business Plan Update (Pages 51 - 57)

8. **2022-23 Draft Pension Fund Accounts (Pages 59 - 84)**

9. **Any other public items which the Chair decides are urgent**

10. **Private Business**

Private Business

The public and press have a legal right to attend Council meetings 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.

11. **Investment Strategy Review (Pages 85 - 131)**

Members will be given a short training session linked to the subsequent presentation of the Investment Strategy Review by Hymans Robertson.

12. **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

- Residents are supported during the current Cost-of-Living Crisis;
- Residents are safe, protected, and supported at their most vulnerable;
- Residents live healthier, happier, independent lives for longer;
- Residents prosper from good education, skills development, and secure employment;
- Residents benefit from inclusive growth and regeneration;
- Residents live in, and play their part in creating, safer, cleaner, and greener neighbourhoods;
- Residents live in good housing and avoid becoming homeless.

To support the delivery of these priorities, the Council will:

- Work in partnership;
- Engage and facilitate co-production;
- Be evidence-led and data driven;
- Focus on prevention and early intervention;
- Provide value for money;
- Be strengths-based;
- Strengthen risk management and compliance;
- Adopt a “Health in all policies” approach.

The Council has also established the following three objectives that will underpin its approach to equality, diversity, equity and inclusion:

- Addressing structural inequality: activity aimed at addressing inequalities related to the wider determinants of health and wellbeing, including unemployment, debt, and safety;
- Providing leadership in the community: activity related to community leadership, including faith, cohesion and integration; building awareness within the community throughout programme of equalities events;
- Fair and transparent services: activity aimed at addressing workforce issues related to leadership, recruitment, retention, and staff experience; organisational policies and processes including use of Equality Impact Assessments, commissioning practices and approach to social value.

MINUTES OF
PENSIONS COMMITTEE

Wednesday, 15 March 2023
(7:00 - 8:03 pm)

Members Present: Cllr Moin Quadri (Chair), Cllr Nashitha Choudhury, Cllr Giasuddin Miah and Cllr Tony Ramsay

Observers Present: Susan Parkin

Advisors Present: Nicholas Jellema

Apologies: Cllr Rocky Gill and John Raisin

23. Declaration of Members' Interests

There were no declarations of interest.

24. Minutes (11 January 2023)

The minutes of the meeting held on 11 January 2023 were confirmed as correct.

25. Quarterly Monitoring Report - October - December 2023

The Investment Fund Manager presented a report on the Fund's performance during the period 1 October to 31 December 2022 (Quarter 4), including details of the performance of individual Fund Managers. The Committee also received a verbal update on the unaudited performance of the Fund up to March 2023, as well as an update on the Fund's Investment Strategy and performance. There was also input from Nick Jellema, Hymans Robertson on the latest market position including the affects of the recent collapse of the Silicon Valley (SV) Bank and its subsequent rescue/sale to HSBC.

The Investment Fund Manager responded to questions and observations about the performance of individual Fund Managers and the planned actions which would be picked up as part of the Investment Strategy review.

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.

26. Administration and Governance Report

The report provided an update for the Committee's information on the administrative and governance changes that had occurred since the last meeting, setting out the potential impact that the changes may have on the Pension Fund. It also set out the Fund's one and three-year cashflow forecast (1 April 2022 - 31 March 2025), an update about the London Collective Investment Vehicle (LCIV) as the Fund moves towards more pooled investments, the completion of the Triennial Valuation 2022, and in that context details of the Funding Strategy Statement (FSS) which must be updated accordingly.

In that respect the Committee received a report set out in Appendix 1 from Barnett Waddingham, Fund Actuary which was being distributed to all Fund employees, and which was presented earlier today to the Pension Board for their observations as part of a 30-day consultation period, the final version of which would be approved by the Council's Finance Director in consultation with the Chair of the Pensions Committee.

There was also a written update from the Committee's Independent Advisor on a number of important issues relating to the LGPS at a national level covering the following matters:

- Climate reporting;
- Investment Pooling;
- Pension Fund Accounts;
- Consultation on changes to the Scheme Advisory Board (SAB) Cost Management process;
- Reclassification of the Further Education Sector; and
- LGPS Pensions increase 2023.

The Investment Fund Manager also reported on the previous arrangements whereby, as part of the Council's savings options and in order to allow the Fund to meet capital calls for infrastructure and fund Diversified Alternatives without the need for the Fund to sell any assets to fund these investments, prepayments of two years' worth of pension contributions totalling £20m had been made.

The Investment Fund Manager explained that because of greater scrutiny and warnings of further scrutiny of the prepayment arrangements by auditors and as the Council now had a greater need for the cash to fund its own developments, there was a preference within the Council to cease making the prepayment. This would require the Fund to repay £20m to the Council by 31 March 2023.

Accordingly, the Committee **resolved** to:

(i) Agree the cessation of the prepayment arrangement with the Council regarding pension contributions;

(ii) Agree that in light of the allocation/holdings and performance of the current Equity Fund Managers, that the repayment of the £20m prepayment contributions to the Council be financed by the sale of £25m of equities held by Bailee Gifford; and

(iii) Agree that the remaining £5m be available to cover working capital requirements for the Fund as it moved to a cashflow negative position from April 2023.

27. Business Plan Update

The Committee **noted** progress on the delivery of the 2021-2023 Business Plans actions as set out in Appendix 1 to the report.

28. Pension Fund Annual Report 2021/22

The Committee **noted** the draft Pension Fund Annual Report for the year ended 31 March 2022, which included the draft 2021/22 Pension Fund Accounts.

29. Private Business

The Committee **resolved** to exclude the public and press for the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraphs 1 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

30. Appointment of Independent Advisor

The Investment Fund Manager introduced a report on the proposed renewal of the contract for the Council's Pension Fund's Independent Advisor (IA), which included a review of the current IA's work during the past year. It was noted that John Raisin, operating as John Raisin Financial Services Limited, had been reappointed on a yearly basis since 2015 and that, between 2016 and 2022, had not increased the annual cost of his services.

The Committee **resolved** to extend the appointment of John Raisin Financial Services Limited as the IA for the Council's Pension Fund for a further one-year period based on the job description set out as Appendix 1 to the report, and that the fee be increased accordingly to reflect inflationary costs since 2015.

It was also noted that the Investment Fund Manager would carry out an in-depth review of the market prior to the Committee reconsidering the appointment of the IA next year.

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PENSIONS COMMITTEE

14 June 2023

Title: Pension Fund Quarterly Monitoring 2022/23 – 1 January to 31 March 2023	
Report of the Chief Financial Officer	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: Jesmine Anwar, Pension Fund Accountant	**Contact Details:** Tel: 020 8227 3763 E-mail: jesmine.anwar@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive	

Summary

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 January to 31 March 2023

The report updates the Committee on the Fund's investment strategy and its investment performance.

Recommendation(s)

The Pensions Committee is recommended to note the:

(i) Progress on the strategy development within the Fund,

(ii) Fund's assets and liabilities daily value movements outlined in Appendix 1,and

(iii) Quarterly performance of the Fund collectively and the performance of the Fund managers individually.

1. Introduction and Background

1.1 This report provides information for employers, members of the LBBD Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 January to 31 March 2023 ("Q1"). 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 June 2023 will be provided to Members at the Pensions Committee.

2. Independent Advisors Market Background (Q1 2023)

2.1 For the second Quarter in a row Global Equities advanced. The January to March 2023 Quarter saw the MSCI World Index increase by almost 8% (in $ terms). As in the previous Quarter all major geographies saw positive returns.

2.2 January 2023 was a very positive month for markets with the MSCI World index increasing by 7% in the context of positive macroeconomic prospects exemplified by falling energy prices, lower headline inflation in the US (December 2022 headline CPI was 6.5% compared to 7.1% in November), and a broad-based recovery/reopening in China arising from both government economic policies and loosened COVID restrictions. The US Federal Reserve slowed its rate of monetary tightening with the Federal Open Markets Committee (FOMC) only increasing its benchmark interest rate, the Federal Funds rate, by 0.25% at its policy meeting which ended on 1 February 2023 – following this announcement the S&P 500 Index rose to 4,180 on 2 February 2023 its highest point since August 2022.

2.3 February, however, proved to be a more difficult month for markets (except for Europe and the UK which both saw small gains) with the MSCI World Index falling over 2%. There were increased US China tensions beginning with the US stating it had discovered a Chinese spy balloon flying over the US and Secretary of State Antony Blinken announcing, on 3 February, the cancellation of his planned visit to China. Additionally, the release, on 3 February 2023, of the US Employment report for January 2023, showed that employment rose by 517,000 in January, way in excess of market forecasts of under 200,000. This, together with the announcement, on 14 February of higher than anticipated US CPI inflation in January 2023, suggested the US economy was stronger than had been anticipated and therefore that interest rates would be higher and for longer. This weighed against US markets and in particular Asian and Emerging Markets with the S&P 500 falling over 2% during the month but both the MSCI AC Asia (ex-Japan) and MSCI Emerging Markets Indices falling by more than 6%.

2.4 Despite a potential Banking crisis in both the US and Europe in March – which was averted by the decisive actions of the US and Swiss authorities (and likely the tougher regulatory regimes introduced after the 2008 financial crisis) markets determined there was a lack of systemic risk. After coming under pressure in the first half of the month markets enjoyed a positive second half of March with the MSCI World Index advancing by over 3% during the month with most major markets increasing over the month.

2.5 Unemployment in the US continued to be very low with a rate of 3.5% in March 2023. Inflation remained clearly elevated over the Quarter. The Core PCE Index which is closely observed by the Federal Reserve when determining monetary policy remained well above its target of 2%. Having registered no lower than 4.6% throughout 2022 it was 4.7% in both January and February 2023 and 4.6% in March 2023. The headline CPI inflation index remained higher than the Core CPE index throughout the Quarter.

2.6 The US Federal Reserve has the duel monetary policy objectives of seeking to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Therefore (as stated in the press release issued after, both, the meetings that ended on 1 February 2023 and on 22 March 2023) “in support of these goals” the Federal Open Markets Committee (FOMC) of the US Federal Reserve further increased interest rates. On each occasion, however, by only 0.25% which was in contrast to the four 0.75% increases and the two 0.5% increases seen between May and December 2022.

2.7 At its March meeting the FOMC determined a further 0.25% increase in the Federal Funds rate to the target range of 4 ¾ to 5% despite the recent turmoil in the US banking sector. However, the Press Release issued following the March meeting indicated that the long run of meeting after meeting increases in interest rates (which commenced in March 2022) may be nearing its end. The term "The Committee anticipates that ongoing increases in the target range will be appropriate…" which had been used in the March 2022 to February 2023 press releases was replaced by softer statement that "The Committee anticipates that some additional policy firming may be appropriate…"

2.8 March 2023 saw a potential US Banking crisis with the forced closure on 10 March, by the California State authorities, of Silicon Valley Bank (SVB) that had been the 16th largest bank by assets in the US. This was followed by the closure of Signature Bank, by the New York State authorities on 12 March. These represented the second and third largest bank failures in US history. A banking crisis was however averted (for the time being at least) by the immediate action of the US Government, in consultation with the Federal Reserve, with US Secretary of the Treasury Janet Yellen announcing that no depositors, at either bank, would lose any of their money. At his Press Conference on 22 March, following the Federal Reserve FOMC meeting, Chair Jay Powell referred to "decisive actions" by the Federal Reserve and US Treasury Department "to protect the U.S. economy and to strengthen public confidence in our banking system." Chair Powell went on to state "Our banking system is sound and resilient, with strong capital and liquidity. We will continue to closely monitor conditions in the banking system and are prepared to use all of our tools as needed to keep it safe and sound."

2.9 January saw a return of over 6% in the S&P 500 (the best for January since 2019). US stocks had a poor February but advanced in the later part of March. This was despite continuing turmoil in the US regional banking system which included the largest US Banks depositing $30 billion into the California based First Republic bank to bolster its finances. However, in a speech, to the American Bankers Association, on 21 March Secretary of the Treasury Janet Yellen reassured not only bankers but the wider market when she indicated government support "…if smaller institutions [banks] suffer deposit runs that pose the risk of contagion." As at the end of March the S&P 500 had returned 7.5% over the Quarter.

2.10 Eurozone stocks were the best performing of the major markets during the Quarter with the MSCI EMU Index returning over 12% (in Euro terms and over 14% in US$ terms). This was aided by the reopening of China given this is a major export market for the Eurozone, fiscal support packages by many governments in response to the energy crisis and high inflation, and moderating wholesale gas prices. The relative and clear "cheapness" of Eurozone stocks compared to US stocks may have been another factor.

2.11 In Europe, the massive Swiss bank Credit Suisse, which had suffered rapid and huge outflows was acquired, on 19 March 2023, by its arch rival UBS following negotiations, which were not merely brokered but forced, by the Swiss regulators in order to protect the Swiss banking system and to avert a potential crisis across global financial markets. However, there was no crisis or other actual or potential failures in the wider European banking system. The robust regulation of the Eurozone banking sector and its “strong capital and liquidity” (referred to in a European Central Bank statement of 19 March 2022) doubtlessly does much to explain this. Indeed, overall, Eurozone financial stocks increased in value over the Quarter!

2.12 Eurozone inflation as measured by the Harmonised Index of Consumer Prices (HICP) declined over the Quarter but remained way above the European Central Bank (ECB) target of 2%. It had been 9.2% in December 2022 but fell to 8.6% in January, 8.5% in February and 6.9% in March 2023. However, Core Inflation (which excludes energy and food) increased from 5.2% in December 2022 to reach 5.7% in March 2023. In response to this heightened inflation the ECB raised interest rates by 0.5% at both its 2 February and 16 March 2023 monetary policy meetings. After the March 2023 meeting the benchmark ECB interest rate (known as “the deposit facility”) stood at 3%.

2.13 The March increase took place against the background of the turmoil in the US banking market and rapidly increasing concerns regarding the future of Credit Suisse. These circumstances did not however prevent the ECB from implementing a further clear tightening of monetary policy. However, whereas the Press Statement issued after the February policy meeting began with the statement “The Governing Council will stay the course in raising interest rates significantly at a steady pace…” this was omitted completely from the March Press Statement which was notable particularly as this began with the statement “Inflation is projected to remain too high for too long.” The March Press Statement placed emphasis on a “data-dependent approach” to future interest rate decisions.

2.14 UK Equities gained 3% over the Quarter (as measured by the FTSE All-Share Index). Although this was positive the return on UK equities was below that of World markets overall and other major developed markets. The mining sector, an important constituent of the FTSE indices, saw significant losses during the Quarter with both Anglo American and Glencore stocks losing over 15% and Rio Tinto over 5%. In the context of concerns about the global banking sector (in reality primarily because of issues relating to only a limited portion of the US banks and Credit Suisse) the UK listed banks having advanced in the first part of the Quarter experienced a clearly negative March.

2.15 During the January to March 2023 Quarter CPI inflation remained, as in the previous Quarter, far above the Bank of England policy target of 2% and indeed continued to be in excess of 10%. CPI inflation which had been 7.0% in March 2022 reached 11.1% in October which was the highest rate for 41 years (since October 1981). November 2022 saw a rate of 10.7% and December 10.5%. In January, February and March 2023 CPI was 10.1%, 10.4% and 10.1% respectively.

2.16 In the context of this inflationary environment the Bank of England continued to further tighten its monetary policy stance. The February meeting of the Bank of England Monetary Policy Committee (MPC) increased Bank Rate (interest rates) by a further 0.5% to 4%. At its March 2023 meeting the MPC increased Bank Rate by a further 0.25% to 4.25%.

