Barking & Dagenham

Notice of Meeting

PENSIONS COMMITTEE

Wednesday, 11 January 2023 - 6:00 - 8:30 pm
Council Chamber, Town Hall, Barking

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

Independent Advisor: John Raisin

Observers: Steve Davies and Susan Parkin

Date of publication: 3 January 2023

Fiona Taylor
Acting Chief Executive

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

AGENDA

1. **Training - Triennial Valuation, Investment Strategy and Asset Classes**

   A PowerPoint presentation will be made by David Dickinson, Investment Fund Manager and John Raisin, Independent Advisor to the Committee.

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. **Apologies for Absence**

4. **Minutes - To confirm as correct the minutes of the meeting held on 14 September 2022 (Pages 3 - 6)**

5. **Quarterly Monitoring Report (Pages 7 - 38)**

6. **Administration & Governance Report (Pages 39 - 56)**

7. **2021-22 Draft Pension Fund Accounts (Pages 57 - 82)**

8. **Business Plan Update 2021 - 23 (Pages 83 - 89)**

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

10. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.

Private Business

The public and press have a legal right to attend Council meetings such as the Pensions Committee, except where business is confidential or certain other sensitive information is to be discussed. The list below shows why items are in the private part of the agenda, with reference to the relevant legislation (the relevant paragraph of Part 1 of Schedule 12A of the Local Government Act 1972 as amended). ***There are no such items at the time of preparing this agenda.***

11. Any other confidential or exempt items which the Chair decides are urgent

Our Vision for Barking and Dagenham

ONE BOROUGH; ONE COMMUNITY; NO-ONE LEFT BEHIND

Our Priorities

Participation and Engagement

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

Prevention, Independence and Resilience

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

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

Inclusive Growth

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

Well Run Organisation

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

MINUTES OF
PENSIONS COMMITTEE

Wednesday, 14 September 2022
(6:00 - 7:45 pm)

Members Present: Cllr Moin Quadri (Chair), Cllr Olawale Martins (Deputy Chair), Cllr Nashitha Choudhury, Cllr Rocky Gill and Cllr Giasuddin Miah

Advisors Present: John Raisin and Nicholas Jellema

Apologies: Cllr Tony Ramsay

7. Training - Fund Triannial Valuation process

In accordance with the schedule of training agreed at the last meeting and prior to the formal business of the meeting, Barry Mackay of Barnett Waddingham presented the Committee with information about the Pension Fund's Triennial Valuation process. He explained about how the Fund is valued which takes into account the liabilities, its assets and the level of contributions from participating active members, the rates of which are set by bands and fixed by salary range and specified in regulations. He also referenced the employer contribution rates (both primary and secondary).

Mr Mackay set out the valuation project timescales over the 12-month period 31 March 2022 – 31 March 2023 and explained the process of valuing liabilities for each employer. As part of the valuation, key actuarial assumptions must be made including their impacts. These cover pension increases (based on CPI), salary increases, demographics including retirement, longevity, commutation and mortality rates, the latter of which also highlighted the effect of Covid. A further factor is the discount rate which takes account of the Fund's long-term investment strategy and performance.

He referenced the last funding valuation explaining the funding position which at the time based on the liabilities and market value of assets estimated the level of the Fund at 90%. The Investment Fund Manager added that due to the changing economic situation the Fund was now over 100% funded.

Looking at further key issues on the Pension Fund Mr Mackay highlighted future inflationary pressures both in the short and long term as well as the volatility of the markets due to the Ukraine crisis and impacts on the global economy and impacts on growth. Concluding the presentation, he summarised the general outlook for the Fund which indicated strong investment performance to date, and although liabilities were increasing due in particular to higher inflation, it had an improved funding position. Although there were upward pressures on primary contributions, and a reduction in secondary contributions for some, overall, the aim was for contributions to remain affordable and stable.

The Chair thanked Mr Mackay for his informative presentation and announced a five-minute comfort break before commencing with the formal business of the meeting.

8. Death of Her Majesty Queen Elizabeth II

The Committee noted with extreme sadness the death of Her Majesty Queen Elizabeth II and the Chair called on those present to stand for a minute's silence.

9. Declaration of Members' Interests

There were no declarations of interest.

10. Minutes (15 June 2022)

The minutes of the meeting held on 15 June 2022 were confirmed as correct.

11. Pension Fund Quarterly Monitoring - April to June 2022

The Investment Fund Manager presented a report on the Fund's performance during the period 1 April to 30 June 2022 (quarter 2), including details of the performance of individual Fund Managers, and the Committee also received a verbal update on the unaudited performance of the Fund up to 14 September 2022 as well as an update on the Fund's investment strategy and performance and a Quarter 2 market update from Nick Jellema, Hymans Robertson.

In response to the latter update, Members asked about the fiscal controls available to the Bank of England to manage the high rates of inflation. Mr Jellema commented that whilst it was likely that the Bank would continue to raise interest rates, this would need to be carefully balanced against chocking off growth with one of the inevitable consequences of higher interest rates being a reduction in the rates of returns against Government Bonds, particularly those with fixed interest rates.

The Investment Fund Manager responded to questions and observations about the underperformance of certain Fund Managers over the last quarter. He advised that those managers have performed well over the longer term but, more recently and given the volatility in the markets, there had been a big correction in certain sectors. The general view was that now was not the right time to consider changes, especially given the success of the Fund's Investment Strategy overall, and it was more appropriate to consider a rebalancing of the Fund amongst the managers.

There was then a discussion about the wider global factors affecting the economy, particularly the war in Ukraine, and the strategy and measures available to best protect the value of the Pension Fund.

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.

12. Administration & Governance

The report provided an update 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), the London Collective Investment Vehicle (LCIV) as the Fund moves towards more pooled investments, LBBD Pension Fund Business Plan update and training requirements.

Responding to comments, the Investment Fund Manager explained the employee pension contribution rates in the light of the high level of inflation, clarification as to the basis of the £20m prepayment sum agreed by the Committee in March 2022, and the arrangements for the setting up of the LCIV.

There was also information and an update from John Raisin, Independent Advisor (IA) to the Committee, in respect of a number of important issues relating to the ongoing development of the LGPS at a national level. These covered current and anticipated consultations from the DLUHC including Investment Pooling, Climate Reporting, Good Governance and Age Discrimination in the LGPS (commonly referred to as "McCloud").

Given that the IA joined the meeting remotely and having regard to some of technical difficulties experienced at the meeting, it was agreed that any questions from Members should be emailed via the Committee Officer for a written response from the IA.

The Committee **noted** the report.

13. Business Plan 2021-2023 Update

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

In relation to the proposed programme of training for the Committee, reference was made to the importance of fully understanding the types of asset classes and, to that end, officers were asked to engage a Fund Manager to provide appropriate input.

14. Private Business

The Panel **agreed** 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 paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

15. Pension Fund Administration Improvements Proposals

The Investment Fund Manager (IFM) presented a report on a proposal to enhance the services available to Pension Fund Members via the award of a contract to Heywood Pension Technologies, the current provider of the administration system used by the Council's Pensions Team, for additional software options.

The IFM advised that, over the years, the number of Fund Members had grown considerably along with an increased demand and complexity for information on an individual's pension promise. Furthermore, there was a move towards having a one stop for pensions, with all such information, including non LGPS, being found in one place.

Given both the increased demand and the need to improve the services provided by the Council's small Pensions Team, and to reduce its workload on basic queries, it was proposed to utilise the following additional software options provided by Heywood:

- Member Self Service, providing internet and intranet facilities to enable all employees, past, present and future, to access their individual information, update data, view documents and carry out "What if…." Modelling;

- Address Look-up to validate addresses and postcodes using a third-party database, and

- Altair Insights, a modern analytics and reporting platform that Heywood had developed to help customers get the most out of their data, providing responsive and interactive dashboards alongside powerful and streamlined reports.

The IMF outlined the costs associated with the contract and confirmed that the pension administration market had become more competitive, which meant that the enhancements now represented value-for-money. A point was raised about having a break clause into the contract to allow for a review of market conditions during the five-year term. The IFM explained the rationale for not seeking a break clause, adding that as the pension administration market developed over time he would foresee the Council seeking a framework arrangement as a means to further reduce costs and improve service provision when the contract expired.

The Committee **agreed** to award a five-year contract to provide Member Self-Service, Address Look Up and Altair Insights to Heywood Pension Technologies on the terms detailed in the report.

PENSIONS COMMITTEE

11 January 2023

Title: Pension Fund Quarterly Monitoring 2022/23 – 1 July to 30 September 2022	
Report of the Managing Director	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Acting 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 July to 30 September 2022. The report updates the Committee on the Fund's investment strategy and its investment performance.	
Recommendation(s) The Pension Committee is recommended to note: (i) the progress on the strategy development within the Fund; (ii) the Fund's assets and liabilities daily value movements outlined in Appendix 1; and (iii) the quarterly performance of the fund collectively and the performance of the fund managers individually.	
Reason(s)	

1. Introduction and Background

1.1 This report provides information for employers, members of the LBBD Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 July to 30 September 2022 ("Q3"). The report updates the Committee on the Fund's investment strategy and performance. Appendix 2 provides a definition of terms used in this report. Appendix 3 sets out roles and responsibilities of the parties referred to in this report. A verbal update on the unaudited performance of the Fund for the period to 10 January 2023 will be provided at the meeting.

2. Market Background (Q3 2022)

For the third Quarter in a row World Equity and Bond markets declined. World Equity markets as measured by the MSCI World Index fell by another 6% (in $ terms) in the July to September 2022 Quarter following a fall of 16% in the April to June Quarter and around 5% in the January to March Quarter.

In very clear contrast to the overall downward trend earlier in 2022 July was a positive month for World Equity markets. However, this resurgence was short lived with both August and particularly September seeing clear losses. As in the two previous Quarters actual and anticipated interest rate rises by the major central banks, ongoing heightened inflation, the Russian invasion of Ukraine, concerns regarding economic slowdown and even recession were significant factors which weighed against Listed Equities. A notable negative event for Equities was the speech on 26 August 2022 by Jay Powell Chair of the US Federal Reserve at the annual Jackson Hole Economic Symposium. In his speech Chair Powell was clear that the world's most important Central Bank would resolutely raise interest rates to return inflation to its 2% policy target. In this context Jay Powell stated "The Federal Open Market Committee (FOMC) overarching focus right now is to bring inflation back down to our 2 percent goal…Restoring price stability will take some time and requires using our tools forcefully…Restoring price stability will likely require maintaining a restrictive policy stance for some time. The historical record cautions strongly against prematurely loosening policy…Our responsibility to deliver price stability is unconditional…"

In the context of inflation concerns and increases in interest rates by Central Banks Credit, both Government and Corporate, experienced a clearly negative Quarter made worse by the actions of the UK government which negatively impacted not only UK Gilts but triggered significant volatility in global bond markets. The announcement, on 23 September 2022 of a £45bn debt financed tax cutting package resulted not only in a loss of market confidence in UK gilts (as evidenced by the significant fall in the value of the 10yr UK Gilt that day) but dysfunction in the Gilt market in the following days which resulted in surging yields and in the Bank of England intervening from 28 September 2022 to support the Gilt market. So serious was the situation that in the words of Bank of England Deputy Governor Sir John Cunliffe (in a letter to the Chair of the House of Commons Treasury Committee of 5 October 2022) that "The Bank acted to restore core market functioning and reduce the material risks to financial stability and contagion to credit conditions for UK households and businesses…"

In the United States unemployment fell from 3.6% in June 2022 to 3.5% in July and was 3.5% in September. Inflation continued to be clearly elevated. Headline CPI was 8.5% in July, 8.3% in August and 8.2% in September. The Core PCE Index, which is closely observed by the Federal Reserve when determining monetary policy remained well above its target of 2% inflation. Core CPE inflation which had been clearly above 2% throughout the period April 2021 to June 2022 continued to remain well above target at 4.7% in July, 4.9% in August and 5.1% in September 2022.

In a situation of high inflation and very low unemployment the US Federal Reserve acted decisively in Q3, as in the previous Quarter, to seek to bring (Core CPE) inflation back closer to its policy target. The Federal Open Markets Committee (FOMC) raised its benchmark interest rate, the Federal Funds rate, by 0.75% at both its July and September 2022 meetings. Statements by Federal Reserve officials including Chair Jay Powell (at Jackson Hole on 26 August 2022) and Vice Chair Lael Brainard (on 7 September 2022 at the Clearing House and Bank Policy Institute 2022 Annual Conference in New York City) emphasised and reinforced the determination to restore inflation to the 2% target. In her speech entitled “Bringing Inflation Down” Lael Brainard concluded that “We are in this for as long as it takes to get inflation down…Monetary policy will need to be restrictive for some time to provide confidence that inflation is moving down to target…Our resolve is firm, our goals are clear…”

The S&P 500 index fell by 5% during the July to September 2022 Quarter which resulted in the index experiencing three successive Quarterly falls. Therefore, US equities have experienced their longest period of Quarterly losses since the financial crisis of 2008. Continuing market concerns regarding inflation, together with actual and further anticipated rises in interest rates by the US Federal Reserve, associated concerns regarding an economic slowdown or even recession were all factors which surely weighed against US equity markets.

Eurozone Equities also experienced a third successive Quarterly decline with the MSCI EMU index declining by approximately 4.5% (in Euro terms). Eurozone inflation as measured by the Harmonised Index of Consumer Prices (HICP) which had been 7.4% in March 2022 was 8.9% in July, 9.1% in August and 9.9% in September which is the highest rate recorded in the Euro’s 23-year history. At its meeting on 21 July 2022 the Governing Council of the European Central Bank (ECB) raised interest rates for the first time since 2011. The increase in interest rates of 0.5% was twice the increase that Christine Lagarde the ECB President had indicated at her press conference following the June 2022 ECB meeting. At the press conference following the 21 July meeting Christine Lagarde stated “We decided to raise the three key ECB interest rates by 50 basis points…The Governing Council judged that it is appropriate to take a larger first step on its policy rate normalisation path than signalled at its previous meeting. This decision is based on our updated assessment of inflation risks…At our upcoming meetings, further normalisation of interest rates will be appropriate…Our future policy rate path will continue to be data-dependent and will help us deliver on our two per cent inflation target over the medium term…” Despite projections of stagnation in the Eurozone economy later in 2022 and early 2023 inflationary concerns resulted in the Governing Council of the ECB raising the three key ECB interest rates by 0.75% at its meeting on 8 September 2022 with ECB President Christine Lagarde stating (at the press conference) that “We took today’s decision, and expect to raise interest rates further, because inflation remains far too high and is likely to stay above our target for an extended period.”

As in the two previous Quarters UK listed equities again outperformed Global Equities. The FTSE All Share lost 3.5% in £ terms. This relative outperformance again resulted from the performance of the FTSE 100 index of largest companies which earn revenues in US dollars and other currencies that have gained in comparison to the £.

The FTSE 100 also has a significant weighting to energy and other “value” stocks which are expected to perform generally better than high growth stocks (such as technology) during periods of high inflation and higher interest rates.

On 6 September 2022 Rt Hon Elizabeth Truss succeeded Rt Hon Boris Johnson MP as the UK Prime Minister. The UK continued to experience inflation way over the Bank of England policy target of 2%. CPI inflation had been 7.0% in March 2022 and had reached 9.4% in June, was 10.1% in July, 9.9% in August and 10.1% in September. At both its meeting on 4 August 2022 and its meeting on 22 September 2022 the Bank of England Monetary Policy Committee (MPC) voted to increase base rate by 0.5%. Following the 22 September meeting Base Rate was 2.25%.

UK Gilts experienced a torrid Quarter. Even before the new Government’s announcement of the unfunded £45bn of tax cuts on 23 September markets had clearly moved against the UK Government bond market in the context of high inflation and policy uncertainty. The 2-year Gilt yield increased (and therefore prices fell) by 1.3% in August its largest rise (price fall) since 1991 with UK inflation reported at a 40 year high on 17 August when the July 2022 CPI was announced at +10.1%. The 10-year Gilt yield increased by approaching 1% during August. By the end of August 2-year yields were 3.02%, 10-year yields 2.80% and 30-year yields 3.08%.

The new UK Government’s launch on 23 September of “The Growth Plan 2022” (to give it its official title) resulted in a rapid sell off in Gilts as markets questioned the future fiscal stability of the UK with the 10-year Gilt yield increasing by 0.3% in a day. The Gilt market seriously weakened (with the situation severely exasperated by Gilt selling to support the LDI (Liability Driven Investment) market into which many private sector (closed) Defined Benefit Pensions Schemes have invested) resulting in the Bank of England launching an emergency Gilt buying programme on 28 September 2022 to stabilise the market. Prior to the Bank of England intervention, the Yield on the 30-year gilt had risen to above 5%. From the end of June to the end of September UK 2-Year Gilt yields rose (and therefore prices fell) from 1.84% to 4.23%, 10 Year Gilt yields increased from 2.23% to 4.09% and the 30-year yield from 2.36% to 3.83%.

As in the previous two Quarters Japanese Equities although declining in absolute terms (the Nikkei 225 declined by 1.7% over the July to September Quarter) performed better than Global Equities. Corporate profits were again ahead of expectations and at its policy meetings in both July and September the Bank of Japan maintained its ultra-loose monetary policy in contrast to that of all the other major Central Banks. Indeed, following the decision in September of the Swiss National Bank to increase interest rates above zero the Bank of Japan is the only notable Central Bank to retain negative interest rates. The approach of the Bank of Japan which is increasingly in stark contrast to other Central Banks and notably the most powerful Central Bank – the US Federal Reserve – resulted in the ongoing and significant weakening of the Yen during 2022. Japanese inflation which had finally reached the Bank of Japan’s 2% target in the previous Quarter remained above 2% during Q3 - the Bank of Japan’s continuing ultra-loose monetary policy and associated weakness of the Yen are undoubtedly factors that have clearly contributed to this increase in inflation.

After having performed better (although still negatively) than Global markets as a whole in the previous Quarter both Asian (excluding Japan) and Emerging Market Equities clearly underperformed Global Equities in Q3. The MSCI Asia (ex-Japan) index declined (in US$) terms by almost 14% and the MSCI Emerging Markets index by over

11%. Clearly, as with all equity markets high inflation, higher interest rates and concerns regarding economic growth/slowdown adversely affected markets. There are clear issues affecting China the largest Asian and Emerging Market nation – including its continuing very strict approach to COVID and a crisis in its property market. A clear slowdown in the Chinese economy adversely affects not only China but other Asian/Emerging Markets that are clearly intertwined with China. The robust approach of the US Federal Reserve to interest rates also generally weighs against Asian/Emerging Markets (particularly middle sized/smaller countries) in terms of rising borrowing costs.