2.17 Japanese stocks enjoyed a successful Quarter with the Nikkei 225 Index advancing over 7% during the Quarter. For the fourth Quarter in a row Japanese inflation was above the Bank of Japan's 2% target with CPI Inflation exceeding 3% in each of January, February, and March 2023. The Bank of Japan continued to be the only major Central bank to retain negative interest rates with both the January and March 2023 Monetary Policy meetings determining to maintain short term interest rates at -0.1%. The + or minus 0.5% target range for the 10 Year Japanese Government Bond Yield was also maintained. With the Federal Reserve, ECB and Bank of England all having raised their benchmark interest rates to between 3% and 5% and all indicating further potential increases the monetary policy stance of the Bank of Japan has become ever more differentiated from that of the other major Central Banks. It must however be remembered that both in the short- and longer-term Japan has experienced clearly lower inflationary pressures than the US, Eurozone and United Kingdom which surely is the fundamental explanation of the continuing monetary policy approach of the Bank of Japan.

2.18 Both Asian (excluding Japan) and Emerging Market equities clearly advanced over the Quarter but less so than World equities as a whole. The MSCI Asia (ex-Japan) index and the MSCI Emerging Markets index both returned approximately 4% (in US$ terms). The ongoing reopening of China provided an early boost as 2023 began as did a weakening US dollar (US$). However, February was a particularly negative month in the context of US China tensions and a strengthening of the US dollar. March was however generally positive for Asian and Emerging Market Equities.

2.19 US, UK, and German Government bonds all enjoyed a positive Quarter with Yields falling and consequently prices rising across the benchmark 2, 10 and also the 30 Year instruments. The Yield on the 2 Year Treasury fell from 4.43% to 4.03% and the 10 Year Treasury Yield fell from 3.87% to 3.47%. The 2 Year (UK) Gilt Yield fell from 3.58% to 3.44% and the 10 Year Gilt Yield from 3.67% to 3.49%. The German 2 Year Bund Yield fell from 2.76% to 2.68% and the 10 Year Yield fell from 2.57% to 2.29%.

2.20 The Quarter was however volatile for the major Government bond markets. Yields fell in January (with some initial market optimism regarding inflation falling and hopes that the major Central Banks might slow/soon end their monetary policy tightening) but then rose significantly in February in the context of renewed market concerns regarding inflation and the likely future course of the monetary policy approach of both the US Federal Reserve and ECB. The turmoil in the US banking sector during March was surely a factor in the significant fall in Yields experienced during March as this (naturally) led to questions over whether this might mitigate the approach of the major Central Banks to further interest rate rises.

3. Overall Fund Performance

3.1 The Fund's closed Q1 valued at £1,313.84m, an increase of £12.7m from its value of £1,301.13m at 31 December 2022. Cash held by the Fund was £21.4m giving a total Fund value of £1,335.23. The gross value includes a short-term loan of £19.0m. Adjusting for this reduces the Q1 value to £1,316.23m, an increase of £38.5m from the 31 December 2022 figure of £1,277.7m.

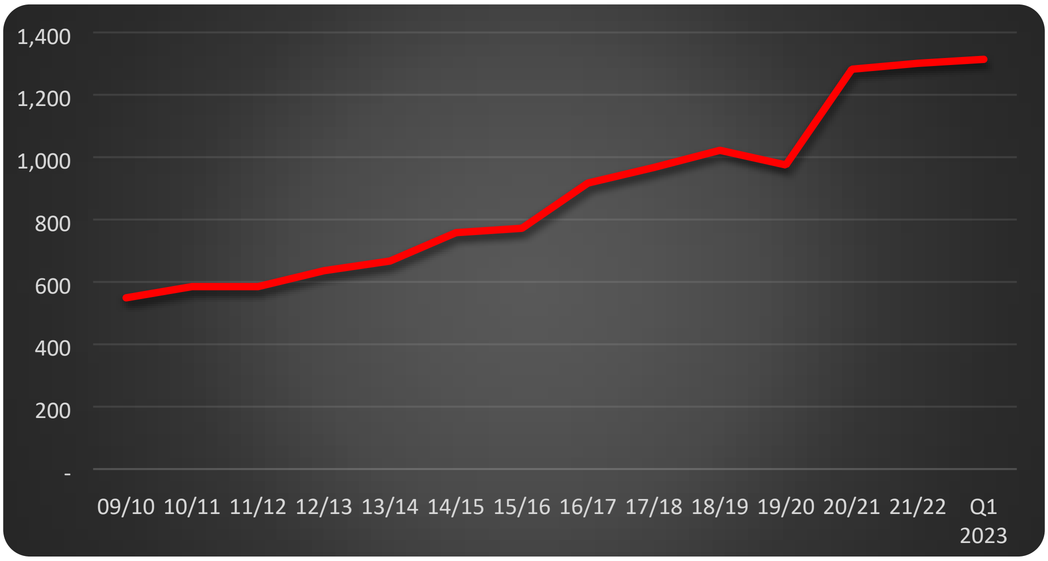
3.2 For Q1 the Fund returned 3.1%, net of fees, underperforming its benchmark of 3.5% by 0.4%. Over one year the Fund underperformed its benchmark by 2.7%, returning -1.5% and underperformed the benchmark by 0.4% over three years, returning 10.2%. The Fund has also underperformed its benchmark over five years by 1.8%, returning 6.0%. Compared to the LGPS universe of Funds, represented below by the PIRC Universe, the Fund has outperformed by 1.8% over one year and underperformed over two years by 1.7%. The Fund's returns are below:

Table1:

Fund's Quarterly and Yearly Returns

Year	2023	2022				2021			One	Two	Three	Five	Ten
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Yr	Yrs	Yrs	Yrs	Yrs
Actual Return	3.1	2.9	(1.2)	(6.3)	(2.8)	2.6	1.1	4.2	(1.5)	1.8	10.2	6.0	7.2
Benchmark	3.5	1.6	0.1	(4.0)	(0.6)	4.8	1.7	4.6	1.2	5.8	10.6	7.8	8.2
Difference to Benchmark	(0.4)	1.3	(1.3)	(2.3)	(2.2)	(2.2)	(0.6)	(0.4)	(2.7)	(4.0)	(0.4)	(1.8)	(1.0)
PIRC Universe	2.9	1.0	(0.3)	(4.8)	(3.2)	4.4	1.4	5.6	(3.3)	3.5	8.9	5.6	7.2
Difference to PIRC	0.2	1.9	(0.9)	(1.5)	0.4	(1.8)	(0.3)	(1.4)	1.8	(1.7)	1.3	0.4	(0.0)

3.3 The chart below shows the Fund's value since 31 March 2010 to 31 March 2023.



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
Δ	**A**MBER- Fund underperformed by less than 3% against the benchmark
O	**G**REEN- 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 April 2023. Members are asked to note the changes in value and the movements in the Fund's funding level.

3.6 There has been a change in the liability levels, resulting from significant increases in yields. As a result, the Fund's funding level has fluctuated between 106% and 111% over the quarter.

3.7 The Fund's strategy has been set up to be able to positively respond to increasing yields and therefore the current economic environment supports the strategy, even if the return has been negative. The triennial results will likely change the assumptions used in producing the funding level, although there is the potential for this to improve the position further.

3.8 **Table 2 – Fund Manager Q1 2023 Performance**

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Abrdn	3.7	2.4	1.3	O
Baillie Gifford	4.6	4.5	0.1	O
BlackRock	0.0	(0.2)	0.2	O
Hermes GPE	(0.1)	1.5	(1.5)	Δ
Kempen	1.7	4.8	(3.1)	
Newton	(1.3)	1.7	(3.0)	
Pyrford	1.4	3.1	(1.7)	Δ
Insight	2.8	1.0	1.8	O
UBS Bonds	2.1	2.1	0.0	O
UBS Equities	6.7	6.7	0.0	O

Table 2 highlights the Q1 2023 returns with a number of greens, indicating a number of positive returns. There was a good positive return from UBS Equities but a loss from Newton. UBS Equities returned 6.7% in line with the benchmark. Newton's performance was negative returning -1.3% over the quarter underperforming its benchmark by 3.0%. This investment is meant to provide protection in the current market conditions. Passive bonds and Insight provided a positive return for the quarter, reflecting the index linked bond performance for the quarter.

3.9 **Table 3 – Fund Manager Performance Over One Year**

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Abrdn	(1.4)	8.0	(9.4)	
Baillie Gifford	(5.3)	(0.4)	(4.9)	
BlackRock	(15.9)	(14.4)	(1.5)	
Hermes GPE	10.3	5.8	4.5	O
Kempen	7.0	(0.4)	7.4	O
Newton	(3.9)	5.2	(9.1)	
Pyrford	1.5	17.4	(15.9)	
Insight	3.4	4.0	(0.6)	
UBS Bonds	(16.5)	(16.5)	0.0	O
UBS Equities	(3.5)	(3.5)	0.0	O

Over one-year there are even greater variations between managers, with Blackrock providing a negative return of 15.9% and underperforming its benchmark by 1.5%, while Hermes provided a positive return of 10.3%. Hermes continues to see significant improvements in asset values as a result of their exposure to inflation linked assets, with a number of these being valued significantly higher.

3.10 **Table 4 – Fund manager performance over two years**

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Abrdn	6.6	6.3	0.3	O
Baillie Gifford	(5.5)	6.1	(11.6)	
BlackRock	2.4	3.5	(1.1)	Δ
Hermes GPE	10.5	5.8	4.7	O
Kempen	7.9	7.3	0.7	O
Newton	(1.1)	4.5	(5.7)	
Pyrford	2.8	15.3	(12.5)	
Schroders	2.0	1.9	0.1	O
Insight	0.2	4.0	(3.8)	
UBS Bonds	(10.7)	(10.7)	0.0	O
UBS Equities	4.2	4.2	0.0	O

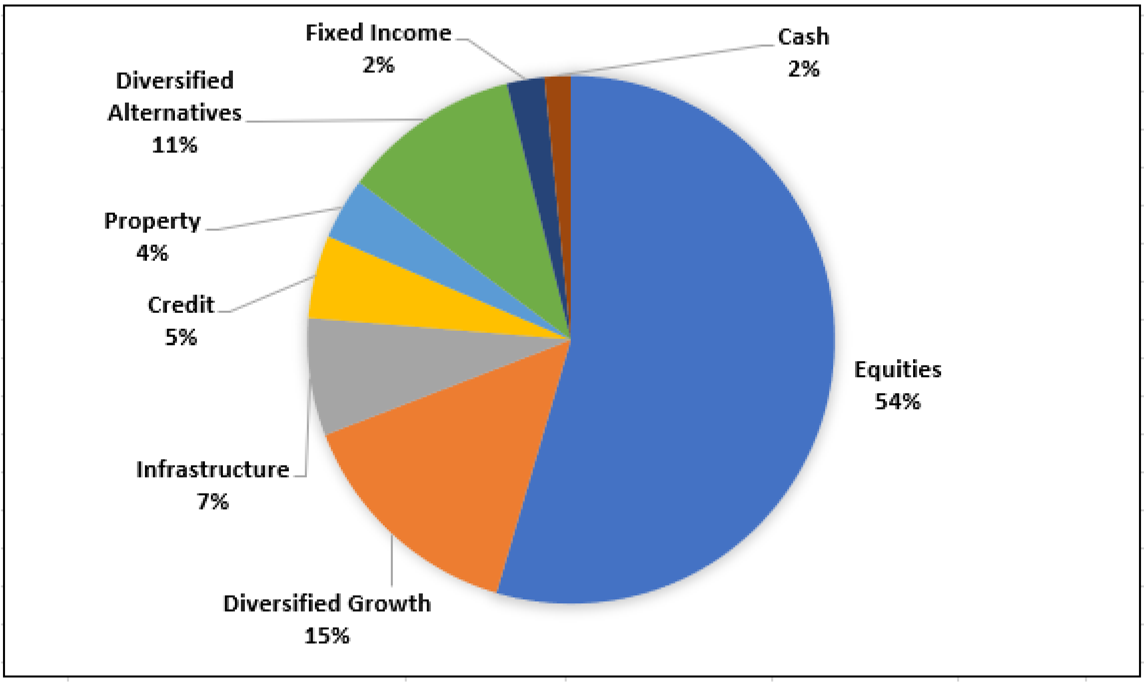
Over two years, returns ranged from (-10.7%) for UBS bonds to 10.5% for Hermes Infrastructure. Kempen and Abrdn have provided solid returns, with Kempen providing a return of 7.9% and Abrdn providing 6.6% over two years.

4. **Asset Allocations and Benchmark:** Table 5 outlines the Fund's asset allocation, asset value & benchmark at 31 March 2023.

4.1 **Table 5: Fund Asset Allocation and Benchmarks at 31 March 2023**

Fund Manager	Asset (%)	Market Values (£Ms)	Benchmark
Aberdeen Standard	10.9%	145.94	3 Mth LIBOR + 4% per annum
Baillie Gifford	18.6%	247.85	MSCI AC World Index
BlackRock	3.8%	50.31	AREF/ IPD All Balanced
Hermes GPE	7.2%	95.79	Target yield 5.9% per annum
Kempen	16.4%	218.69	MSCI World NDR Index
Newton	5.9%	78.62	One-month LIBOR +4% per annum
Pyrford	8.7%	115.97	UK RPI +5% per annum
Schroders	0.0%	-	AREF/ IPD All Balanced
Mellon Corporation	5.1%	67.85	3 Mth LIBOR + 4% per annum
UBS Bonds	2.3%	30.82	FTSE UK Gilts All Stocks
UBS Equities	19.6%	261.85	FTSE AW Developed Tracker
LCIV	0.0%	0.15	None
Cash	1.6%	21.40	One-month LIBOR
Fund Value	100.0%	1,335.23	
ST Loan		(19.00)	
Prepayment		-	
Net Fund Value		**1,316.23**	

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



4.3 The strategy is overweight equities; however equities are now nearer the middle of the range at 54.6%. Cash excludes the pre-payment and short-term borrowing from the council and shows that the Fund is fully invested. The Fund is significantly below the exposure to Credit, but this will be reviewed during 2022/23.

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	54.6%	52%	2.6%	50-60
Diversified Growth	14.6%	15%	-0.4%	14-18
Infrastructure	7.2%	8%	-0.8%	7-11
Credit	5.1%	8%	-2.9%	6-10
Property	3.8%	5%	-1.2%	4-7
Diversified Alternatives	10.9%	9%	1.9%	7-10
Fixed Income	2.3%	3%	-0.7%	3-5
Cash	1.6%	0%	1.6%	0-1

5. Fund Manager Performance

5.1 Kempen

Kempen	2023	2022				2021			One Year	Two Years	Since Start 6/2/13
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£218.69m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	1.7	10.0	(1.6)	(3.1)	0.1	2.9	3.0	2.9	7.0	7.9	8.3
Benchmark	4.8	1.9	2.1	(9.1)	(2.4)	7.3	2.5	7.6	(0.4)	7.3	11.7
Difference	(3.1)	8.1	(3.7)	6.0	2.5	(4.4)	0.5	(4.7)	7.4	0.6	(3.4)

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 underperformed its benchmark by 3.1% for Q1 and has outperformed over one-year by 7.4% and over two years by 0.6%. Kempen has underperformed its benchmark since inception by 3.4% but providing an annualised return of 8.3%. Overall the strategy has provide solid returns over a number of quarters, with a strong outperformance against its benchmark.

Strategy Drivers

INFLATION: Increasing demand and disrupted supply is pushing price levels up and price inflation is proving persistent and above expectation across the board. Shortage in basic resources is having an impact throughout the supply chain, with the Ukraine conflict creating additional shortages in energy and food supply that has a global impact on prices. Rising prices for consumption goods are putting pressure on the purchasing power of consumers. Strong labour markets give workers bargaining power for higher wages. Companies are mentioning a negative impact on their margins due to rising input costs and wages.