While UK Gilts had a particularly poor Quarter Credit in general performed weakly. US Treasuries also experienced a negative Quarter with the yield on the on the 2 Year Treasury increasing from 2.95% to 4.28% and the 10-year yield increasing from 3.01% to 3.83%. German 2-year Bund yields increased from 0.65% to 1.76% and the 10-year Bund from 1.34% to 2.11%. Corporate bonds also performed poorly in an environment of inflation and higher actual and anticipated interest rates.

3. Overall Fund Performance

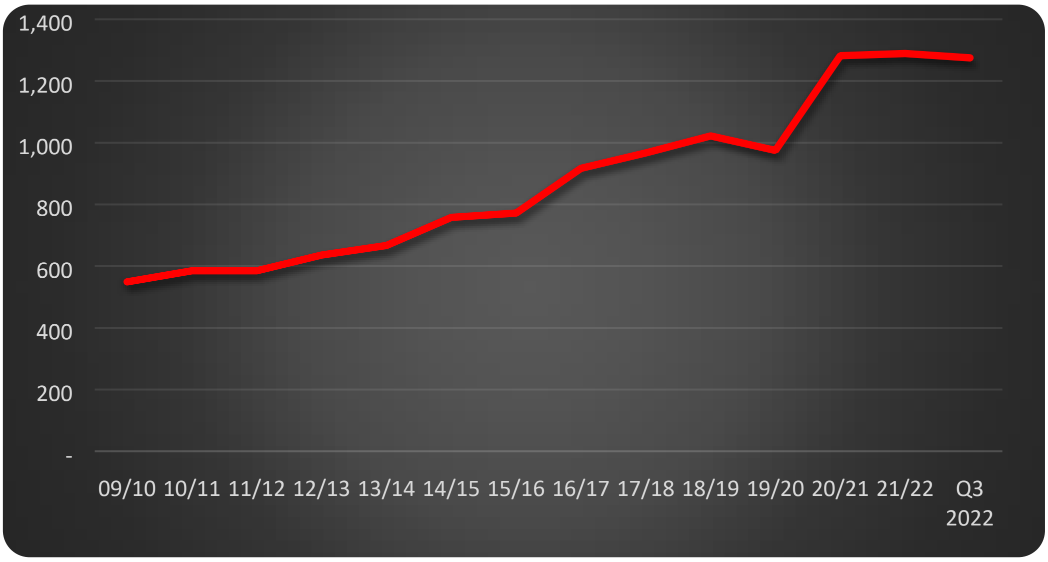
3.1 The Fund's closed Q3 valued at £1,275.2m, an decrease of £14.0m from its value of £1,289.2m at 30 June 2022. Cash held by the Fund was £1.06m giving a total Fund value of £1,276.3m. The gross value includes a prepayment of £30.0m, with the short-term loan from the Council now repaid. Adjusting for this reduces the Q3 value to £1,246.3m, a decrease of £8.2m from the 30 June 2022 figure of £1,254.4m.

3.2 For Q3 the Fund returned -1.2%, net of fees, underperforming its benchmark of 0.1% by -1.3%. Over one year the Fund underperformed its benchmark by 8.0%, returning -7.7% and underperformed the benchmark by 2.0% over three years, returning 4.5%. The Fund has also underperformed its benchmark over five years by 2.1%, returning 5.1%. Compared to the LGPS universe of Funds, represented below by the PIRC Universe, the Fund has underperformed by 4.4% over one year and underperformed over two years by 1.2%. The Fund's returns are below:

Table 1: Fund's Quarterly and Yearly Returns

Year	2022			2021				2020	One Yr	Two Yrs	Three Yrs	Five Yrs	Ten Yrs
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4					
Actual Return	(1.2)	(6.3)	(2.8)	2.6	1.1	4.2	3.6	8.0	(7.7)	4.6	4.5	5.1	7.6
Benchmark	0.1	(4.0)	(0.6)	4.8	1.7	4.6	2.5	5.1	0.3	7.1	6.6	7.1	8.6
Difference	(1.3)	(2.3)	(2.2)	(2.2)	(0.6)	(0.4)	1.1	2.9	(8.0)	(2.5)	(2.0)	(2.1)	(1.1)
PIRC	(0.3)	(4.8)	(3.2)	4.4	1.4	5.6	2.4	5.8	(3.3)	5.8	4.4	5.5	8.3
Difference	(0.9)	(1.5)	0.4	(1.8)	(0.3)	(1.4)	1.2	2.2	(4.4)	(1.2)	0.1	(0.4)	(0.7)

3.3 The chart below shows the Fund's value since 31 March 2010 to 30 September 2022.



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 29 November 2022. Members are asked to note the changes in value and the movements in the Fund's funding level.

3.6 Although the Fund's asset performance has had two negative quarters and is down 7.7% for the year, there has been a greater change in the liability levels, resulting from significant increases in yields. As a result, the Fund's funding level has fluctuated between 103% and 110% over the quarter and between 112% and 158% based on the Hymans Robertson model.

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 Q3 2022 Performance**

Fund Manager	**Actual Returns (%)**	**Benchmark Returns (%)**	**Variance (%)**	**Ranking**
Abrdn	(2.1)	1.8	(3.9)	
Baillie Gifford	1.0	1.5	(0.5)	Δ
BlackRock	(4.4)	(4.0)	(0.4)	Δ
Hermes GPE	10.5	1.4	9.1	O
Kempen	(1.6)	2.1	(3.7)	
Newton	(4.3)	1.1	(5.4)	
Pyrford	(2.4)	3.3	(5.7)	
Insight	(1.3)	1.0	(2.3)	Δ
UBS Bonds	(12.9)	(12.9)	0.0	O
UBS Equities	(3.1)	(3.1)	0.0	O

Table 2 highlights the Q3 2022 returns with a number of reds, indicating a number of negative returns. There was a good positive return from Hermes Infrastructure but large losses from Abrdn and Kempen. Newton's performance was disappointing as it should provide protection in these market conditions. Passive bonds provided large losses for the quarter, reflecting the index linked bond performance for the quarter. Pyrford was some way off its benchmark, but the benchmark return was driven by high RPI figures and the protection that Pyrford provided against the performance of GILTS was good.

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

Fund Manager	**Actual Returns (%)**	**Benchmark Returns (%)**	**Variance (%)**	**Ranking**
Abrdn	1.7	6.0	(4.3)	
Baillie Gifford	(23.4)	(3.2)	(20.2)	
BlackRock	12.0	13.0	(1.0)	
Hermes GPE	19.2	5.7	13.5	O
Kempen	(1.7)	(2.2)	0.5	O
Newton	(7.0)	3.9	(10.9)	
Pyrford	(0.3)	16.6	(16.9)	
Insight	(8.4)	4.0	(12.4)	
UBS Bonds	(25.0)	(25.0)	0.0	O
UBS Equities	(12.4)	(12.4)	0.0	O

Over one-year there are even greater variations between managers, with Baillie Gifford providing a negative return of 23.4% and underperforming its benchmark by 20.2%, while BlackRock provided a positive return of 12.0%. 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 Returns (%)**	**Benchmark Returns (%)**	**Variance (%)**	**Ranking**
Abrdn	13.4	5.0	8.4	O
Baillie Gifford	(1.8)	9.0	(10.8)	
BlackRock	11.8	12.8	(1.0)	Δ
Hermes GPE	9.7	5.8	4.0	O
Kempen	14.8	9.8	5.0	O
Newton	1.0	3.9	(3.0)	
Pyrford	2.6	13.1	(10.5)	
Schroders	4.8	4.1	0.7	O
Insight	(3.0)	4.0	(7.0)	
UBS Bonds	(15.9)	(15.9)	(0.0)	O
UBS Equities	6.4	6.4	0.0	O

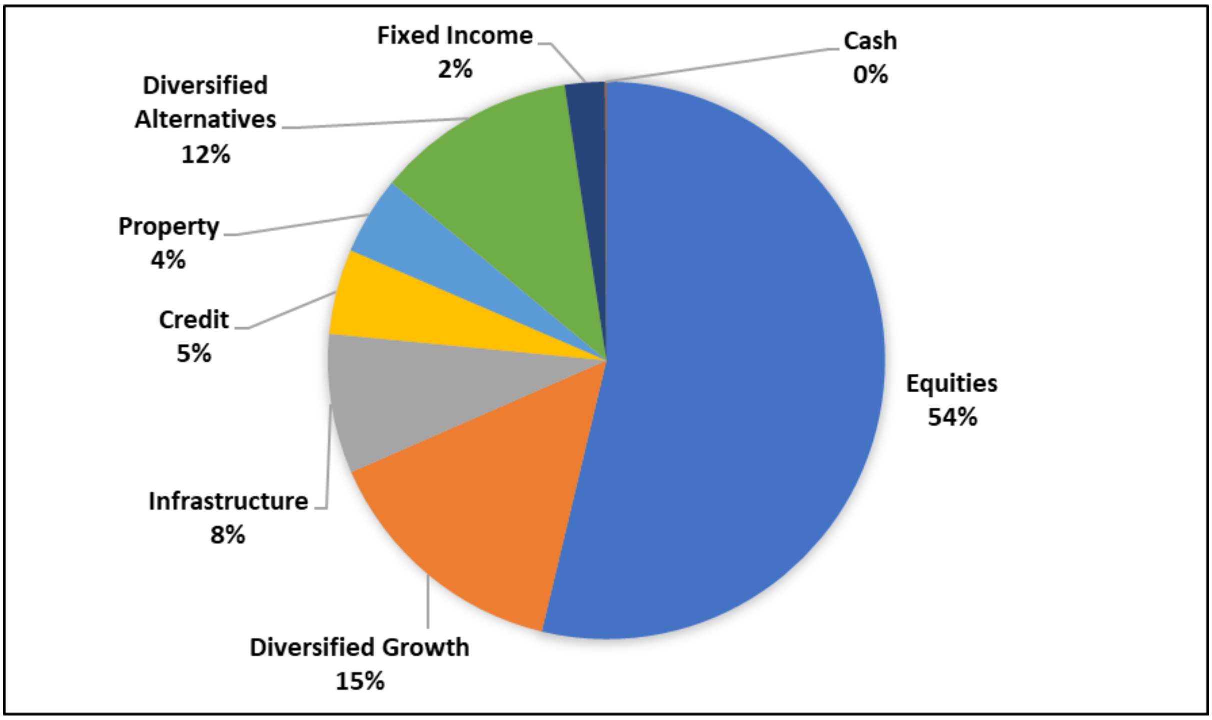
Over two years, returns ranged from (-15.9%) for UBS bonds to 14.8% for value equities (Kempen). Blackrock and Abrdn have provided solid returns, with Abrdn providing 13.4% and Blackrock providing a return of 11.8 over the year.

4. Asset Allocations and Benchmark: Table 5 outlines the Fund's asset allocation, asset value & benchmark at 30 September 2022.

4.1 **Table 5: Fund Asset Allocation and Benchmarks at 30 September 2022**

Fund Manager	**Asset (%)**	**Market Values (£Ms)**	**Benchmark**
Abrdn	11.6%	147.92	3 Mth LIBOR + 4% per annum
Baillie Gifford	20.3%	258.60	MSCI AC World Index
BlackRock	4.5%	57.79	AREF/ IPD All Balanced
Hermes GPE	8.1%	103.22	Target yield 5.9% per annum
Kempen	15.3%	195.06	MSCI World NDR Index
Newton	6.0%	76.81	One-month LIBOR +4% per annum
Pyrford	8.7%	110.83	UK RPI +5% per annum
Schroders	0.0%	0.08	AREF/ IPD All Balanced
Insight	4.9%	63.02	3 Mth LIBOR + 4% per annum
UBS Bonds	2.3%	29.69	FTSE UK Gilts All Stocks
UBS Equities	18.2%	232.02	FTSE AW Developed Tracker
LCIV	0.0%	0.15	None
Cash	0.1%	1.06	One-month LIBOR
Fund Value	100.0%	**1,276.25**	
ST Loan		-	
Prepayment		(30.00)	
Net Fund Value		**1,246.25**	

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 53.7%. 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	53.7%	52%	1.7%	50-60
Diversified Growth	14.7%	15%	-0.3%	14-18
Infrastructure	8.1%	8%	0.1%	7-11
Credit	4.9%	8%	-3.1%	6-10
Property	4.5%	5%	-0.5%	4-7
Diversified Alternatives	11.6%	9%	2.6%	7-10
Fixed Income	2.3%	3%	-0.7%	3-5
Cash	0.1%	0%	0.1%	0-1

5. Fund Manager Performance

5.1 Kempen

Kempen	2022			2021				2020	One Year	Two Years	Since Start 6/2/13
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£195.06m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(1.6)	(3.1)	0.1	2.9	3.0	2.9	10.2	15.3	(1.7)	14.8	7.5
Benchmark	2.1	(9.1)	(2.4)	7.3	2.5	7.6	4.0	7.8	(2.2)	9.8	11.6
Difference	(3.7)	6.0	2.5	(4.4)	0.5	(4.7)	6.2	7.5	0.5	5.0	(4.1)

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 3.7% for Q3 and has outperformed over one-year by 0.5% and over two years by 5.0%. Kempen has underperformed its benchmark since inception by 4.1% but providing an annualised return of 7.5%. 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	2022			2021				2020	One Year	Two Years	Since Start 6/2/13
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£258.60m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	1.0	(12.1)	(12.4)	0.1	(0.6)	7.1	2.2	11.1	(23.4)	(1.8)	12.0
Benchmark	1.5	(8.4)	(2.5)	6.3	1.5	7.4	3.7	8.6	(3.2)	9.0	11.3
Difference	(0.5)	(3.7)	(9.9)	(6.2)	(2.1)	(0.3)	(1.5)	2.5	(20.2)	(10.8)	0.7

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 Q3 BG returned 1.0%, underperforming its benchmark by 0.5%. BG's one-year return was -23.4%, underperforming its benchmark by 20.2%. Since initial funding, the strategy has returned 12.0% p.a. outperforming its benchmark by 0.7%.

This was a quarter of two halves for the Sub-fund as the positive start in July to mid-August was followed by a negative September. Notwithstanding the modestly negative outcome for the quarter relative to the benchmark index, it is noted that performance has begun to stabilise despite the challenging backdrop facing the businesses the Sub-fund invests in.

Importantly, the pattern of returns now appears characteristically different to what we have been experiencing since late 2021. Performance is driven less by the more aggressive 'disruptors' segment of the portfolio, and more by the 'compounders' which are expected to grow at a relatively steady pace over the long-term.

At the stock level this was expressed in the list of top contributors which included companies that operate in traditionally more defensive sub-sectors such as the pharmaceuticals company Alnylam, and the chemicals company Albemarle. At the other end of the spectrum negative returns were more evenly spread across companies including Prosus, AIA, Li Auto and Prudential.

Positioning

Compared to the second quarter the Sub-fund's regional exposures were broadly unchanged as of the end of September 2022, with a large allocation to North American equities at c. 63% followed by an exposure of 16% to European ex U.K. equities. At the sector level, the largest exposure was to information technology companies at 22.4% followed by health care at 14.6% and financials at 14%.

LCIV Summary

This was the sixth consecutive quarter of negative relative returns for the Subfund. However, there are signs of stabilisation in the performance pattern. This is due to a gradual shift in the portfolio away from more aggressive-growth, high-volatility holdings, predominantly found in the Disruptors bucket, into the relatively stable Compounders bucket.

Some of that shift happened naturally due to market moves, particularly the aggressive derating of highly valued stocks, but largely this was due to the investment manager's pragmatic approach to get rid of the 'dead wood' in the portfolio, Carvana and Peloton being two prime examples.

In the third quarter of 2022, London CIV completed an extended investment due diligence (IDD) on the investment manager using a Red, Amber, Green (RAG) scoring framework. Following this exercise and with the approval of the London CIV Investment Panel, the investment manager's overall monitoring status was maintained at 'Normal Monitoring'. The findings were shared with investors in the Sub-fund on the 3rd of October.

In summary, for performance, resourcing, investment risk management and value-for-money LCIV assigned an 'Amber' score. While performance has clearly been disappointing, LCIV remain confident the investment manager retains its ability to recover losses. On investment risk management, portfolio exposures within the Sub-fund were allowed to become more concentrated than they should have, and that the diversification of growth profiles did not work effectively. Consequently, value-for-money appears weak considering current level of fees and underperformance.

On the positive side, a 'Green' rating has been assigned to the investment process, responsible investing (RI) and engagement, overall business risk and best execution and liquidity. The investment process remains intact. The investment manager continues to do what they know best, finding companies with superior growth prospects. Baillie Gifford is strongly committed to RI and Engagement and continue to build up relevant teams and processes and retrain personnel. Business remains stable. The organisation provides a fertile ground for this type of strategy to work well. There are no concerns on execution capabilities and portfolio liquidity.

5.3 UBS Equities

UBS Equities	2022			2021				2020	One Year	Two Years	Since Start 31/08/12
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£232.02m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(3.1)	(12.9)	(4.0)	7.6	0.9	7.5	5.8	11.2	(12.4)	6.4	11.4
Benchmark	(3.1)	(12.9)	(4.0)	7.6	0.9	7.5	5.8	11.2	(12.4)	6.4	11.5
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 -3.1% for Q3 and -12.4% over one year. Since funding in August 2012, the strategy has provided an annualised return of 11.4%.

Equities

Global equities fell for a second straight month in September as central banks signalled a faster pace of policy tightening to curb inflation. The MSCI All Country World index lost 9.6% in total return terms, with all major equity markets in negative territory for the month. Chinese equities and emerging market stocks more broadly were hit particularly hard, declining 14.1% and 11.7%, respectively. The S&P 500 had its worst month since March 2020, returning -9.2%. Eurozone, Swiss, and Japanese equities all lost around 6%. UK equities, which have been a relative bright spot for much of 2022, declined 5% as concerns about the new government's fiscal policy weighed on sentiment.

For the quarter as a whole, global equities returned -6.8%, with weak performance in August and September outweighing a bright July. Chinese equities delivered a total return of -21.7% as zero-COVID-19 restrictions and the property crisis weighed on sentiment. Emerging market equities were down 11.6%, with a hawkish Federal Reserve (Fed), strong US dollar, and geopolitical uncertainty among the headwinds. Rising bond yields weighed on Swiss and Eurozone equities, which lost 4.9% and 4.5%, respectively, during the quarter. The S&P 500 returned -4.9%, recording its third consecutive quarterly decline for the first time since the global financial crisis. UK equities lost 2.9%, while Japanese stocks were down just 1.6% on the quarter.