MONETARY TIGHTENING: Central banks across the world are moving forward their projected path of monetary tightening. Strong labour markets mean central banks can be aggressive with monetary tightening. Interest rates have increased sharply on the back of tighter monetary policy and elevated inflation. Real interest rates remain low due to the high level of inflation. Higher rates are putting pressure on valuation multiples and companies with high leverage.

RECESSION: Eroding purchasing power of consumers and higher interest rates are slowing down the economy. A wage-price spiral is difficult for central banks to break. Concerns are mounting there may be a recession needed to cool down inflation. If wages manage to keep up with inflation consumer spending should stabilize. Higher input costs and rising wages are a risk to corporate profits. Financial markets appear to already price in a mild recession.

5.2 Baillie Gifford

Baillie Gifford	2023	2022				2021			One Year	Two Years	Since Start 6/2/13
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£247.85m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	4.6	1.2	1.0	(12.1)	(12.4)	0.1	(0.6)	7.1	(5.3)	(5.5)	12.0
Benchmark	4.5	2.0	1.5	(8.4)	(2.5)	6.3	1.5	7.4	(0.4)	6.1	11.4
Difference	0.1	(0.8)	(0.5)	(3.7)	(9.9)	(6.2)	(2.1)	(0.3)	(4.9)	(11.6)	0.6

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 approx. 90-105 stocks.

In July 2022 the Fund transferred from BG's Global Alpha strategy to the BG Paris Aligned Global Alpha fund (BGPA). The transition was completed between 11 and 14 July. The BGPA Fund aims to outperform the MSCI ACWI Index (in Sterling), by at least 2% per annum over rolling five-year periods. In addition, the Fund commits to having a weighted average greenhouse gas intensity lower than that of the MSCI ACWI EU Paris Aligned Requirements Index. BGPA is consistent with the objectives of the Paris Agreement. The portfolio is a variant of the core Global Alpha strategy. It is managed by the same team and with the same investment philosophy and performance objective. However, there is an additional process to screen out carbon intensive companies that do not or will not play a major role in our energy transition.

Performance Review

For Q1 BG returned 4.6%, outperforming its benchmark by 0.1%. BG's one-year return was -5.3%, underperforming its benchmark by 4.9%. Since initial funding, the strategy has returned 11.0% p.a. outperforming its benchmark by 0.6%.

The Sub-fund was off to a good start this quarter posting strong returns in January as investors felt more confident over prospects for the global economy and the outlook for interest rates became more constructive. This rally, however, was short-lived as sentiment quickly turned negative following several high-profile failures in the banking market, starting with Silicon Valley Bank (SVB), and swiftly followed by New York-based Signature Bank (more on this below). This led to a much weaker February and March and an overall flat quarter in relative performance terms.

Signature Bank was a holding in the portfolio, albeit a small one, and an unfortunately timed purchase, having been added in February. The investment manager's investment case for Signature Bank was based on the potential growth of its loan book primarily by developing deep expertise in certain sectors or industries and using these relationships to gain market share. However, as fears mounted about the impact of rapidly rising interest rates on the liquidity profile of the banking sector, both the concentration of Signature Bank's customers and the on-demand nature of the deposit base became a source of vulnerability.

Although strictly speaking not as vulnerable to interest rate risk as banks are, the large wealth manager Charles Swab also proved exposed to the turbulence in the financial sector and was a significant detractor over the quarter. Despite recent weakness Baillie Gifford retains its conviction and weight in this holding. The top detractor over the quarter was Elevance Health, the U.S. health insurer. Despite recent weakness, this holding has proven to be a resilient franchise that held up well over periods of stress and generated substantial profits for the Sub-fund. Over the quarter the investment manager reduced the holding weight and used the proceeds to fund new ideas.

LCIV Summary

At the regional level, as of the end of March 2023, the Sub-fund's largest exposure remained North America at 60.8% followed by Europe ex UK at 17.5%. At the sector level, the largest exposure is the consumer discretionary sector with 20.7% followed by IT at 16.9% and financials at 16.8%.

The shape of the portfolio has shifted significantly over the last eighteen months. This is most evident in the Sub-fund's 'growth profiles' where the weight in 'Disrupters' (31%) continues to be at relatively low levels. More recently the balance of the investment manager's investment research has tilted towards the recycling of capital from the relatively highly valued 'Compounders' profile towards the other areas of the portfolio, reflected in reductions to Elevance, AJ Gallagher and Alphabet. Consequently, the weight in 'Compounders' (42%) was slightly down compared to last quarter while the weight in 'Capital Allocators' (26%) was up.

Other noticeable sells included exits from Twilio and Chegg. The investment manager's renewed focus on operating efficiency, long term profitability and sustainable cashflows was very much behind these decisions. For instance, the communications software business Twilio was sold in the quarter because despite the impressive headline growth the company failed to deliver operational efficiencies and reduce costs. The U.S. educational services company Chegg was sold due to concerns over long term profitability, triggered by an increase in competition and a slowdown in online traffic following the launch of ChatGPT and other AI-enabled tools.

In what proved to be yet another volatile quarter for the global equity markets, driven by macroeconomics and sentiment rather than fundamentals, the Sub-fund delivered returns moderately below the benchmark. This performance, while far from impressive, is nonetheless offering further reassurance that the performance pattern has stabilised. Importantly, it also offers practical evidence that the Sub-fund portfolio now consists of companies that are more able to withstand market volatility and offer a degree of downside protection.

The flip side of this portfolio repositioning is that compared to more 'aggressively' positioned strategies the Sub-fund lagged. Characteristically, the MSCI Growth Index, which at this point has a more aggressive growth orientation than the Sub-fund, delivered a return in Q1 which was more than double the return achieved by the Sub-fund. At this point of the cycle and while macroeconomics trump fundamentals LCIV are comfortable with how the Sub-fund is positioned even if that means upside participation may be somewhat mundane.

5.3 UBS Equities

UBS Equities	2023	2022				2021			One Year	Two Years	Since Start 31/08/12
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£261.85m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	6.7	5.8	(3.1)	(12.9)	(4.0)	7.6	0.9	7.5	(3.5)	4.2	12.1
Benchmark	6.7	5.8	(3.1)	(12.9)	(4.0)	7.6	0.9	7.5	(3.5)	4.2	12.2
Difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)

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 6.7% for Q1 and -3.5% over one year. Since funding in August 2012, the strategy has provided an annualised return of 12.1%.

Equities

Stocks advanced in March, despite concerns over the health of the Banking sector. The MSCI All Country World index returned 3.1%, for a quarterly gain of 7.3%. The advance reflected optimism that regulators on both sides of the Atlantic had acted forcefully enough to prevent an economically damaging banking crisis. Meanwhile, the best-performing market in March was China, which returned 4.3% amid continued confidence over the economic outlook following the end of pandemic restrictions. The MSCI China index gained 5.1% in the first quarter. The MSCI EMU lagged in March, returning only 0.7%. But the index is still the best-performing market for the first quarter overall, gaining 12.2%. The worst performer on the month was the UK, with a loss of 2.7%

Equity markets gained in March and over the quarter, pointing to confidence that regulators had acted with sufficient speed and force to avert a full-blown banking crisis. Global stocks (MSCI All Country World index) delivered a total return of 3.1% on the month, for a gain of 7.3% in the quarter overall. The S&P 500 gained 3.7% in March, for a return of 7.5% on the quarter.

But confidence is fragile, market volatility is likely to stay high, and policymakers may have to go further to make sure faith in the global financial system stays solid. Financial conditions are also likely to tighten, which increases the risk of a hard landing for the economy, even if central banks ease off on interest rate hikes.

5.4 UBS Bonds

UBS Bonds	2023	2022				2021			One Year	Two Years	Since Start 5/7/2013
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£30.82m	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**2.1**	1.7	(12.9)	(7.4)	(7.2)	2.4	(1.8)	1.7	(16.5)	(10.7)	1.0
Benchmark	**2.1**	1.7	(12.9)	(7.4)	(7.2)	2.4	(1.8)	1.7	(16.5)	(10.7)	0.9
Difference	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1

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. There is a link between the bond price and the Fund's liabilities and therefore the reduction in returns will have helped to reduce the Fund's liabilities.

Performance

The fund returned 2.1% for Q1, -16.5% for one year and -10.7% for two-year return. Since inception the strategy has returned 1.0%.

Review

Market sentiment was undermined early in the month by the collapse of two mid-sized lenders in the US-Silicon Valley Bank and Signature Bank-forcing US regulators to take urgent action to shore up confidence. That was followed by news a week later that UBS would acquire Credit Suisse, in a move that Swiss regulator FINMA said would "ensure stability for the bank's customers and the financial center."

The concerns contributed to a sharp fall in government bond yields, with investors assuming that economic headwinds from the banking system would lead to an early end to central bank rate hikes. The yield on the 2-year US Treasury, which hit a peak of 5.06% prior to the turmoil in the Banking sector, ended the month at 4.03%. The yield on the 10-year US Treasury declined from a high of over 4% to 3.47% by the end of the month.

High-quality fixed income had a positive month, bolstered by growing confidence that central banks are nearing the end of the rate hiking cycle. The Bloomberg US Treasury Index returned 2.9% in March, for a quarterly gain of 3%. The Bloomberg Pan-European Aggregate gained 1.9% in March and over the quarter.

5.5 Schroders Indirect Real Estate (SIRE)

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 distribution paid will be used to increase the Fund's cash balance.

5.7 BlackRock

BlackRock	2023	2022				2021			One Year	Two Years	Since Start 1/1/2013
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£50.31m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	0.0	(14.4)	(4.4)	2.9	6.8	6.7	4.3	2.9	(15.9)	2.4	0.8
Benchmark	(0.2)	(14.1)	(4.0)	3.9	5.6	7.5	4.5	3.8	(14.4)	3.5	3.6
Difference	0.2	(0.3)	(0.4)	(1.0)	1.2	(0.8)	(0.2)	(0.9)	(1.5)	(1.1)	(2.9)

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. In 2021 the allocation to BlackRock was increased following the closure of the Schroders SIRE fund.

Q1 2023 Performance and Investment Update

BR returned nil for Q1 against a benchmark of -0.2%, returned -15.9% over one year against a benchmark of -14.4%. The Fund's valuers have a highlighted increased volatility and uncertainty in their valuations. This is not a 'material uncertainty clause' as was seen during COVID, however the valuers are relying more on sentiment than transaction evidence. The LDI crisis and associated bond market crash had several impacts on the UK property market.

Market Conditions

The first quarter of 2023 initially demonstrated a level of stability and economic tailwinds, however they fast became overshadowed by the fragility in the banking system as the impacts of a changing macro environment continued to play out for the real estate market.

Most notable is the under-utilisation of many non-core offices, which, combined with obsolesce and the expense required to improve the environmental emissions performance means liquidity across many office submarkets is likely to be low. The market spread will be wide here, and the manager sees leasing activity for the right product.

The general focus on office has to be put in context as it is a shrinking part of the market share. It comprises around 24% of the benchmark, and BUKPF remains underweight at c.20% of the portfolio, with over half exposed to Central London markets, a higher proportion than the benchmark. The structural drivers remain strong however for industrial (over 40% of the market) and alternative sectors (like healthcare and student housing) which are all much more liquid at this time.

Transactions: In Q1, the Fund completed the sale of Alpha Park, a fully let logistics park near Southampton, which extends to 148,331 sq. ft. across three units. The park was developed by the Fund and reached practical completion in 2017. The sale price reflected £26.1m / 5.0% NIY / £176 per sq. ft. Following the disposal of Alpha Park, the Fund unconditionally exchanged the sale of Caledonian Exchange, Edinburgh, an office property extending to 59,755 sq. ft.

5.8 Hermes

Hermes	2023	2022				2021			One Year	Two Years	Since Start 9/11/2012
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£95.79m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(0.1)	0.8	10.5	(1.0)	10.5	(0.9)	2.2	(1.1)	10.3	10.5	8.3
Benchmark	1.5	1.4	1.4	1.4	1.5	1.4	1.4	1.4	5.8	5.8	5.9
Difference	(1.5)	(0.6)	9.1	(2.4)	9.0	(2.3)	0.8	(2.5)	4.5	4.7	2.4

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 -0.1% in Q1 underperforming the benchmark by 1.5%. Over one year the strategy reported a one-year return of 10.3%, outperforming its benchmark by 4.5%. Since inception the strategy has provided a good, annualised return of 8.3%, outperforming its benchmark by 2.4%.

Recessionary pressures and higher rates have weighed on demand in 2023, which has seen global freight flows soften, in particular. The HIF I Core portfolio has proved resilient, notably Associated British Ports ("ABP") is performing above EBITDA budget in the three months to 31 March, driven by its highly diversified revenues and strong inflation linkage despite softness in volumes. Strong leisure sector volumes have offset freight at Scandlines to perform at or around budget in 2023.

HIF I Net Asset Value ("NAV") was £1.22bn at 31 March 2023, a reduction of 1.4% from 31 December 2022, primarily resulting from marking the Innisfree funds to the transaction price (further information below), and the strengthening of Sterling against the Euro, which reduced NAV of the Euro-denominated assets. Ordinary course gross dividends from Cadent and ASG I and II totalling £8.1m were received by HIF I in the three months to 31 March 2023.

Project Orion

Project Orion aims to combine the Limited Partnership interests of HIF I and two single investor managed accounts into one single diversified Core/Core+ strategy. Orion provides an opportunity to simplify some of the historic administrative complexities of HIF I, whilst leveraging off the proven track record of its asset pool (and that of two HGPE managed accounts) in order to raise additional capital, to further diversify the fund and increase returns for investors.

How does Project Orion benefits HIF I Investors?

• Offers a more diversified portfolio in a simplified structure
• Limited Partners all invest into the same pool of assets (no sub-portfolios) in equal proportions (pro rata to their investment)
• Reduced overall fees with reduction in gross to net return spread, compared to HIF I for equivalent asset portfolio
• Performance Fees abolished
• Provides liquidity options for investors that are not currently available in HIF I
• Post completion liquidity option for HIF I LPs wishing to exit or reduce exposure
• Additional GP led liquidity process in 2030, subject to market conditions
• Individual secondary liquidity GP assistance on request during remaining term

The completion of Project Orion occurred on Friday 14 April 2023 and the London Borough of Barking and Dagenham Pension Fund has been admitted as a limited partner in Federated Hermes Diversified Infrastructure Fund LP (the "**Orion Partnership**"). The next steps will be confirmed in due course.

5.9 Abrdn Asset Management

Abrdn	**2023**	**2022**	**2022**			**2021**			**One**	**Two**	**Since Start**
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	**Year**	**Years**	**15/9/2014**
145.94m	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**3.7**	(1.5)	(2.1)	(1.4)	3.7	1.6	4.9	4.4	(1.4)	6.6	7.0
Benchmark	**2.4**	2.1	1.8	1.6	1.6	1.0	1.0	1.0	8.0	6.3	5.0
Difference	**1.3**	(3.6)	(4.0)	(3.0)	2.1	0.6	3.9	3.4	(9.4)	0.3	2.0

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.

Over a number of years further investments have been made to ASAM, with the focus on increasing the allocation to Private Equity, with the total holding now £140.8m, which is 10.8% of the Fund, significantly higher than the strategic allocation of 9.0%. As part of the strategy review this overweight position will be reviewed with the potential to reduce the allocation, potentially to Hedge Funds, or to increase the strategic allocation level.

Performance summary

The Portfolio gained 3.7% (net of fees) over the three months to the end of March. This was due to a combination of higher December 31 valuations across some of the more seasoned private equity investments and SOF IV, the secondaries fund, plus an uplift from revaluing the investment in Horizon Capital Growth Fund II in-line with the manager's valuation. Over one year the return of -1.4% underperforms the benchmark return of 8.0% by 9.4%. Since inception the strategy has returned 7.0%, outperforming the benchmark by 2.0%.

ASAM 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 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) tail risk protection which is intended to offer significant returns at times of stress and more muted returns in normal market environments.

Outlook

The manager sees a broad opportunity set for discretionary macro managers, which in the near term will continue to be driven by elevated inflation and tight monetary policy. Macro managers remain closely aligned in their views on the path of interest rates, yet the destination and timing differ. Rates-focused managers continue to see pockets of value trading G3 rates as well as emerging markets, where some central banks have already started cutting, potentially starting a new multi-year trading opportunity. Although some managers believe the currency markets offer muted directional opportunities, largely because the US dollar has already peaked in the current cycle, other FX specialists remain active in the space, especially around the Euro, Japanese Yen, Chinese Renminbi, and the broader emerging markets complex.

The outlook for fixed income relative value strategies remains positive. The manager continues to see dispersion across fixed income instruments in developed markets, with G7 central banks having notably tightened monetary policy, persistent uncertainty on inflation and economic growth (and thus the future course of monetary policy), reduced liquidity and dealers' ability to warehouse risk, as well as on-going geopolitical tensions. Consistent with history, higher levels of interest rates and increased volatility in fixed income assets have translated into an improved opportunity set for relative value managers not only in cash vs. futures basis trading, but in other strategies such as asset swap spreads, yield curve arbitrage (cash bonds vs. cash bonds), macro, inflation, and cross-currency basis trading. Although fixed income volatility has slightly moderated from 2022 levels, it remains high; the manager sees volatility stabilizing at a higher, but not extreme, level as a positive as it will hopefully allow managers as a group to capture more of the increased opportunity set than they did in 2022, when dispersion among managers was higher than usual. Higher front-end interest rates in G7 countries are also a notable tailwind for these managers given the high levels of unencumbered assets and cash they typically run with; cash management has become a positive line item in performance attribution again.

5.10 Pyrford

Pyrford	2023	2022				2021			One Year	Two Years	Since Start 28/9/2012
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
115.97m	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**1.4**	3.2	(2.4)	(0.8)	1.5	1.3	0.3	1.1	1.5	2.8	3.3
Benchmark	**3.1**	4.7	3.3	6.3	3.1	4.0	2.7	3.6	17.4	15.3	8.6
Difference	**(1.7)**	(1.5)	(5.7)	(7.1)	(1.6)	(2.7)	(2.4)	(2.5)	(15.9)	(12.5)	(5.3)

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

Equities were the biggest source of profits in Q1 (+1%gross of fees). UK stocks account for 35% of the equity portfolio and contributed about 1/3 of the gains in absolute terms. Both UK and overseas stocks underperformed the FTSE All Share and FTSE All World ex-UK Indices respectively. The Sub-fund equity portfolio shows a clear tilt to value characteristics and a preference for companies which are expected to deliver stable earnings and cash flows. This style of investing underperformed in the first quarter.

The strongest performers in the equity portfolio in Q1 included Telenor (1% of Sub-fund), a Norwegian company which is expected to benefit from opportunities to consolidate telecommunications networks in the Asia Pacific region, and ASM Pacific Technology (0.4%), a beneficiary of capital spending in the semiconductor industry. ASM Pacific was added to the Sub-fund in Q4 2022.

Conversely, Computershare (0.5%), an Australian supplier of share registry and employee share plan services, performed poorly. This is because the company's earnings are sensitive to changes in interest rates. Bonds made a small positive contribution (+0.25%), but the UK and overseas segments also lagged comparator indices because the duration of the portfolio is lower.

The Sub-fund is built around four pillars: sovereign bonds, equities, currencies and cash. The key drivers of returns are allocations across the pillars, duration management and sovereign bond selection, as well as country and stock selection decisions within the equity segment. The asset allocation process is slow moving. Derivatives are used only to manage currency risk.

The only change to target allocations in Q1 was a 5% reduction in equities to 35% and a 5% increase in bonds to 62%. This was implemented at the end of January, after a period of strong performance for stocks. The trigger for this move was a decline in the forecast five-year real rate of return after the dividend yield on UK equities dropped below 3.5%.

5.11 Newton

Newton	2023	2022				2021			One Year	Two Years	Since Start 31/8/2012
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
78.62m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(1.3)	3.7	(4.3)	(2.1)	(4.4)	3.7	(0.1)	2.4	(3.9)	(1.1)	3.3
Benchmark	1.7	1.4	1.1	0.9	0.8	1.0	1.0	1.0	5.2	4.5	4.5
Difference	(3.0)	2.3	(5.4)	(3.0)	(5.2)	2.7	(1.1)	1.4	(9.1)	(5.6)	(1.2)

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 -1.3% in Q1, underperforming its benchmark by 3.0%. Over one year the strategy has returned -3.9%, underperforming its benchmark by 9.1%, although the return over two years is -1.1% against a benchmark of 4.5%. Newton's performance since inception is 3.3% per annum.

The main driver of underperformance over the quarter was equity hedging which forms a significant part of the portfolio's 'Stabilising' layer. The equity hedging basket was meant to play a defensive role, aiming to protect the Subfund from further drawdowns in equity markets. Within that basket the investment manager held short positions in the S&P 500, Nasdaq 100, Eurostoxx and DAX indices. These positions are implemented via futures contracts linked to the performance of the underlying indices. As these indices, and particularly NASDAQ performed strongly over the quarter, the equity hedging basket delivered a negative return of approximately -3.7%.

The other large negative contributor was the corporate bonds exposure which is held in the 'Return Seeking' segment of the portfolio. This exposure returned -0.5% in Q1 mainly due to knock on effects from the Credit Suisse forced merger with UBS. The manager held a large proportion of the corporate bonds basket in a form of contingent convertible bonds known as 'Additional Tier 1' or 'AT1'. These instruments are among the riskiest types of bond a bank can issue and are designed to act as shock absorbers if a bank's capital levels fall below a certain threshold.

Coming into Q1 the Sub-fund maintained a 'de-risking' positioning stance evident in the roughly 50/50 split in the allocation between the 'Stabilising' and 'Return seeking layers. The net exposure to risky asset classes such as equities was very low at 10.5%. Notwithstanding the investment manager's outlook, the picture at the end of Q1 is different, with the split between the 'Stabilising' and 'Return Seeking' layers now closer to the long-term average at 42%/58%. Net equity exposure has now increased to 19.2% purely as a result of the unwinding of short positions. Exposure to government bonds has decreased from ~25% in Q4 to ~15.7% at the end of Q4 and duration decreased to 1.7 years (from 2.4 years last quarter) indicating that the investment manager is trimming interest rate risk.

5.12 Insight (Mellon Corporation / Standish)

Insight	2023	2022				2021			One Year	Two Years	Since Start 20/8/2013
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£67.85m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	2.8	5.7	(1.3)	(3.8)	(2.6)	(0.7)	0.0	0.2	3.4	0.2	0.9
Benchmark	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	4.0	4.0	4.9
Difference	1.8	4.7	(2.3)	(4.8)	(3.6)	(1.7)	(1.0)	(0.8)	(0.6)	(3.8)	(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

Q1 saw the BNY Mellon Targeted Return Bond Fund outperform its reference benchmark by 1.8%, providing a positive return of 2.8%. Over one year the strategy has returned 3.4% and over two years it has returned 0.2%, with a return of 0.9% since inception.

The portfolio outperformed the benchmark in Q1 2023. Overweight duration positioning in developed markets drove most of the outperformance with the US being the strongest positive contributor. Away from the US, underweights in Japan and Canada detracted slightly from performance but were offset by gains in Europe and UK rates. EM local duration overweight in Korea, South Africa and Mexico also contributed positively.

Currency positioning was a small detractor to performance with positive attribution from overweights in the Mexican Peso and the Euro offset by losses on overweight in the Canadian Dollar, Swiss Franc and Korean Won.

The portfolio was overweight to credit markets in the quarter which also contributed positively in aggregate. The portfolio experienced strong gains from positions in Index CDS, Consumer Cyclicals, Banking and Basic Industries. Overweights in REITS and Financials detracted in the quarter.

5.13 Currency Hedging

No new currency hedging positions were placed in Q1 2023.

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 Financial 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, Chief Financial Officer

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 Q1 2023 Report; and
- Fund Manager Q1 2023 Reports.

List of appendices:

Appendix 1 - Fund Asset and Liability Values 31 March 2013 to 27 April 2023
Appendix 2 - Definitions
Appendix 3 - Roles and Responsibilities

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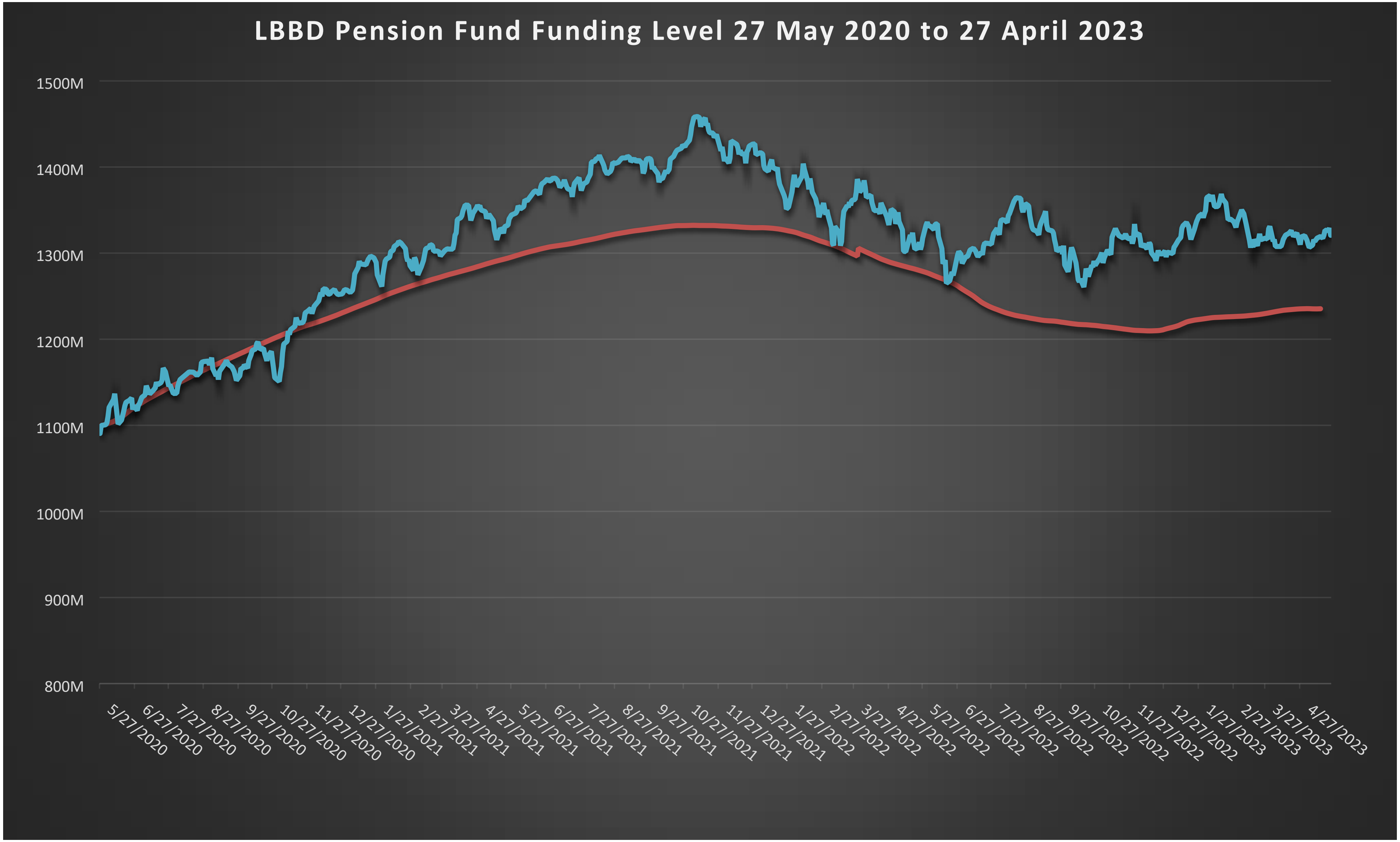
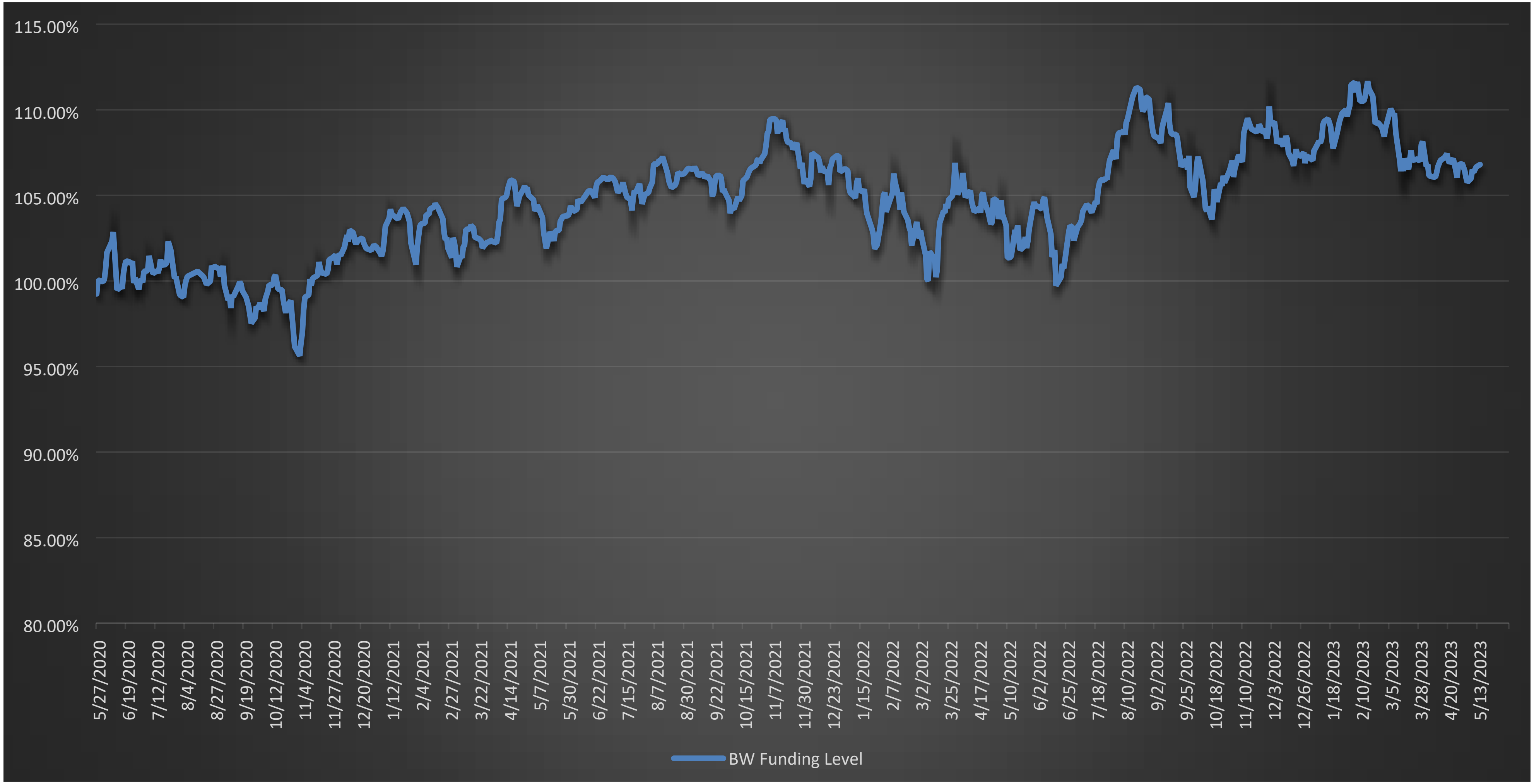
APPENDIX 1 - Fund Funding Level 27 May 2020 to 27 April 2023



Funding Level between 27 May 2020 to 27 April 2023



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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	LBBD
	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 BD Corporate Cleaning BD Schools Improvement Partnership BD Together Be First BD Trading Partner Caterlink Caterlink 2

	Caterlink 3 Lewis and Graves Pantry Cleaning Schools Offices Services Ltd Sports Leisure Management The Broadway Theatre Town and Country Cleaners

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 Administrating 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 June 2023

Title: Administration and Governance Report	
Report of the Chief Operating Officer	
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, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive	
Summary 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.	
Recommendations The Committee is recommended to note: i. Pension Fund Budget 1 April 2023 to 31 March 2025, ii. that the Fund is cash flow positive and iii. London CIV update.	