5.4 UBS Bonds

UBS Bonds	2022			2021				2020	One Year	Two Years	Since Start 5/7/2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£29.69m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(12.9)	(7.4)	(7.2)	2.4	(1.8)	1.7	(7.2)	0.6	(25.0)	(15.9)	0.6
Benchmark	(12.9)	(7.4)	(7.2)	2.4	(1.8)	1.7	(7.2)	0.6	(25.0)	(15.9)	0.6
Difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Reason for appointment

UBS were appointed as the Fund's passive bond manager to allow the Fund to hold a small allocation (4%) of UK fixed income government bonds. 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 -12.9% for Q3, -25.0% for one year and -15.9% for two-year return. Since inception the strategy has returned 0.6%.

Review

Fixed income markets faced further headwinds over the course of September, with the main drag from higher-than expected inflation readings, especially in the US and Europe. Top central bankers continued to stress that further large rate rises were on the way. Yields on government bonds moved higher over the month, with the 10-year US Treasury yield starting the month at 3.27% and ending at 3.78%. The German 10-year yield also increased, rising from 1.57% to 2.10%. The sharpest moves came in the UK gilts market, amid mounting concern over the fiscal sustainability of the UK following a package of tax cuts and spending increases. The yield on the 30-year gilt, which started the month at 3.08% reached an intraday high of 5.09%. The surge led to intervention from the BoE, which pushed the yield back to 3.85% by the end of the month.

Credit spreads around the world also widened, as investors moved to price in rising risks of default as economies slow. The spread on US high yield credit rose by around 50 basis point. Total returns on high yield were around minus 4% for both US and euro credit.

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, although the final sale will be in Q3 2022. The distribution paid will be used to increase the Fund's cash balance.

5.7 BlackRock

BlackRock	2022			2021				2020	One Year	Two Years	Since Start 1/1/2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£57.79m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(4.4)	2.9	6.8	6.7	4.3	2.9	2.1	2.5	12.0	11.8	1.7
Benchmark	(4.0)	3.9	5.6	7.5	4.5	3.8	2.2	2.1	13.0	12.8	4.7
Difference	(0.4)	(1.0)	1.2	(0.8)	(0.2)	(0.9)	(0.1)	0.4	(1.0)	(1.0)	(3.0)

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.

Q3 2022 Performance and Investment Update

BR returned -4.4% for Q3 against a benchmark of -4.0%, returned 12.0% over one year against a benchmark of 13.0%. 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 UK economy, and the real estate sector continue to face headwinds. Even though inflationary pressures arising from the pandemic were already evident at the beginning of the year, Russia's invasion of Ukraine was not. The post pandemic world has quickly become one characterised by macro-economic and political uncertainty, rising interest rates and now recessionary fears. Navigating the real estate market in this environment is challenging, but by understanding longstanding structural trends, opportunities can be better understood.

After a strong first half of the year for the UK real estate investment market, almost £34bn was transacted, however the latest data has pointed to a significant slowdown in activity. In this environment price discovery is becoming increasingly opaque due to a lack of liquidity. Price chips on deals underway are commonplace as the bid ask spread widens. However, now is the time for investors to position their portfolios along the themes that will drive future growth in preparation for the cyclical upturn when it arrives.

Transactions: In Q3, the fund disposed of two properties for £14.52m; no acquisitions were completed during the quarter. In July, the Fund completed on the sale of 180-183 Fleet Street & 140-146 Fetter Lane, a 25,540 sq. ft. mixed use office and retail asset located in the Midtown district of London. The rationale for the sale related to it being below BUKPF's target lot size by value. The Fund also disposed of a 0.8-acre site in Towcester, Northamptonshire for £1.02m.

5.8 Hermes

Hermes	2022			2021				2020	One Year	Two Years	Since Start 9/11/2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£103.22m	**%**	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**10.5**	(1.0)	10.5	(0.9)	2.2	(1.1)	0.6	(1.5)	19.2	9.7	8.7
Benchmark	**1.4**	1.4	1.5	1.4	1.4	1.4	1.5	1.4	5.7	5.8	5.9
Difference	**9.1**	(2.4)	9.0	(2.3)	0.8	(2.5)	(0.9)	(2.9)	13.5	3.9	2.8

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 10.5% in Q3 outperforming the benchmark by 9.1%. Over one year the strategy reported a one-year return of 19.2%, outperforming its benchmark by 13.5%. Since inception the strategy has provided a good, annualised return of 8.7%, outperforming its benchmark by 2.8%.

Return of capital

Hermes returned £9.4m of capital to the Fund in April 2022. This distribution, which followed a similar increase in value in Q1 2022, resulted in the Fund receiving a large cash return, with the value of the holding remaining at roughly the same level of £93m.

On 10 August the Fund received a further distribution of £6.2m comprising almost all of the remaining proceeds from the sale of Anglian Water (which was received earlier than expected) and the proceeds of two stake sales in Viridor Energy. Ordinary course distributions from ASG, Innisfree and Viridor, took place on 7 November 2022. Further ordinary course distributions are expected from Associated British Ports ("ABP") and Scandlines

Cadent has had strong operational performance during the quarter however, the ongoing Russia/Ukraine conflict, gas availability and price volatility and the associated potential for impact on Cadent will continue to be monitored closely. The appetite for travel post Covid-19 also continues to be strong, with demand for services outstripping supply, driving high yields. This is particularly the case for Eurostar.

Other options are also being discussed with LCIV around the infrastructure they offer. The discussions are focused on the type of infrastructure, the location (Global and within the UK) and governance as it is likely that any initial investment would be fairly small, unless the strategic allocation target were increased.

These options will be discussed with the Fund's advisors and then training and options will be provided to Members towards the end of 2022 / early 2023.

5.9 Abrdn Asset Management

Abrdn	2022			2021				2020	One Year	Two Years	Since Start 15/9/2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
147.92m	**%**	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**(2.1)**	(1.4)	3.7	1.6	4.9	4.4	7.4	8.3	1.7	13.4	7.2
Benchmark	**1.8**	1.6	1.6	1.0	1.0	1.0	1.0	1.0	6.0	5.0	4.8
Difference	**(3.9)**	(3.0)	2.1	0.6	3.9	3.4	6.4	7.3	(4.3)	8.4	2.4

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 £147.9m, which is 11.6% 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 lost around -2.1% (net of fees) over the three months to the end of September. The quarter's loss was primarily driven by lower June 30 valuations for the Advent VIII and IX private equity investments and the Cinven Cullinan co-investment which we were able to reflect in July and August. Over one year the return of 1.7% outperforms the benchmark return of 6.0% by 4.3%. Since inception the strategy has returned 7.2%, outperforming the benchmark by 2.4%.

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

Outlook

ASAM remain constructive on the outlook for macro strategies, which are well placed to take advantage of the current trading climate. Although global central banks have started to catch up to inflation (and forward inflation expectations), the path forward remains uncertain, likely keeping macro trading opportunities high. Macro strategies invest across equity indices, credit indices, currencies, commodities and interest rates. They invest directionally across these markets, as well as on a relative value basis, i.e. one asset class vs. another. When central banks are tightening, and confusion across forward macroeconomic fundamentals is high, macro strategies have the most “tools in their tool kits” to capitalize on the market’s response function. We expect this attractive backdrop for macro to persist for the foreseeable future.

ASAM maintain a positive outlook for fixed income relative value strategies. There is now notable volatility across fixed income instruments in developed markets, with the Fed/BoE/ECB/RBA hiking rates and engaging in quantitative tightening, high levels of uncertainty on inflation and economic projections, high uncertainty on future monetary policy and the timing/likelihood of recessions, as well as on-going geopolitical tensions. As a consequence, the opportunity set is very attractive for fixed income relative managers not only in cash vs. futures basis trading, but in other traditional strategies such as asset swap spreads, yield curve arbitrage (cash bonds vs. cash bonds), macro, inflation and cross-currency basis trading.

Within credit, significantly higher rates and wider spreads over the past year have created remote risk credit issues, with short-dated maturities, offering high single digit yields. Moreover, a sustained period of high rates is likely to slow the global economy and present more defaults and restructuring opportunities. During these recent periods of higher volatility, investors often act irrationally, creating inefficiencies between and across assets across a corporate capital structure. This phenomenon benefits those strategies that target relative value or arbitrage opportunities. Finally, structured credit is likely to benefit from favourable technical dynamics with less price support from the Fed and bank balance sheets for the foreseeable future.

Turning to private equity, there has been a slowdown in deal activity post the summer as private equity managers assess the new market conditions and potentially challenges ahead. However, deal pricing remains competitive for high quality assets. The fundraising market has remained robust year-to-date, but we expect some slowdown in the coming quarters. We expect the secondary market to offer some interesting opportunities in the coming months, particularly for LP portfolios. The underlying managers within the LBBD portfolio have continued to deploy capital in a disciplined manner to acquire assets with the potential for future earnings growth and are working hard to protect the portfolios in the midst of rising interest rates, inflationary pressures, and supply chain challenges. The coming 12-24 months should represent a very interesting period for private equity investment and our managers are poised to take advantage of such opportunities as they arise.

5.10 Pyrford

Pyrford	2022			2021				2020	One Year	Two Years	Since Start 28/9/2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
110.83m	**%**	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**(2.4)**	(0.8)	1.5	1.3	0.3	1.1	0.9	3.1	(0.3)	2.6	3.0
Benchmark	**3.3**	6.3	3.1	4.0	2.7	3.6	1.7	1.6	16.6	13.1	8.3
Difference	**(5.7)**	(7.1)	(1.6)	(2.7)	(2.4)	(2.5)	(0.8)	1.5	(16.9)	(10.5)	(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

The Sub-fund weathered the turmoil in the Gilts market in late September reasonably well, mainly because exposure is concentrated in short-dated bonds, and not the longer maturity bonds which bore the brunt of selling pressure. Nevertheless, Gilts accounted for almost 45% of the portfolio at the beginning of Q3, and this segment was the biggest source of losses (-1.2%) during the quarter.