1. Introduction

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

i. Pension Fund Budget 1 April 2023 to 31 March 2025,
ii. Cashflow to 31 March 2023 and
iii. London CIV update.

2. Pension Fund Budget 1 April 2022 to 31 March 2025

2.1 Table 1 provides Members with the Fund's three-year budget to 31 March 2025.

Table 1: Pension Fund Budget 1 April 2022 to 31 March 2025

	2022/23	2023/24	2024/25
Income	**£000s**	**£000s**	**£000s**
Council	8,681	9,068	9,341
Admitted bodies	467	448	415
Scheduled bodies	1,908	1,933	1,891
Total contributions from members	**11,055**	**11,449**	**11,646**
Council - Normal	27,822	27,801	28,635
Admitted bodies - Normal	1,938	1,860	1,724
Scheduled bodies - Normal	7,383	7,477	7,316
Pension Strain	250	500	250
Total contributions from employers	**37,393**	**37,638**	**37,925**
Total Contributions	**48,449**	**49,086**	**49,572**
Individual Transfers	**3,500**	**3,500**	**3,500**
Total Income Before Investments	**51,949**	**52,586**	**53,072**
Expenses			
Pensions			
Council	- 30,891	-34,999	- 36,049
Admitted Bodies	- 394	- 447	- 460
Scheduled Bodies	- 6,610	- 7,490	- 7,714
Total	**-37,895**	**-42,935**	**- 44,223**
Lump sums			
Council	- 3,957	- 3,957	- 3,957
Admitted Bodies	- 388	- 388	- 388
Scheduled Bodies	- 748	- 748	- 748
Total	**- 5,093**	**- 5,093**	**- 5,093**
Death grants	- 1,400	- 1,500	- 1,600
Payments to and on account of leavers	- 4,500	- 4,500	- 4,500
Total Expense	**- 48,888**	**- 54,028**	**- 55,416**
Net Income / (Expenditure) Excl Investments and Management Costs	**3,061**	**- 1,441**	**- 2,344**
Total Management Costs (cash)	**- 3,204**	**- 1,887**	**- 1,958**
Net Income / (Expenditure) Excluding Investments	**- 143**	**- 3,328**	**- 4,302**
Investment Income			
BlackRock	2,400	2,472	2,546
Hermes	500	515	530
Total	**2,900**	**2,987**	**3,077**
Net Income / (Expenditure) - cash	**2,757**	**- 341**	**- 1,225**

2.2 The three-year budget has fairly stable member numbers. A 10.1% increase in pensions in 2023/24 due to the current high level of inflation has risen the total expenses forecasted. There is an average salary increase of 6.6%, however as the council contribution will fall from 23% to 22%, this will partially offset the increase in income in 2023/24. Pension Strain is forecasted in increase as a result of the council's savings programme due to central government funding cuts.

A decrease in management expenses is being forecasted as the prepayment from the council is repaid so no interest payments are due to be made. Excluding investments, the fund is expected to be cashflow negative for the next 3 years. There is investment income expected from two investments managers of approximately £3m per annum. Overall, the Fund is expected to be cashflow positive, after investment income, for 2022/23 and negative in the following 2 years.

2.3 On 1 April 2022 a £20m prepayment was paid to the Pension Fund from the Council, as agreed by Members at the March 2022 Committee. This prepayment helped to repay a short-term loan made to the Fund from the Council.

3. Cash flow to 31 March 2023

3.1 Table 2 below provides Members with the Fund's Cash flow to 31 March 2023.

Table 2: Actual Pension Fund Cash Flow to 31 March 2023

	2022/23 Budget £000's	2022/23 Forecast £000's	Over / Under £000's
Contributions			
Employee Contributions			
Council	8,700	9,173	473
Admitted bodies	500	475	- 25
Scheduled bodies	2,000	2,002	2
Employer Contributions			
Council	28,200	30,419	2,219
Admitted bodies	2,100	1,958	- 142
Scheduled bodies	7,700	7,639	- 61
Pension Strain	1,000	39.43	- 961
Transfers In	3,500	2,681	- 819
Total Member Income	**53,700**	**54,387**	**687**
Expenditure			
Pensions	- 37,600	- 37,840	- 240
Lump Sums and Death Grants	- 6,500	- 6,068	432
Payments to and on account of leavers	- 4,400	- 7,235	- 2,835
Administrative expenses	- 800	- 767	33
Total Expenditure on members	**- 49,300**	**- 51,909**	**- 2,609**
Net additions for dealings with members	**4,400**	**2,477**	**- 1,923**
Returns on Investments			
Investment Income	15,000	25,840	10,840
Profit (losses)	50,000	- 46,247	- 96,247
Investment management expenses	- 4,500	- 4,182	318
Net returns on investments	**60,500**	**- 24,589**	**- 85,089**
Net increase (decrease) in the net assets	**64,900**	**- 22,112**	**- 87,012**
Asset Values	**1,406,180**	**1,316,234**	
Liabilities	**1,305,583**	**1,331,071**	
Funding Level	**107.71%**	**98.89%**	

4. London Collective Investment Vehicle (LCIV) Update

4.1 LCIV is the first fully authorised investment management company set up by Local Government. It is the LGPS pool for London to enable Local Authorities to achieve their pooling requirements. Below are the investments the Fund currently has with CIV.

	31/12/2022	Market Move	31/03/2023
Active Investments	**£**	**£**	**£**
LCIV Global Alpha Growth Fund	261,608,881	-13,762,305	247,846,576
LCIV Global Total Return Fund	114,399,956	1,571,253	115,971,209
LCIV Real Return Fund	79,647,136	-1,027,628	78,619,508
Total	**455,655,973**	**-13,218,680**	**442,437,293**

4.2 Update from the London CIV

At 31 March 2023, the total assets deemed pooled stood at £26.6bn. Assets under management in the ACS stood at £12.9bn. The value of 'pooled' passive assets was £12.5bn, which is managed by L&G and BlackRock. AUM has increased due to more favourable market conditions from December 2022 to March 2022 by £1bn.

5. Financial Implications

Implications completed by: Philip Gregory, Chief Financial Officer

5.1 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.

6. Legal Implications

Implications completed by: Dr Paul Feild Senior Governance Solicitor

6.1 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.

7. Consultation

7.1 The 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.

Background Papers Used in the Preparation of the Report:

None

PENSIONS COMMITTEE

14 June 2023

Title: Independent Advisors LGPS Update	
Report of the Chief Operating Officer	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: Jesmine Anwar, Pension Fund Accountant	**Contact Details:** Tel: 020 8227 3763 E-mail: jesmine.anwar@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive	

Summary

This report provides Members with the Independent Advisor's quarterly Local Government Pension Scheme update.

Recommendations

The Committee is recommended to note:

- Changes to the Scheme Advisory Board (SAB) Cost Management process.
- Changes to Pension Taxation.
- Further Consultation on "McCloud" (Age Discrimination in the LGPS).
- Climate Change Reporting, and
- Investment Pooling.

1. Introduction

1.1 This paper informs and updates the Committee in respect of a number of important issues relating to the LGPS at a national level. The issues covered in this paper are:

- Changes to the Scheme Advisory Board (SAB) Cost Management process.
- Changes to Pensions Taxation.
- Further Consultation on "McCloud" (Age Discrimination in the LGPS).
- Climate Change Reporting.
- Investment Pooling.
-

2. Independent Advisor Update: John Raisin

Changes to the Scheme Advisory Board (SAB) Cost Management process

2.1 The March 2023 LGPS Update (which was finalised on 2 March 2023) included a briefing on the Cost Management process introduced into the LGPS as a consequence of the Public Service Pensions Act 2013. This included reference to the two Cost Management mechanisms applicable to the LGPS – the employer cost cap (ECC) process as operated by HM Treasury and the future service cost (FSC) as operated by the LGPS Scheme Advisory Board (SAB).

2.2 The March update also informed the Committee that on 30 January 2023 DLUHC launched a Consultation (which closed on 24 March 2023) entitled "Local Government Pension Scheme: Changes to the Scheme Advisory Board Cost Management Process" The Consultation aimed to update the SAB process in light of the 2021 changes to the HM Treasury cost control process and to provide the SAB with greater flexibility in how it responds to any cost variations. The SAB submitted a response to this Consultation in March 2023, which was generally supportive of the Government's proposals.

2.3 On 11 May 2023 Government published its response to the Consultation on changes to the SAB's cost management process and also issued The Local Government Pension Scheme (Amendment) (No. 2) Regulations 2023 which come into force on 1 June 2023. The changes introduced by the new Regulations better align the SAB's cost management process with HM Treasury revised cost control process of 2021. They also give the Scheme Advisory Board greater flexibility in the making of recommendations to the Secretary of State.

Changes to Pensions Taxation

2.4 In his Spring Budget of 15 March 2023, the Chancellor of the Exchequer announced significant changes to the pensions taxation regime applicable to both private sector and public sector (including the LGPS) pensions. The Chancellor announced that the Annual Allowance (the maximum amount of pensions savings an individual can make each year before incurring a tax charge) is to increase from £40,000 to £60,000 from 6 April 2023, with individuals continuing to be able to carry forward unused Annual Allowances from the three previous tax years. The Chancellor also announced his intention to abolish the Lifetime Allowance which was £1,073,100 at the time of the Spring 2023 Budget.

2.5 Most members of the LGPS have never earned enough to be within the scope of either the Annual or Lifetime Allowance. However, increasing numbers of senior managers have become subject to these taxation provisions in recent years and this trend was set to continue and increase as the Government appeared to be likely to freeze these allowances over the long term. The increase in the Annual Allowance and the abolition of the Lifetime Allowance means that almost all members of the LGPS will now be exempt from the pension's taxation regime. These changes will also simplify LGPS benefit calculations/entitlements.

Further Consultation on "McCloud" (Age discrimination in the LGPS)

2.6 The Public Service Pensions Act 2013 which reformed all the major public service pension schemes from 2014 or 2015 (fundamentally by replacing final salary with career average salary as the basis for the calculation of benefits) included provision for protections for older members designed to ensure they would not be worse off as a result of the introduction of the new schemes. In 2018 the Court of Appeal ruled that in the case of the Judges' and Firefighters Pension Schemes this was (age) discriminatory against younger members. In July 2019, the Government confirmed that there would be changes to all public service pension schemes, including the LGPS, to remove this age discrimination. This whole issue is now commonly referred to as "McCloud."

2.7 On 16 July 2020, the then MHCLG issued a Consultation called "Amendments to the statutory underpin" to address the age discrimination identified in the LGPS. On 6 April 2023 the DLUHC issued its response to the 2020 Consultation detailing how it will proceed. On 30 May 2023 DLUHC issued a further Consultation "'McCloud' remedy in the LGPS – supplementary issues and scheme regulations" together with draft Regulations regarding the "McCloud" remedy. This Consultation closes on 30 June 2023.

2.8 In this latest Consultation the Government is seeking views where in its 6 April 2023 response it stated it would be reconsulting to obtain further views, and also on issues which were not addressed in the 2020 Consultation. At the same time the Government is seeking feedback on draft Regulations which would implement the (entire) "McCloud" remedy. It is intended these Regulations come into force on 1 October 2023. Assuming that the Regulations come into effect from October 2023 LGPS Pension Funds will review qualifying members pensions to determine any effects on individuals. It should however be pointed out that most individual members will not experience any increase in the benefits they ultimately receive as a result of "McCloud" – this is because the pension they build up in the present career average scheme will be higher than what they would have built up in the previous final salary scheme.

Climate Change reporting

2.9 In the March 2023 LGPS Update it was reported that it was anticipated that Regulations to introduce Climate Change reporting into the LGPS would be issued retrospectively, after 1 April 2023, but would apply from 1 April 2023. No such Regulations were, however, issued in April 2023.

2.10 On 23 May 2023 the Scheme Advisory Board stated on its website that the implementation of Climate Risk reporting in the LGPS – "is now expected to commence from 1 April 2024, with first reports due in late 2025."

Investment Pooling

2.11 A consultation on the further development of Investment (Asset) Pooling has been expected since 2019. On 9 December 2022 the Chancellor of the Exchequer Rt Hon Jeremy Hunt MP stated that the Government "Will, in early 2023, consult on new guidance to the Local Government Pension Scheme (LGPS) in England and Wales on asset pooling."

2.12 On 15 March 2023 the Chancellor of the Exchequer announced his Spring Budget 2023. The SPRING BUDGET 2023 red book which sets out in full the Chancellor of the Exchequer's Spring Budget 2023 included the following:

- **4.116 Local Government Pension Scheme investment** – The government is challenging the Local Government Pension Scheme in England and Wales to move further and faster on consolidating assets – a forthcoming consultation will propose LGPS funds transfer all listed assets into their pools by March 2025, and set direction for the future. This may include moving towards a smaller number of pools in excess of £50 billion to optimise benefits of scale. While pooling has delivered substantial benefits so far, progress needs to accelerate to deliver, and the government stands ready to take further action if needed. The Government will also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets.

2.13 As at the date of finalising this LGPS Update (1 June 2023) no Consultation on the future of Investment Pooling has been issued by the DLUHC. If anything is issued this year it will (almost certainly) just be a Consultation – not actual new Regulations/Statutory Guidance. This is because a major Consultation normally lasts for three months, and the Government then considers all the responses received, and issue its reply to these before then issuing the consequent Regulations and/or Statutory Guidance.

2.14 Any Consultation on the further development of Investment Pooling will doubtlessly result in many, and varied, responses from not only individual LGPS Funds but also a range of other LGPS stakeholders. Given the response to the (subsequently withdrawn) 2019 Investment Pooling Consultation which included suggestions of legal challenge, and the judgement of the Supreme Court in a 2020 case concerned with LGPS Regulations, the DLUHC will doubtlessly very carefully consider not only the proposals in any Consultation it issues, but also how it responds to responses to the Consultation, and the nature of the final Regulations and/or Statutory Guidance issued. Therefore, any new Investment Pooling regime is unlikely to be finalised before 2024.

3. Financial Implications

Implications completed by: Philip Gregory, Chief Financial Officer

3.1 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.

4. Legal Implications

Implications completed by: Dr Paul Feild Senior Governance Solicitor

4.1 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.

5. Consultation

5.1 The 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.

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PENSIONS COMMITTEE

14 June 2023

Title: Business Plan Update 2021 to 2023	
Report of the Managing Director	
Public Report	Public Report
Wards Affected: None	**Wards Affected:** None
Report Author: Jesmine Anwar, Pension Fund Accountant	**Contact Details:** Tel: 020 8227 3763 E-mail: jesmine.anwar@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive	
Recommendations The Committee is asked to note progress on the delivery of the 2021 to 2023 Business Plan actions in Appendix 1 to the report	

1. Introduction and Background

1.1 The purpose of this report is to update the Pensions Committee on the progress of the Pension Fund's 2021 to 2023 Business Plan. Appendix 1 provides a summary of the Business Plan actions from 1 April 2021 to 31 May 2023.

1.2 A Strategic Asset Allocation Review is being carried out by the Fund's Actuary and a full Business Plan for 2021 to 2023 has been drafted alongside this. This sets out the key tasks for the Pensions Committee in respect to the Pension Fund issues for 2022/23 and was agreed by Members in December 2020..

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

Appendix 1

Business Plan Update

Month	Action Scheduled	By	Actual Activity
Jan 20	Fund Manager Meetings:		
	• Schroders	Officers	Meeting held with Schroders on 7th January 2020
	Meet the Manager: Baillie Gifford (BG)	Officers	Session with LCIV and BG attended on 16th January 2020
	Tender for Actuary and Investment Advisor	Officers	Invitation to tender issued
Feb 20	IAS 19 Data Collection (LBBD)	Officers	Submitted to Hymans Robertson
	Fund Manager Meetings:		
	• Equities: Kempen	Officers	Meeting held with Kempen on 5th February 2020
	• Equities: UBS	Officers	Meeting held with UBS on 27th February 2020
	Tender for Actuary and Investment Advisor	Officers	Interviews held on 24th and 26th February 2020
Mar 20	Fund Manager Meetings:		
	• Equities: Aberdeen Standard	Officers	Meeting held with Aberdeen Standard on 3rd March 2020
	Quarterly Pension Committee Meeting	All	Held on 11th March 2020
	Appointment of new Investment Advisor and Actuary	Officers	Contract to commence on 1st April 2020 and 1st July 2020 respectively
Apr 20	IAS 19 Results	Officers	To be included in Council's accounts
	Closure of Accounts	Officers	
	Fund Manager Meeting:		
	• Baillie Gifford	Officers	Meeting held on 22nd April 2020
	• Global Credit: BNY Standish	Officers	Meeting held on 17th April 2020
May 20	Closure of Accounts	Officers	
	Fund Manager Meetings:	Officers	
	LCIV Business Update	Officers	Meeting held on 21st May 2020
Jun 20	Quarterly Pension Committee Meeting	All	Held on 10th June 2020
	Cash Flow Report to June Committee	Officers	Presented in June Committee

	Investment Beliefs Session	Members	Presented in June Committee
Jul 20	Strategic Asset Allocation Review	Investment Advisor	On-going
	Review and update of 2020/21 Business Plan	Officers	On-going
	Review of Risk Register	Officers	On-going
	FRS102 Data Collection – UEL and Barking College	Officers	To be submitted in July
Aug 20	London CIV Business Update	Officers	Held on 20th August
	FRS102 Data Collection – UEL and Barking College	Officers	Reports issued to the employers
	Draft Statement of Accounts produced	Officers	Deadline 31st August 2020
Sep 20	Quarterly Pension Committee	All	To be held on 16th September 2020
	Draft Statement of Accounts to Sep Committee	Officers	Draft to be included in Sep Committee Papers
	Strategic Asset Allocation to be agreed in Committee	Members	Investment Advisors to attend Committee to present this
	FRS102 Data Collection – Academies	Officers	To be submitted in September
Oct 20	Fund Manager Meetings:		
	• Diversified Alternatives: Aberdeen Standard	Officers	Held on 16th October 2020
	• Infrastructure: Hermes	Officers	Held on 21st October 2020
Nov 20	Fund Manager Meetings:		
	• Credit: BNY Mellon	Officers	Held on 20th November 2020
	• London CIV Business Update	Officers	Held on 19th November 2020
	Pension Fund Annual Report		
Dec 20	Quarterly Pension Committee	All	To be held on 16th December 2020
	Business Plan to be agreed in December Committee	Members	
	Fund Manager Meetings:		
	• Property: Schroders	Officers	Meeting to be held in March 2021
	• Property: Blackrock	Officers	Meeting to be held in March 2021

Month	Action Scheduled	By	Actual Activity

Jan 21	Fund Manager Meetings:		
	• London CIV	Officers	Meeting held with LCIV on 15th
	External Audit	Officers	On-going
Feb 21	Pensions Committee Training: Equities	All	Training held on 25th
Mar 21	Fund Manager Meetings:		
	• Alternatives: Aberdeen Standard	Officers	Meeting held with Aberdeen Standard on 23rd
	• Property: Schroders	Officers	Meeting held with Schroders on 24th
	• Property: Blackrock	Officers	Meeting held with Blackrock on 16th
	Quarterly Pension Committee Meeting	All	Held on 17th
	Bi-annual Pension Board	Officers	Held on 17th
	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:		
	• Property: Schroders	Officers	Meeting held with Schroders on 1st
	• Infrastructure: Hermes	Officers	Meeting held with Hermes on 26th
May 21	• Fund Manager Meetings:		
	• Property: Schroders	Officers	Meeting held with Schroders on 5th
	Credit: BNY Mellon	Officers	Meeting held with BNY Mellon on 26th
Jun 21	Quarterly Pension Committee Meeting	All	Held on 16th June 2021
	Fund Manager Meetings:		
	• Infrastructure: Hermes	Officers	Meeting held with Hermes on 8th
	• Equities: Kempen	Officers	Meeting held with Kempen on 17th
Jul 21	LCIV Business Update	All	Held on 16th
	Fund Manager Meetings:		
	• Contract Review: Heywood	Officers	Meeting held with Heywood on Administration Systems and Costs on 27th
Sep 21	Quarterly Pension Committee Meeting	All	Held on 15th
	Fund Manager Meetings:		
	• LCIV	Officers	Meeting held with LCIV on 17th
	• Insight (Mellon Corp)	Officers	Meeting held with Insight on 20th

	• Hymans	Officers	Meeting held with Hymans on 21st
Oct 21	Fund Manager Meetings:		
	• Insight (Mellon Corp)	Officers	Meeting held with Insight on 5th
Nov 21	Fund Manager Meetings:		
	• London CIV Business Update	Officers	Held on 18th
	Pension Fund Annual Report		
Dec 21	Quarterly Pension Committee	All	Held on 14th
	Fund Manager Meetings:		
	• LCIV	Officers	Meeting held with LCIV on 16th
Jan 22	Fund Manager Meetings:		
	• London CIV	Officers	Meeting held with LCIV on 20th
	External Audit	Officers	Postponed
Feb 22	Pensions Committee Training • Diversified Growth Funds (DGFs) • Multi Asset Credit (MAC) • Residential Property • Global Property	All	Held on 8 February
	Fund Manager Meetings:		
	Infrastructure: Hermes	Officers	Held 10th
Mar 22	Fund Manager Meetings:		
	• LCIV	Officers	Held 17th
	Quarterly Pension Committee Meeting	All	Held on 16th
	Bi-annual Pension Board	Officers	Held on 16th
	Closure of Accounts	Officers	Ongoing
Apr 22	Submission of Data for Employers Accounting report	Officers	30th and ongoing
	Prepayment	Officers	Paid on 1st
May 22	Fund Manager Meetings:		
	• Infrastructure: Hermes AGM	Officers	Held 5th
	• Contract Review: Heywood	Officers	Meeting held with Heywood on Administration Systems and Costs on 24th
Jun 22	Quarterly Pension Committee Meeting	All	Held on 15th June 2022

Jul 22	LCIV Business Update	All	Held on 21st
August 22	Fund Manager Meetings:		
	• BW: Triennial Valuation	Officers	Meeting held with Actuary on 9th
	• Infrastructure: Hermes Update	Officers	Held 12th
Sep 22	Quarterly Pension Committee Meeting	All	Held on 14th September
	FRS102 Cashflows for Academies	Officers	
Oct 22	Fund Manager Meetings:		
	• Insight (Mellon Corp)	Officers	Held on 6th October
	• Alternatives: ABRDN	Officers	Held on 6th October
	• Infrastructure: Hermes	Officers	Held on 11th October
	PWC: Internal Audit	Officers	Completed end of October
	Introduction to Heywood's: Insight	Officers	11th October
Nov 22	Fund Manager Meetings:		
	• Blackrock: Property	Officers	1st November 2022
	• Hermes: Infrastructure	Officers	29th November 2022
	Q3 ONS submission	Officers	18th November 2022
Jan 23	Quarterly Pension Committee Meeting	All	11th January 2023
	Fund Manager Meetings:		
	• London CIV	Officers	12th January 2023
	• Hermes: Infrastructure		24th January 2023
Feb 23	Employers Triennial Meeting with Actuary	All	10th February 2023
	Q4 ONS submission	Officers	17th February 2023
Mar 23	Pension Fund Annual Accounts preparation	Officers	31st March 2023
	Quarterly Pension Committee Meeting	All	15th March 2023
	Bi-annual Pension Board	Officers	15th March 2023
Apr 23	Project Orion completion	Officers	14th April 2023
	Cashflows for IAS 19 report	Officers	
May 23	IAS19 report by Barnett Waddingham	Officers	

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PENSIONS COMMITTEE

14 June 2023

Title: Draft Pension Fund Accounts 2022/23	
Report of the Chief Operating Officer	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: Jesmine Anwar, Pension Fund Accountant	**Contact Details:** Tel: 020 8227 3763 E-mail: Jesmine.Anwar@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive.	
Summary: This report presents the Pensions Committee with the Draft Pension Fund Accounts for 2022/23.	
Recommendations The Committee is asked to consider and note the Draft Pension Fund Accounts for 2022/23.	

1. Introduction

1.1 This report introduces the draft annual accounts of the London Borough of Barking and Dagenham Pension Fund for the year ended 31 March 2023, which are included as appendix 1.

1.2 The Pension Fund Accounts sets out the financial position of the Pension Fund as at 31 March 2023 and as such acts as the basis for understanding the financial well-being of the Pension Fund. It also enables Members to manage and monitor the Scheme effectively and be able to take decisions understanding the financial implication of those decisions.

1.3 The draft annual accounts are due to be finalised once audit commences.

2. Key Highlights

2.1 2022/23 had a negative return for the year due to the economic downturn following Russia's invasion of Ukraine. With rising inflation and interest rates and the forecasted recession in the UK economy, this has impacted the performance of the fund's investments. The overall investment return for the fund over the year, net of fund manager fees and custodian costs was -1.5%, which was 2.7% lower than the benchmark of 1.2%. Over three years the Fund's annualised return was 10.2%, which is 0.4% below the Fund's benchmark return of 10.6%.

2.2 Over one-year Blackrock provided a negative return of 15.9% and underperformed its benchmark by 1.5%. Baillie Gifford, Newton, Abrdn and UBS also provided negative returns. While Hermes and Kempen provided positive returns.

2.3 Two employers, Citizens Advice Bureau and Cleantech, exited the Fund in 2022/23. During the year, the total number of active employers within the Fund was 40.

2.4 The Fund decreased in value by £44.0m from £1,358.5m as at 31 March 2022 to £1,314.5m as at 31 March 2023.

2.5 Audit fees for the year remained at £16.2k for the year.

3 Recommendation

3.1 The Committee members are recommended to note the Pension Fund Accounts for 2022/23.

APPENDIX 1

Draft Pension Fund Accounts

for the year ended

31 March 2023

London Borough of Barking and Dagenham
Pension Fund Account

	Note	2021/22 £000	2022/23 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions	**8**	47,558	**51,706**
Transfers in from other pension funds	**9**	3,612	**2,681**
		51,170	**54,387**
Benefits	**10**	(42,635)	**(43,914)**
Payments to and on account of leavers	**11**	(4,427)	**(7,633)**
		(47,062)	**(51,547)**
Net additions from dealings with members		4,108	**2,840**
Management expenses	**12**	(7,480)	**(6,578)**
Net Additions/(Withdrawals) including Fund Management Expenses		(3,372)	**(3,738)**
Returns on Investments			
Investment Income	**13**	16,838	**26,080**
Profit (losses) on disposal of investments and changes in the market value of investments	**14**	64,040	**(46,730)**
Net returns on investments		80,877	**(20,603)**
Net increase in the net assets available for benefits during the year		77,505	(24,389)

Net Assets Statement as at 31 March 2023

The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future.

	Note	2021/22 £000	2022/23 £000
Investment Assets	**16**	1,382,672	**1,333,536**
Investment Liabilities	**16**		
Current Assets	**17**	1,229	**1,203**
Current Liabilities	**17**	(44,847)	**(20,065)**
Net asset of the fund available to fund benefits at the end of the reporting period		1,339,064	**1,314,675**

Notes to the Pension Fund Accounts for the year ended 31 March 2023

1. Introduction

The Barking and Dagenham Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (“LGPS”) and is administered by the London Borough of Barking and Dagenham (“LBBD”). The Council is the reporting entity for this Fund. The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

i. The LGPS Regulations 2013 (as amended)
ii. The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
iii. The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is operated as a funded, defined benefit scheme which provides for the payment of benefits to former employees of LBBD and those bodies admitted to the Fund, referred to as “members”. The benefits include not only retirement pensions, but also widow’s pensions, death grants and lump sum payments in certain circumstances. The Fund is financed by contributions from members, employers and from interest and dividends on the Fund’s investments.

The objective of the financial statements is to provide information about the fund’s financial position and performance and show the results of the Council’s stewardship in managing the resources entrusted to it and for the assets at the period end.

The Fund is overseen by the Fund’s Pension Committee, which is a Committee of LBBD. 2022/23 had a negative return for the year due to the economic downturn following Russia’s invasion of Ukraine. With rising inflation and interest rates and the forecasted recession in the UK economy, this has impacted the performance of the fund’s investments. The overall investment return for the fund over the year, net of fund manager fees and custodian costs was -1.5%, which was 2.7% lower than the benchmark of 1.2%. Over three years the Fund’s annualised return was 10.2%, which is 0.4% below the Fund’s benchmark return of 10.6%. Over one-year Blackrock provided a negative return of 15.9% and underperformed its benchmark by 1.5%. Baillie Gifford, Newton, Abrdn and UBS also provided negative returns. While Hermes and Kempen provided positive returns.

Two employers, Citizens Advice Bureau and Cleantech, exited the Fund in 2022/23. During the year, the total number of active employers within the Fund was 40.

2. Format of the Pension Fund Statement of Accounts

The day-to-day administration of the Fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Operating Officer.

The following description of the Fund is a summary only. For more details, reference should be made to the Fund’s Annual Report for 2019/20, which can be obtained from the Council’s website: http://www.lbbdpensionfund.org.

The statutory powers that underpin the scheme are the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) regulations, which can be found at: www.legislation.gov.uk.

Membership

All local government employees (except casual employees and teachers) are automatically enrolled into the Scheme. However, membership of the LGPS is voluntary and employees are free to choose whether to opt out, remain in the Scheme or make their own personal arrangements outside the Scheme. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

A list of the Fund's scheduled and admitted employers are provided below. Not Active employers do not have any current members but have either deferred or pensioners. The obligations and assets for these employers have been absorbed by the Council.