The Sub-fund is built around four pillars: sovereign bonds, equities, currencies and cash. The key drivers of returns are allocations across the four pillars, duration management and sovereign bond selection, and country and stock selection decisions within the equity segment. The asset allocation process is slow moving. Derivatives are used only to manage currency risk. Currency exposure arising from bond and equity selection decisions is adjusted based on long-term valuation models.

The asset allocation process is slow moving. In mid-June, Pyrford made their first change to the model portfolio for the Strategy since the first quarter of 2020. The target allocation to equities was increased by 5% to 40% when triggers linked to the projected real rate of return, over a five-year horizon, were hit. The default response is to implement the change in asset allocation based on the prevailing regional, country and stock weights and make any necessary adjustments at the next quarterly forecasting point for growth and inflation. The investment manager is unlikely to make significant changes to the composition of the equity portfolio in the near term.

The investment strategy is applied methodically to mitigate the risk that behavioural biases influence decision-making. Adjustments to allocations are made in modest increments and the magnitude of changes in asset prices has to be very large to prompt action. It will be important for the investment manager to redeploy capital decisively when triggers are hit to recover underperformance relative to the target benchmark.

5.11 Newton

Newton	2022			2021				2020	One Year	Two Years	Since Start 31/8/2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
76.81m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(4.3)	(2.1)	(4.4)	3.7	(0.1)	2.4	1.1	5.6	(7.0)	1.0	3.2
Benchmark	1.1	0.9	0.8	1.0	1.0	1.0	1.0	1.0	3.9	3.9	4.4
Difference	(5.4)	(3.0)	(5.2)	2.7	(1.1)	1.4	0.1	4.6	(10.9)	(2.9)	(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 -4.3% in Q3, underperforming its benchmark by 5.4%. Over one year the strategy has returned -7.0%, underperforming its benchmark by 10.9%, although the return over two years is 1.0% against a benchmark of 3.9%. Newton's performance since inception is 3.2%.

The shift implemented in Q2 included a reduction in the allocation to equities and a repositioning of the stock portfolio to trim exposure to highly valued companies and those perceived to be most vulnerable to the effects of higher inflation and/or slower growth. These changes had a negative impact in Q3: global stock markets ended the quarter in positive territory, albeit largely because of the poor performance of Sterling (see below), and stock selection within the equity portfolio was weak.

Alternative assets, which includes renewable energy generators, property stocks, risk premia strategies and commodities, had been steady performers in 2021 and the first half of 2022. This segment lost money in Q3, as a note linked to the price of carbon fell and listed vehicles used to create exposure to renewable energy, infrastructure and property assets performed poorly. The equity market risk embedded in Investment Trusts and similar vehicles is often a detractor in periods of risk aversion. The Sub-fund remains defensively positioned, relative to the long-term history of this strategy, in terms of the mix between return-seeking (65%) and stabilising assets (35%).

The performance of the stabilising layer of the portfolio was disappointing. Decisions to increase exposure to government bonds, beginning in the first quarter of this year, have not worked in a period of exceptional volatility. The allocation to gold was reinstated in Q1 of this year and increased in Q2 as a hedge against inflation and geo-political risk. This also detracted as gold languished, partly because of the relentless strength of the U.S. Dollar. The only bright spot in Q3 was the currency book, where the unhedged exposure to U.S. Dollars, which is the biggest source of currency risk in the Sub-fund, was profitable.

5.12 Insight (Mellon Corporation / Standish)

Insight	2022			2021				2020	One Year	Two Years	Since Start 20/8/2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4			
£63.02m	**%**	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**(1.3)**	(3.8)	(2.6)	(0.7)	0.0	0.2	(0.1)	2.2	(8.4)	(3.0)	(0.0)
Benchmark	**1.0**	1.0	1.0	1.0	1.0	1.0	1.0	1.0	4.0	4.0	4.9
Difference	**(2.3)**	(4.8)	(3.6)	(1.7)	(1.0)	(0.8)	(1.1)	1.2	(12.4)	(7.0)	(4.9)

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

Q3 saw the BNY Mellon Targeted Return Bond Fund significantly underperform its reference benchmark by 2.3%, providing a negative return of 1.3%. As was the case in the first half of the year, the bulk of the period's negative alpha can be attributed to the fund's overweight position in developed market duration. Over one year the strategy has returned -8.4% and over two years it has returned -3.0%, with a flat since inception return.

The fund suffered from active positioning in the UK rates space as unfunded spending plans called the sustainability of the UK balance sheet into question and pushed rates significantly higher. Unfortunately, this underperformance was compounded by the negative alpha associated with material overweights to USD and EUR duration. Overweight positions in local Mexican and South African debt were additional, marginal, sources of negative alpha. Active FX positioning was a source of modest positive alpha with short GPBCHF positions yielding notably strong returns.

The fund's overweight to corporate credit and other risk assets made a materially negative contribution to relative returns on the quarter. After a strong start to the period, risk assets came under pressure into the end of the summer as DM central banks reaffirmed their commitment to tighter monetary policy. Notably, and negatively for risk assets, policy makers reiterated their focus on bringing inflation down while downplaying the negative macroeconomic impact of higher interest rates. The underperformance of EUR denominated risk asset relative to their USD counterparts was an additional source of negative alpha.

At the country level, the strategy benefited modestly from its underweight to Italian government debt in favor of sovereign German debt. The spread between the two widened significantly in the third quarter as the ECB remained resolutely hawkish and European spreads in general trended wider.

With risk free rates rising and spreads pushing wider, most fixed income assets saw significant negative total returns in Q3 2022.For the third consecutive quarter, cash was one of the best performing asset classes.

5.13 Currency Hedging

No new currency hedging positions were placed in Q3 2022.

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:

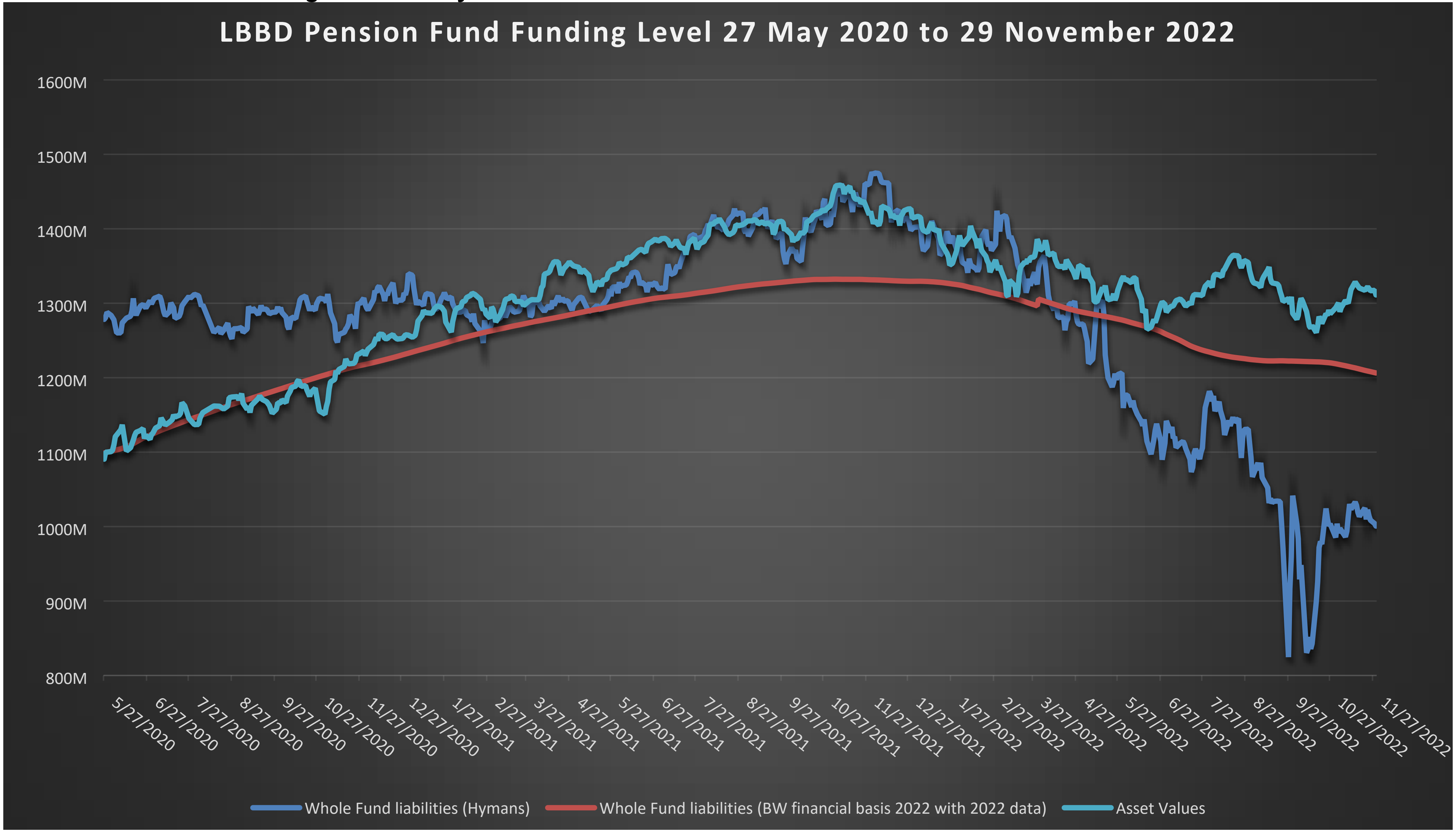
- Northern Trust Quarterly Q2 2022 Report; and
- Fund Manager Q2 2022 Reports.