Scheduled Bodies	Admitted Bodies
LBBD	Aspens
Barking College	Aspens 2
Dorothy Barley Academy	Aspens 3
Eastbury Academy	BD Corporate Cleaning
Elutec	BD Schools Improvement Partnership
Goresbrook Free School	BD Together
Greatfields Free School	Be First
James Campbell Primary	BD Trading Partnerships
Partnerships Learning	BD Management Services
Pathways	Caterlink
Riverside Bridge	Caterlink 2
Riverside Free School	Caterlink 3
Riverside School	Caterlink 4
St Margarets	Lewis and Graves
St Joseph's Dagenham	Pantry Catering
St Joseph's Barking	Schools Offices Services Ltd
St Theresa's Dagenham	Sports Leisure Management
Sydney Russell Academy	The Broadway Theatre
Thames View Infants Academy	Town and Country Cleaners
Thames View Junior Academy	
University of East London	
Warren Academy	
Not Active	**Not Active**
Magistrates Court	Abbeyfield Barking Society
	Age UK
	B&D Citizen's Advice Bureau
	Cleantech
	Council for Voluntary Service
	Disablement Assoc. of B&D
	East London E-Learning
	London Riverside
	Laing O'Rourke
	May Gurney
	RM Education

A breakdown of the Fund's members by employer type and by member type is included in the table below:

	2021/22	2022/23
Number of Employers with active members	**42**	**40**
Number of Employees in scheme		
London Borough of Barking and Dagenham		
Active members	4,496	**4,593**
Pensioners	4,718	**4,962**
Deferred pensioners	5,040	**5,188**
Undecided and other members	126	**153**
	14,380	**14,896**
Admitted and Scheduled Bodies		
Active members	1,444	**1,411**
Pensioners	1,038	**1,430**
Deferred pensioners	1,754	**1,835**
Undecided and other members	77	**60**
	4,313	**4,736**

a) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service as summarised below:

	Service pre-1 April 2008	Service post 31 March 2008
Pension:	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum:	Automatic lump sum of 3 x salary. In addition part of annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum, part of the annual pension can be exchanged for a one-off tax- free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

The benefits payable in respect of service from 1 April 2014 are based on career average devalued earnings and the number of years of eligible service. The accrual rate is 1/49 and the benefits are index-linked to keep pace with inflation. From 1 April 2011, the method of indexation changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI).

3. Basis of preparation

The accounts summarise the transactions and net assets for the Fund's transactions for the 2022/23 financial year and its position as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2022/23. The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2023. Such items are reported separately in the Actuary's Report provided in Note 20 to the Fund's accounts.

The accounts have been prepared on an accruals basis (that is income and expenditure are recognised as earned or incurred, not as received and paid) except in the case of transfer values which are included in the accounts on a cash basis. The Pension Fund Accounts have been prepared on a going concern basis.

3.1 Contributions (see Note 8)

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

Secondary contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

3.2 Transfers to and from other schemes (see Note 9)

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Transfer Values to/from other funds, for individuals, are included in the accounts based on the actual amounts received and paid in the year.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.3 Investment income (see Note 13)

i) Interest income - Interest income is recognised in the Fund account as it accrues. Interest from financial assets that are not carried at fair value through profit and loss, i.e. loans and receivables, are calculated using the effective interest basis.

ii) Dividend income - Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Movement in the net market value of investments - Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/loss during the year.

3.4 Net Assets Statement at market value is produced on the following basis (see note 14)

i) Quoted investments are valued at bid price at the close of business on 31 March 2023;

ii) Unquoted investments are based on market value by the fund managers at year end in accordance with accepted guidelines;

iii) Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax;

iv) Investments held in foreign currencies have been valued in sterling at the closing rate ruling on 31 March 2023. All foreign currency transactions are translated into sterling at exchange rates ruling at the closing rate of exchange; and

v) Limited partnerships are valued at fair value on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

3.5 Management expenses (see note 12)

Administration Expenses

All administration expenses are accounted for on an accrual basis. Staff costs associated with the Fund are charged to the Fund, with management, accommodation and other overheads apportioned in accordance with LBBD's policy.

Investment management expenses

All investment management expenses are accounted for on an accrual basis.

External manager fees, including custodian fees, are agreed in the respective mandates governing their appointments, which are broadly based on the market value of the Fund's investments under their management. Therefore, investment management fees increase / decrease as the value of these investments change.

The Fund does not include a performance related fees element in any of their contracts. Where it has not been possible to confirm the investment management fee owed by the balance sheet date, an estimate based on the market value has been used.

Most the Fund's holdings are invested in pooled funds which include investment management expenses, including actuarial, trading costs and fund manager fees, within the pricing mechanism.

The Council has made a prepayment of employer pension contributions to the Fund for two years totalling £40m. The interest costs associated with this prepayment are included as an investment management expense.

3.6 Taxation

The Fund is a registered public-sector service scheme under section 1(1) of schedule 36 of the Finance act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceed of investments sold.

Taxation agreements exist between Britain and other countries whereby all or a proportion of the tax deducted locally from investment income may be reclaimed. Non-recoverable deductions are classified as withholding tax.

Value Added Tax is recoverable on all Fund activities by the administering authority.

3.7 Foreign currency transactions

Dividends, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts.

3.8 Cash and cash equivalents

Cash comprises cash in-hand and on-demand deposits.

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

3.9 Present Value of Liabilities

These accounts do not include the Fund's liabilities to pay pensions and other benefits, in the future, to all the present contributors to the Fund. These liabilities are taken account of in the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined at these valuations.

3.10 Actuarial present value of promised retirement benefits (see note 20)

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement

3.11 Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Fund's Balance Sheet but are disclosed as a note to the accounts. They arise as a result of past events but are only confirmed by the occurrence of one or more uncertain future events which are not entirely within the Fund's control.

Contingent liabilities arise from a present obligation arising from past events but only where it is not probable that a transfer of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured with sufficient reliability.

4. Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 3, the Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events.

A critical judgement made within the accounts is for the Pension Fund liability, which is calculated every three years by the appointed Actuary and is included in Note 20 but is not included in the net asset statement. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 20. This estimate is subject to significant variances based on changes to the underlying assumptions.

Unquoted investments

Determining the fair value of unquoted investments (unquoted equity investments and hedge fund or funds) can be subjective. They are inherently based on forward-looking estimates and judgements involving many factors including the impact of market volatility following the COVID-19 outbreak. Unquoted investments are valued by the investment managers. The total financial instruments held by the Fund at **Level 3 were £273.3m.**

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. There were no items in the Statement of Accounts 2022/23 for which there is a significant risk of material adjustment in the forthcoming financial years.

All investments are measured at fair value and by necessity, unquoted investments involve a degree of estimation. Notes 14 and 21 provide information about valuation methodology and the assumptions made in deriving the estimates.

6. Additional Voluntary Contributions (AVC)

Additional Voluntary Contributions (AVCs) administered by the Prudential were made by LBBD employees during the year. In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts.

AVCs were valued by Prudential at a market value of **£3.3m** (2021/22 £3.4m).

7. Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are included in Note 12.

8. Contributions

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007, ranging from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employee contributions are matched by employer contributions, which are set based on triennial actuarial funding valuations.

Currently employer contribution rates range from 18.1% to 43.0%.

Pension strain contributions are accounted for in the period in which the liability arises. Any amounts due in year but unpaid will be classed as a current financial asset.

The Council uses a mechanism to stabilise the contribution rates. This was agreed following the actuary, Hymans Robertson, completing a stochastic modelling of the long-term funding position. Eligibility for stabilisation is dependent on reasonable consistency in an employer's membership profile. The primary contribution rate for the financial year ending 31 March 2023 was 23%.

Contributions shown in the revenue statement may be categorised as follows:

Contributions	2021/22	2022/23
Members normal contributions	**£000**	**£000**
Council	8,342	**9,173**
Admitted bodies	482	**475**
Scheduled bodies	1,909	**2,002**
Total contributions from members	10,733	**11,650**
Employers contributions		
Council - Normal	22,703	**24,335**
Council - Deficit Recovery	4,442	**6,084**
Admitted bodies - Normal	1,941	**1,863**
Admitted bodies- Deficit Recovery	98	**96**
Scheduled bodies - Normal	5,732	**5,993**
Scheduled bodies- Deficit Recovery	1,674	**1,646**
Pension Strain	235	**39**
Total contributions from employers	36,825	**40,055**
Total Contributions	47,558	**51,706**

9. Transfers in from other pension funds

	2021/22	2022/23
	£000	**£000**
Individual Transfers	3,612	**2,681**
	3,612	**2,681**

10. Benefits

Benefits payable and refunds of contributions have been brought into the accounts based on all valid claims approved during the year.

	2021/22				**2022/23**			
	Council	Admitted Bodies	Scheduled Bodies	Total	**Council**	**Admitted Bodies**	**Scheduled Bodies**	**Total**
	£000	£000	£000	£000	**£000**	**£000**	**£000**	**£000**
Pensions	29,506	229	6,428	36,163	**30,508**	**259**	**7,079**	**37,846**
Lump sums	3,769	369	712	4,850	**4,007**	**188**	**1,005**	**5,200**
Death grants	953	-	364	1,317	**667**	**45**	**156**	**868**
	34,228	584	7,521	42,330	**35,182**	**491**	**8,240**	**43,914**

11. Payments to and on account of leavers

	2021/22	2022/23
	£000	**£000**
Individual Transfers	4,427	**7,235**
Refunds	305	**398**
	4,732	**7,633**

12. Management Expenses

	2021/22	2022/23
	£000	**£000**
Administration and Processing	676	**767**
Management Fees	4,839	**4,182**
Custody Fees	57	**56**
Oversight and Governance Fees	240	**214**
Other Costs	1,668	**1,359**
	7,480	**6,578**

13. Investment Income

	2021/22	2022/23
	£000	**£000**
Fixed Interest Securities	442	**427**
Equity Dividends	13,294	**22,223**
Pooled Property Income	2,275	**2,104**
Interest - Manager's Cash	825	**1,309**
Interest - LBBD balance	1	**9**
Other Income	1	**8**
	16,838	**26,080**

14. Investments: The movement in the opening and closing value of investments during the year, together with related direct transaction costs were as follows:

	Value 31/03/2022 £000	**Purchases £000**	**Sales £000**	**Change in Fair Value £000**	**Cash Movement £000**	**Value 31/03/2023 £000**
Pooled Unit Trusts	**1,070,285**	**38,712**	**(57,849)**	**(29,503)**		**1,021,645**
Property Unit Trusts	**62,413**	**1,685**	**(3,049)**	**(10,962)**		**50,088**
Pooled Alternatives	**128,840**	**33,274**	**(39,704)**	**5,911**		**128,321**
Infrastructure	**104,150**	**(3,173)**		**(4,050)**		**96,926**
Other Investments	**150**					**150**
Derivative Contracts						
Futures	**(505)**	**20,194**	**(10,856)**	**(8,011)**		**821**
Cash Deposits						
Custodian	**13,699**	**(56)**	**4,859**	**3**	**(4,933)**	**13,572**
In-House	**113**				**21,545**	**21,659**
Short-Term Loan	**(24,150)**				**5,150**	**(19,000)**
Pending Trade Sales	**3,527**		**(3,166)**	**(17)**		**344**
Other Investments	**9**					**9**
Total	**1,358,531**	**90,636**	**(109,765)**	**(46,629)**	**21,763**	**1,314,535**

	Value 31/03/2021 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2022 £000
Pooled Unit Trusts	1,041,546	6,676		22,063		1,070,285
Property Unit Trusts	60,250	13,371	(31,823)	20,615		62,413
Pooled Alternatives	96,192	53,124	(42,155)	21,668		128,840
Infrastructure	99,190	649		4,311		104,150
Other Investments	150					150
Derivative Contracts						
Futures	287	5,527	(1,674)	(4,645)		(505)
Cash Deposits						
Custodian	14,327	-	1,868	0	(2,492)	13,699
In-House	39				74	113
Short Term Loan	(29,200)				5,050	(24,150)
Pending Trade Sales	0		3,518	8		3,526
Other Investments	9					9
Total	1,282,790	79,346	(70,266)	64,020	2,633	1,358,531

The change in fair value of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits and losses realised on sales of investment and changes in the sterling value of assets caused by changes in exchange rates. In the case of pooled investment vehicles changes in market value also includes income, net of withholding tax, which is reinvested in the Fund.

The cost of purchases and the sales proceeds are inclusive of transaction costs, such as broker fees and taxes. In addition to transaction costs, indirect costs are incurred through the bid offer spread on investments within pooled investment vehicles. The amount of indirect cost is not separately provided to the Fund. The Fund employs specialist investment managers with mandates corresponding to the principal asset classes. A list of the Fund's Fund Manager, their mandate and the asset type are outlined in the table below:

Investment Manager	Mandate	Asset Type
Abrdn Asset Management	Active	Diversified Alternatives
Insight	Active	Global Credit
London CIV: Baillie Gifford	Active	Global Equity (Pooled)
London CIV: Pyrford	Active	Absolute Return
London CIV: Newton	Active	Absolute Return
London CIV: Other	Passive	None
BlackRock	Active	Property Investments (UK)
Hermes	Active	Infrastructure (LLP)
Kempen	Active	Global Equity (Pooled)
Prudential/M&G	Active	Alternatives - UK Companies Financing
RREEF	Active	Property Investments (UK)
Schroders	Active	Property Investments (UK Fund of Funds)
UBS	Passive	Global Equity (Pooled)
UBS	Passive	All Share Fixed Income (Pooled)

The value of the Fund, by manager, as at 31 March 2023 was as follows:

Fund by Investment Manager	2021/22		2022/23	
	£'000	%	**£'000**	**%**
Abrdn Asset Management	128,335	9.6%	**129,142**	**9.8%**
BlackRock	59,357	4.4%	**50,088**	**3.8%**
Hermes	104,150	7.7%	**96,926**	**7.4%**
Kempen	204,309	15.0%	**218,687**	**16.6%**
Other Cash Balances	13,812	1.0%	**35,231**	**2.7%**
Short Term Investment	(24,150)	-1.8%	**(19,000)**	**-1.4%**
RREEF	0	0.0%	**0**	**0.0%**
Schroders	3,056	0.2%	**0**	**0.0%**
Insight	66,227	4.9%	**67,849**	**5.2%**
UBS Passive Bonds	36,808	2.7%	**30,818**	**2.3%**
UBS Passive Equity	274,912	20.2%	**261,854**	**19.9%**
London CIV	150	0.0%	**150**	**0.0%**
London CIV - Baillie Gifford	291,693	21.4%	**0**	**0.0%**
London CIV - Newton / Pyrford	196,336	14.4%	**442,437**	**33.7%**
Pending Trade Sales	3,527	0.3%	**344**	**0.0%**
Other Investments – Tax Recoverable	9	0.0%	**9**	**0.0%**
Total	1,358,531	100.0%	**1,314,536**	**100.0%**
Current Assets	1,229	0.1%	**1,203**	**0.1%**
Current Liabilities	(20,697)	-1.5%	**(1,065)**	**-0.1%**

15. Cash

The cash balance held at 31 March 2023 is made up as follows:

Cash balances held by Investment Managers	2021/22 £000	**2022/23 £000**
Aberdeen Asset Management	13,444	**13,572**
Schroders	19	**-**
BlackRock	183	**-**
Other balances	53	**-**
In-house Cash	113	**21,659**
Total Cash	13,812	**35,231**

16. Securities

	2021/22 £000's	**2022/23 £000's**
Investment Assets		
Pooled funds - UK		
UK fixed Income Unit Trust	36,808	**30,818**
UK Equity Unit Trust	566,755	**262,004**
UK Absolute Return	196,336	**442,437**
UK Property Unit Trust	3,056	**-**
Pooled funds - Overseas		
Overseas Fixed Income Unit Trust	76,556	**67,849**
Overseas Equity Unit Trust	206,391	**220,727**
Overseas Property Unit Trust	59,357	**50,088**
Other Investment - Infrastructure	104,150	**96,926**
Other Investment - Private Equity	76,427	**89,808**
Other Investment - Hedge Funds	40,002	**36,473**
Other Investment – Tax Recoverable	9	**9**
Cash	13,812	**35,231**
Pending Trade Sales	3,527	**344**
Futures	-	
Total Investment Assets	1,383,186	**1,332,715**
Investment Liabilities		
Futures	(505)	**821**
Total Investment Liabilities	(505)	**821**
Current Assets: Debtors	1,229	**1,203**
Current Liabilities: Creditors	(44,847)	**(20,065)**
Total Net Assets	1,339,063	**1,314,674**