List of appendices:

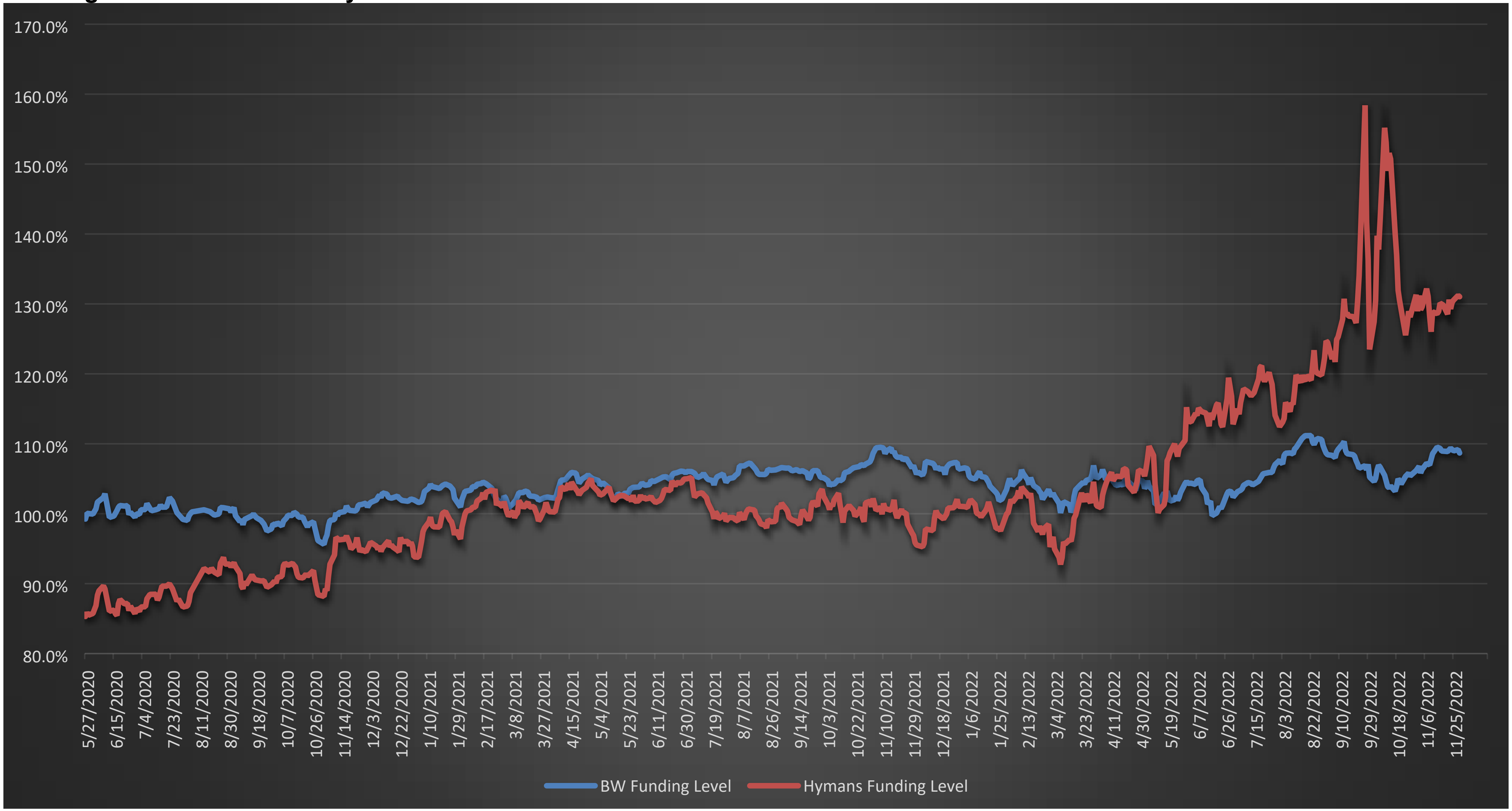
Appendix 1 - Fund Asset and Liability Values 31 March 2013 to 1 August 2022
Appendix 2 - Definitions
Appendix 3 - Roles and Responsibilities

This page is intentionally left blank

APPENDIX 1 - Fund Funding Level 27 May 2020 to 29 November 2022



Funding Level between 27 May 2020 to 29 November 2022



APPENDIX 2

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 B&D Citizen's Advice Bureau BD Corporate Cleaning BD Schools Improvement Partnership BD Together Be First BD Trading Partner Caterlink

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

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

11 January 2023

Title: Administration and Governance Report	
Report of the Chief Operating Officer	
Public Report	**For Decision**
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, Acting 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. London CIV update, iii. Update from the Independent Investment advisor, iv. Internal Audit of the Pension Fund. The Committee is recommended to agree: v. Investment Consultants Strategic Objectives for 2023.	

1. Introduction

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

i. Pension Fund Budget 1 April 2023 to 31 March 2025,
ii. London CIV update,
iii. Update from the Independent Investment advisor,
iv. Internal Audit of the Pension Fund and
v. Investment Consultants Strategic Objectives for 2023.

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 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. London Collective Investment Vehicle (LCIV) Update

3.1 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.

	30/06/2022	Market Move	30/09/2022
Active Investments	£	£	£
LCIV Global Alpha Growth Fund	256,468,656	2,129,352	258,598,008
LCIV Global Total Return Fund	113,499,169	-2,668,582	110,830,587
LCIV Real Return Fund	80,245,096	-3,437,430	76,807,666
Total	**450,212,921**	**-3,976,660**	**446,236,261**

3.2 At 30 September 2022, the total assets deemed pooled stood at £23.8bn. Assets under management in the ACS stood at £12.2bn and assets in private market funds stood at £986m on 30 June 2022. The value of 'pooled' passive assets was £10.5bn, which is managed by L&G and BlackRock. AUM has fallen due to adverse markets from March 2022 to September 2022 by nearly £1bn.

4. Independent Advisor Update: John Raisin

Since the last Independent Advisor's national LGPS Update which was considered at the Pensions Committee held on 14 September 2022 there has been another change in the Government Minister responsible for the LGPS.

4.1 <u>Change in Government Minister responsible for the LGPS</u>

As reported to the September 2022 meeting of the Pensions Committee Kemi Badenoch MP who was appointed the Minister responsible for the LGPS in October 2021 resigned from the Government on 6 July 2022 and was replaced on 7 July 2022 by Paul Scully MP.

4.2 A Consultation including proposals on further developing Investment (Asset) Pooling expected since 2019 had, as explained in Section 1 of this paper, been expected in the Autumn of 2022. This may however now be possibly delayed until 2023.

4.3 Following the appointment of Rt Hon Elizabeth Truss MP as Prime Minister on 6 September 2022, Paul Scully MP was retained by the new Prime Minister as Minister of State at the Department for Levelling Up Housing and Communities (DLUHC). This appeared to provide continuity in terms of the Minister responsible for the LGPS. Indeed, during September/October 2022 it is understood there were conversations between Paul Scully MP and some LGPS stakeholders regarding the future of Investment Pooling. The DLUHC appeared to be seeking to positively progress towards issuing a Consultation on the future of Investment Pooling possibly before the end of 2022.

4.4 On 25 October 2022 Rt Hon Rishi Sunak MP replaced Rt Hon Elizabeth Truss MP as Prime Minister and on 27 October 2022 Paul Scully MP was removed from his post as Minister of State at the DLUHC. It was not until 8 November 2022 that Lee Rowley MP was officially confirmed as the new Minister whose responsibilities include the LGPS.

4.5 The replacement of Paul Scully MP by Lee Rowley MP will almost certainly result in further, and possibly considerable, delays to the issuing of expected LGPS Consultations (and responses to previously closed Consultations) including those on Investment Pooling and Governance in the LGPS which have been expected since 2019 and 2021, respectively.

5. Internal Audit of the Pension Fund

5.1 An audit of London Borough of Barking and Dagenham (the Council's) Pension Fund Investments was included as part of the Internal Audit Plan for 2022/23 approved by the Audit & Standards Committee. This was carried out by Pricewaterhouse Coopers (PWC) in October 2022.

5.2 The London Borough of Barking and Dagenham (the "Council") is responsible for the administration of the London Borough of Barking and Dagenham Pension Fund (the "Fund"), a defined benefit pension fund. As the administrating authority, the Council is responsible, under The Local Government Pension Scheme (LGPS) Regulations 2013, for:

- The collection of contributions; directly from the Council, other participating employers and from their respective contributing employees.
- The investment of funds in accordance with LGPS regulations, and
- The payment of monies to retired Fund members.

5.3 The Council is also required to comply with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "LGPS investment regulations"). This requires that the fund has an investment strategy statement.

5.4 The purpose of this review was to review the design and operation of the controls in place to manage the finances and investments of the fund.

5.5 PWC have identified some areas of good practice including a clear governance process around the Investment Strategy Statement, regular performance update to the committee and the use of investment consults to development its long-term investment strategy.