17. Debtors and Creditors

The following amounts were debtors or creditors for the Fund at 31 March 2023:

	2021/22	**2022/23**
Debtors	£000	**£000**
Other Investment Balances		
Pending Trade Sales	3,518	**353**
Current Assets		
Other local authorities	426	**645**
Other entities and individuals	803	**559**
Total Current Assets	1,229	**1,203**
Total Debtors	4,747	**1,556**
Creditors: Investment Liabilities		
Futures	-	
Current Liabilities		
Other local authorities	410	**203**
LBBD Prepayment	20,000	**-**
Other entities and individuals	287	**862**
Short Term Loan from LBBD	24,150	**19,000**
Total Current Liabilities	44,847	**20,065**
Total Creditors	44,847	**20,065**

18. Holdings

All holdings within the Fund at 31 March 2023 were in pooled funds or Limited Liability Partnerships (LLP), with no direct holdings over 5% of the net assets of the scheme. At 31 March 2023 the following pooled funds and LLPs were over 5% of the scheme's net assets:

Security	**Market Value as at 31 March 2023**	**% of Total Fund**
	£000	**%**
Insight	67,849	5.2%
UBS Passive Equity	261,854	19.9%
Kempen	218,687	16.6%
London CIV – Pyrford/Newton	442,437	33.7%
Hermes	96,926	7.4%

19. Investment Strategy Statement

An Investment Strategy Statement was agreed by the Council's Investment Committee on 16 December 2020 and is updated periodically to reflect changes made in Investment Management arrangements. The nature and extent of risk arising from financial instruments and how the Fund manages those risks is included in the Investment Strategy Statement. Copies can be obtained from the Council's Pension website: http://www.lbbdpensionfund.org

20. Actuarial position

Actuarial assumptions

The 2019 triennial review of the Fund took place as at 31 March 2019 and the salient features of that review were as follows:

- The funding target is to achieve a funding level of at least 100% over a specific period;
- Deficit recovery period remained 17 years in 2019;
- The key financial assumptions adopted at this valuation are:
  - Future levels of price inflation are based on the Consumer Price Index (CPI);
  - The resulting discount rate of 4.0% (4.1% as at 31 March 2016).
- Market value of the scheme's assets at the date of the valuation were £1,022 million;
- The past service liabilities at the rate of the valuation were £1,141 Million;
- The resulting funding level was 90% (77% as at 31 March 2016); and
- The use of an appropriate asset outperformance assumption is based on available evidence and is a measure of the degree of prudence assumed in the funding strategy.

The valuation has made assumptions about member longevity and has used the following average future life expectancies for pensioners aged 65 at the valuation date:

Longevity Assumptions	2016	2016	**2019**	**2019**
at 31 March	Male	Female	**Male**	**Female**
Ave. future life expectancy (in years for a pensioner)	22.0	24.7	**21.3**	**23.4**
Ave. future life expectancy (in years) at age 65 for non -pensioner assumed to be aged 45 at valuation date	24.0	26.4	**22.3**	**24.9**

Some of the key financial assumptions adopted by the actuary for the valuation of members' benefits at the 2019 valuation are set out below:

Financial Assumptions (p.a.)	**31 March 2016**	**31 March 2019**
Benefit increases and CARE revaluation (CPI)	2.1%	2.3%
Salary increases	2.6%**	3.0%**

*CPI plus 0.4%
**CPI plus 0.7%

Present value of funded obligation

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 Employee Benefits (IAS 19) assumptions, is estimated to be **£1,978m** as at 31 March 2021 (31 March 2020: £1,501m). This figure is used for statutory accounting purposes by the Pension Fund and complies with the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans. The assumptions underlying the figure are as per the IAS 19 assumptions above.

The figure is prepared for the purposes of IAS 26 and has no validity in other circumstances. It is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund, which is carried out on a triennial basis.

The LGPS benefit structure is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. Additional prudence has built into funding plans to allow for the McCloud ruling so the gross pension liability of £1,978m takes this into account.

As a result of the Government's introduction of a single-tier state pension (STP), there is currently uncertainty around who funds certain elements of increases on Guaranteed Minimum Pensions (GMP) for members reaching State Pension Age after 6 April 2016. As part of the introduction of STP, the Government confirmed that public service pension schemes, including the LGPS, will be responsible for funding all increases on GMP as an 'interim solution' so this has been factored into the liabilities.

Total contribution rate

The table below shows the minimum total contribution rates, expressed as a percentage of pensionable pay, which was applied to the 2022/23 accounting period:

Scheduled Bodies	Rate %	Admitted Bodies	Rate %
Barking College	22.3	Aspens	31.5
Dorothy Barely Academy	19.8	Aspens 2	29.6
Eastbury Academy	20.1	B&D Citizen's Advice Bureau	43.0
Elutec	20.8	BD Corporate Cleaning	27.8
Goresbrook Free School	18.1	BD Schools Improvement P'ship	27.7
Greatfields Free School	19.0	BD Together	27.8
James Cambell Academy	22.2	BD Management Services	27.8
LBBD	22.0	BD Trading Partnership	27.8
Partnership Learning	19.9	Be First	27.0
Pathways	23.7	Cleantech	29.8
Riverside Bridge	19.4	Caterlink	34.0
Riverside Free School	19.3	Caterlink 2	26.4
Riverside Primary School	19.4	Caterlink 3	26.9
St Joseph's Dagenham	26.0	Caterlink 4	28.9
St Joseph's Barking	24.6	Lewis and Graves	34.5
St Margarets Academy	20.8	Pantry Catering	31.5
St Theresa's Dagenham	28.7	Schools Offices Services Ltd	26.9
Sydney Russell	20.1	Sports Leisure Management	21.0
Thames View Infants Acad.	20.5	The Broadway Theatre	29.5
Thames View Junior Acad.	20.7	Town and Country Cleaners	27.7
University of East London	34.4		
Warren Academy	20.1		

The financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

Funding level and position

The table below shows the detailed funding level for the 2019 valuation:

Employer contribution rates	As at 31 March	
	2016	**2019**
Primary Rate (net Employer Future Service Cost)	18.2%	**19.8%**
Secondary Rate (Past Service Adjustment – 17-year spread)	6.8%	**3.0%**
Total Contribution Rate	25.0%	**22.8%**

The Primary rate above includes an allowance for administration expenses of 0.5% of pay. The employee average contribution rate is 6.6% of pay. The table below shows the funding position as at 31 March 2019.

Past Service Funding Position at 31 March	As at 31 March 2016	**As at 31 March 2019**
Past Service Liabilities	£m	**£m**
Employees	(324)	**(323)**
Deferred Pensioners	(221)	**(287)**
Pensioners	(456)	**(531)**
	(1,001)	**(1,141)**
Market Value of Assets	772	**1,022**
Funding Deficit	(228)	**(119)**
Funding Level	77%	**90%**

21. Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. There were no transfers between levels during 2022/23.

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

Listed investments are shown as bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. The total financial instruments held by the Fund at **Level 1 were £1,059.1m**

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques use inputs that are based significantly on observable market data. Pending trade sales from the funds pooled alternative manager has been classified as Level 2. The total financial instruments held by the fund at **Level 2 was £1.2m.**

Level 3
Financial instruments at Level 3 are those where at least one input could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund or funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The Fund's infrastructure manager has been classified as level 3 as valuations are based on a variety of assumptions and the assets held do not have a readily identifiable market.

The values of the investment in infrastructure is based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value. The total financial instruments held by the Fund at **Level 3 were £273.3m.**

Asset Valuation Hierarchy and Basis of Valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs
Fixed Income Unit Trusts	Level 1	Published bid market price ruling on the final day of the accounting period	Not required
Equity Unit Trust	Level 1	Market value based on current yields	Not required
Absolute Return Funds	Level 1	Closing bid value on published exchanges	Not required
Property Unit Trust	Level 3	Closing single price where single price published	NAV-based pricing set on a forward pricing basis
Other Investment - Infrastructure	Level 3	Enterprise value (EV) / Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) as their valuation methodology, using a basket of public and transaction comparables.	EV / EBITDA
Other Investment - Private Equity	Level 3	EV / EBITDA as their valuation methodology, using a basket of public and transaction comparables.	EV / EBITDA
Other Investment - Hedge Funds	Level 3	Underlying assets publicly traded securities (equities, bonds) where pricing is readily available from providers i.e. Bloomberg or Reuters.	Valuations affected by any changes to value of the financial instrument being hedged against.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

Description of asset	Assessed valuation range	Value at 31 March 2023	Value on Increase	Value on Decrease
	%	£000s	£000s	£000s
Property Unit Trust	10	50,088	55,097	45,079
Other Investment - Infrastructure	15	96,926	111,465	82,387
Other Investment - Private Equity	15	89,808	103,279	76,337
Other Investment - Hedge Funds	15	36,473	41,944	31,002
		273,295	311,785	234,805

The potential movement of 10% for Property Unit Trusts represents a combination of the following factors, which could all move independently in different directions:

— Rental increases +/- 4%
— Vacancy levels +/- 2%
— Market prices +/- 3%
— Discount rates +/-1%

All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 15% is caused by how this profitability is measured since different methods (listed in the first table of Note 21 above) produce different price results.

22. Events after the Reporting Period

None

23. Related parties

The Fund is a related party of the Council as the following transactions are controlled by the Council. Pension administration and investment management costs of **£651.5k** (2021/22: £667.6k) are charged by the Council.

24. Contingent Asset and liabilities

As at 31 March 2023 there were no contingent assets or liabilities.

25. Compensation of key management personnel

Compensation of key management personnel, including members of the Pension Committee, the Managing Director, the Director of Finance, the Investment Fund Manager, Pension Fund Accountant and Senior Treasury Accountant, charged to the Fund are provided below:

	2021/22	**2022/23**
	£000	**£000**
Short Term employee benefits	147.2	**135.6**
Total	147.2	**135.6**

26. Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period. The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Financial assets	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	**Designated as fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised cost**
		2021/22			**2022/23**	
	£000	£000	£000	**£000**	**£000**	**£000**
Pooled Fixed Income Unit Trusts	113,364			**98,667**		
Equities	773,146			**482,731**		
Property Unit Trusts	62,413			**50,088**		
Cash		13,812			**35,231**	
Other investments	416,419			**666,475**		
Pending Trade Sales		3,527			**344**	
Total Financial Assets	1,365,342	17,339		**1,297,961**	**35,575**	
Financial Assets - Debtors			1,229			**1,203**
Financial liabilities - Creditors			(44,847)			**(20,065)**
Total Net Assets	1,365,342	17,339	(43,618)	**1,297,961**	**35,575**	**(18,862)**

27. Nature and extent of risks arising from Financial Instruments.

The Fund activities expose it to a variety of financial risks, including:

- **Market risk** – the possibility that financial loss might arise from the Fund's as a result of changes in such measures as interest rates or stock market movements;
- **Interest rate risk** – the risk that interest rates may rise/fall above expectations;
- **Credit risk** - the risk that other parties may fail to pay amounts due;
- **Liquidity risk** – the risk that the Fund may not have funds available to meets its commitments to make payment; and
- **Refinancing risk** – the risk that the Fund might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension Fund risk management programme.

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

Risk and risk management

Market risk

Market risk is the risk of loss from fluctuations in equity prices, from interest and foreign exchange rates and from credit spreads. The Fund is exposed to market risk predominantly from its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

- Fund's exposure to market risk monitored by reviewing the Fund's asset allocation.
- Specific risk exposure limited by applying maximum exposure to individual investment.

Other price risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other price risk - sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Risk assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on Funds' asset allocations.

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix. The Council has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period.

Asset Class	**One Year Expected Volatility (%)**	**Asset Class**	**One Year Expected Volatility (%)**
Global Pooled Inc UK	13.9	Alternatives	6.8
Total Bonds	5.7	Cash	1.8
Property	7.5		

The sum of the monetary impact for each asset class will equal the total Fund impact as no allowance has been made for diversification of the one-year standard deviation for a single currency. Had the market price of the Fund investments increased or decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset Type	**Value as at 31 March 2023 £000**	**% Change**	**Value on Increase £000**	**Value on Decrease £000**
Pooled Fixed Interest Securities	**98,667**	**5.7**	**104,291**	**93,043**
Pooled Equity Investments	**482,731**	**13.9**	**549,831**	**415,632**
Pooled Property	**50,088**	**7.5**	**53,845**	**46,331**
Pooled Absolute Return	**442,437**	**6.8**	**472,523**	**412,352**
Infrastructure	**96,926**	**6.8**	**103,517**	**90,335**
Other Investments	**127,455**	**6.8**	**136,122**	**118,788**
Cash	**35,231**	**1.8**	**35,865**	**34,597**
Total	**1,333,535**		**1,455,994**	**1,211,078**

Asset Type	Value as at 31 March 2022 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	113,364	5.1	119,146	107,582
Pooled Equity Investments	773,146	15.2	890,664	655,628
Pooled Property	62,413	4.4	65,159	59,667
Pooled Absolute Return	196,336	5.0	206,153	186,519
Infrastructure	104,150	5.0	109,357	98,942
Other Investments	119,460	5.0	125,433	113,487
Cash	13,812	1.2	13,978	13,647
Total	1,382,681		1,529,890	1,235,472

Interest rate risk

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

The Fund's interest rate risk is monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest movements as at 31 March 2022 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2022 £000	**As at 31 March 2023 £000**
Cash and cash equivalent	13,812	**35,231**
Fixed interest securities	113,364	**98,667**
Total	127,176	**133,898**

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100-basis point (BPS) movement in interest rates in consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	**Carrying amount as at 31 March 2023**	**Change in year in the net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£000	**£000**	**£000**
Cash and cash equivalent	**35,231**	**352**	**(352)**
Fixed interest securities	**98,667**	**987**	**(987)**
Total	**133,898**	**1,339**	**(1,339)**

Asset type	Carrying amount as at 31 March 2022	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
Cash and cash equivalent	13,812	138	(138)
Fixed interest securities	113,364	1,134	(1,134)
Total	127,176	1,272	(1,272)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Pension Committee Members are aware of the cash flow pressures that are affecting the Fund. These include the potential for a reduction in Fund current members from the significant savings the LBBD needs to make in the coming years and from an increase in pension payments due to increased pensioner numbers and as a result of the pricing index exceeding salary increases. Members receive a quarterly report on the Fund's cash flow and have agreed to utilise distributions from property and infrastructure to fund future investments and to cover any cash flow shortfalls.

Where there is a long-term shortfall in net income into the Fund, investment income will be used to cover the shortfall. All financial liabilities at 31 March 2023 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of the Fund's financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Credit Risk

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Fund's internally managed cash is invested by the Council's treasury team. Deposits are not made with banks and financial institutions unless they meet the council's credit criteria. The council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency.

28. London Borough of Barking and Dagenham (LBBD)

The Fund is administered by LBBD. Consequently, there is a strong relationship between the Council and the Fund.

The Council incurred administration and investment management costs of **£651.5k** (2021/22 £667.6k) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Fund and contributed **£30.4m** to the Fund in 2022/23 (2021/22 £27.1m). All monies owing to and due from the Fund were paid in year.

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