5.6 PWC also identified one low risk and one medium risk around the fund's investment strategy for ethical investments and approvals for the cashflow which is taken to committee. The draft internal audit report is included as appendix 1.

6. Investment Consultants Strategic Objectives for 2023

6.1 The Fund is required, under Part 9 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019, to provide a Compliance Statement (CS) confirming compliance with Part 7 of the Order which requires the Fund to set Strategic Objectives for its investment consultancy provider. The CS was required to confirm the extent to which the relevant applicable Articles of the relevant Part or Parts of the Order that were in force during the reporting period have been complied with during that period.

6.2 The Fund must ensure it takes "proper advice" in accordance with the LGPS (Management and Investment of Funds) Regulations 2016 on investment matters in order to carry out its role as the Administering Authority for the Fund, it does this by having an appointed Investment Consultant, which is currently Hymans Robertson.

6.3 To comply with The Order the Fund is required to report back to the Competition and Markets Authority by 7 January 2023. The Strategic Objectives for Hymans Robertson, for the period 15 December 2022 to 14 December 2023, have been given consideration and are included as appendix 2 to this report. It is therefore recommended that the Pensions Committee confirm this proposal.

7. Financial Implications

Implications completed by: Philip Gregory, Chief Financial Officer

7.1 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.

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 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.

9. Consultation

9.1 Council's Pension Fund governance arrangements involve continuous dialogue and consultation between finance staff and external advisers. The Finance Director and the Fund's Chair have been informed of the commentary in this report.

Background Papers Used in the Preparation of the Report: None

This page is intentionally left blank

DRAFT Internal Audit Report

Pension Fund Investment

04 November 2022

To:	Phillip Greggory	Financial Director
	David Dickinson	Group Manager
	Jesmine Anwar	Pensions Accountant
From:	Christopher Martin	Head of Assurance
	Benjamin Davie	Key internal audit contact
	Gagandeep Kanwar	Auditor

This is a draft prepared for discussion purposes only and should not be relied upon; the contents are subject to amendment or withdrawal and our final conclusions and findings will be set out in our final deliverable.

We would like to thank management and staff of the Pension Fund Investment teams for their time and co-operation during the course of the internal audit.

1. Executive Summary

Assurance level	Scope area	Number of recommendations by risk category			
		Critical	High	Medium	Low
Reasonable	Governance	-	-	-	-
	Forecasting/Cashflow	-	-	-	1
	Investments - Strategy	-	-	1	-
	Investments - Transactions	-	-	-	-
	Investments - Management	-	-	-	-

<u>Audit objective and scope</u>

The objective of this audit is to evaluate the control design and test the operating effectiveness of key controls in place for Pension Fund Investments relevant to the potential risks for each scope area. Specifically, the review considered the following areas detailed within the agreed scope:

- Governance
- Forecasting/Cashflow
- Investments - Strategy
- Investments - Transactions
- Investments - Management

An extract from the Terms of Reference detailing the scope of this review is available at Appendix C.

<u>Summary of findings</u>

The Pension Fund Investment process is fairly mature with an established strategy in place, which is agreed and overseen by the Pension Committee. This review has generally found that the controls in place are operating effectively. The fund is now fully funded by investments and so is currently going through a process of changing in it's investment strategy as it moves to a lower risk model, as it requires lower returns from investments. This internal audit noted that two agreements with the Council around divesting the fund from tobacco, as part of the Pensions fund meting in September 2014, and non-Paris Climate Agreement compliance stocks, as part of the Council's wider Climate commitments, has not yet fed through into the Investment Strategy. As a result, we noted that there are some small investments in funds that contain Tobacco products and that are not compliant with net zero commitments. With the review of the strategy it is a time to review the ethical considerations for the fund and update the strategy accordingly.

We identified some areas of good practice including:

- There is a clear governance process for the pension investment's with an Investment Strategy being approved by the Pensions Committee annually.
- The Pensions Committee gets regular updates on the investments at each of the quarterly meetings, including information on cash flow and performance.
- The Council has used consultants to develop and review it's long-term investments strategy. These reviews has driven changes to the investments strategy as the fund has reached 100% funding.

We have identified one medium risk. These are:

- *Pension fund Invested in restricted industry (Medium)* – The Pensions Committee had previously agreed that the Pension fund will not invest in tobacco firms or firms that are not compliant with the Paris Climate agreement. However, this is not reflected in the current Investment Strategy, and we noted that some investments do not meet these ethical restrictions.

We also identified one low risk finding that is set out in the findings and action plan section below.

2. Findings and Action Plan

REF	FINDING	RISK	RISK CATEGORY	*Proposed* MANAGEMENT ACTION	RESPONSIBLE OFFICER TARGET DATE
1	**Pension Fund invested in restricted industry** Public Pension funds commonly have an ethical policy that sets out restrictions on investments that the Council sees as unethical or not aligned to its values. These are then excluded from the portfolio. The Pensions team have in the past agreed, with the Council, to remove tobacco companies from investments, this was agreed in the September 2014 Pension Committee, and have recently agreed, as part the Council's wider Climate Commitments that investments should align to the Paris climate targets. The current Pensions Investment Strategy does not capture these agreements and while investments set out in these agreements do not have funds that are not compliant with Paris or contain tobacco there are other investments excluded from these agreements that do. This may lead to the perception that the Council is not living up to it's ethical commitments.	The Council may suffer reputational and legal damage if it does not sufficiently restrict unethical investments Pension funds that have been agreed and publicised.	**Medium**	1. The Council should update its Pensions Investment Strategy to set out the ethical requirements for the Pension fund. 2. Investments should only be made if they are in line with the requirements in this updated Strategy.	**Responsible Officer:** David Dickenson (Group Manager) **Target date:** 31st January 2023
2	**Lack of evidence for review performed**	There is a risk of financial issues	**Low**	The Council should ensure that the annual cash flow is	**Responsible Officer:**

Page 48

REF	FINDING	RISK	RISK CATEGORY	*Proposed* MANAGEMENT ACTION	RESPONSIBLE OFFICER TARGET DATE
	The Council undertakes an annual review of the cash flow forecasts to ensure that it will have sufficient cash on hand to meet its liabilities. This audit was able to obtain this forecast for 2022, however no evidence could be provided to support a review of this forecast by anyone other than the preparer.	arising, such as an inability to make payments due to lack of available cash, if an error in the forecast is not identified due to lack of review.		reviewed and that this is formally documented.	David Dickenson (Group Manager) **Target date:** 31st January 2023

Appendix A: Definition of risk categories and assurance levels in the Executive Summary

Risk rating	
Critical ●●	Immediate and significant action required. A finding that could cause: • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (e.g. mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High ●	Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause: • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium ●	A finding that could cause: • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low ●	A finding that could cause: • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial ●	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.
Reasonable ●	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Limited ●	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
No ●	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

Appendix B: Internal Audit Roles and Responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this audit subject to the following limitations:

- **Internal control:** Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overring controls and the occurrence of unforeseeable circumstances.
- **Future periods:** Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the following risks:
  - The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes.
  - The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

Appendix C: Terms of Reference Extract – Scope of the Review

The audit considered the potential risks set out in the table below:

Objectives	Risks
Governance There are clear governance arrangements for the management and oversight of the Fund's investments and finances	Governance arrangements may not be sufficient to ensure clear oversight of investments leading to financial and reputational damage to the Council if: ● Governance responsibilities, including key accountabilities, are not clearly defined; ● There is a lack of documentation of the responsibility and accountability of those involved in managing pension fund investments. ● Management information highlighting the performance of investments is not accurate or is not produced to facilitate oversight and scrutiny; or
Forecasting/cashflow The fund has a clear forecast of its liabilities and thus cashflow to ensure income from investments and contributions can fund liabilities as they come due.	Inaccurate forecasting of cash flow could lead to the fund being unable to make payments resulting in pensioners not getting their full pension if: ● The fund does not have an accurate forecast of its expenditure and contributions; or ● The fund does not time investments to ensure that there is enough cash available to support its cashflow forecasts.
Investments – strategy The Fund has an approved investment strategy statement and this statement is complied with by the Fund	● The Fund's investments may not be made in accordance with strategy if an investment strategy statement does not exist or has not been approved.
Investments – transactions Investment transactions are recorded accurately and completely.	The Fund's records of investments held and investment transactions may be inaccurate if: ● Investments can be made without sufficient approval per the Schedule of Delegation. ● Officers have the ability to make investments without the any review of approval. ● Investment activities are not recorded correctly on the fund's general ledger.

Appendix C: Terms of Reference Extract – Scope of the Review (Contd.)

Objectives	Risks
Investments - management Investments are managed in accordance with the Fund's investment strategy statement and investment performance issues are identified and mitigating actions implemented.	The Fund's investments may not be managed appropriately or performance issues not identified if: ● Those managing investments make investments outside of those permitted by the Fund; ● Investments made outside of the Fund's investment strategy statement are not identified; or ● Investment performance monitoring does not allow poor performance to be identified promptly and addressed.

This page is intentionally left blank

Appendix 2: CMA objectives – London Borough of Barking and Dagenham Pension Fund

ICS area	Strategic objective	Evaluation of Performance
Strategy	Help the Members formulate and understand their collective investment beliefs	Hymans will be distributing an investment beliefs questionnaire, discuss the results with the Committee and produce a set of investment beliefs which the Committee can use to structure future decision making.
	Assist in constructing a suitably diversified portfolio.	2022 saw a continuation of the review of the Fund's investment strategy, with focus on ESG to improve the chances of achieving the Fund's primary objective. The review process is on-going.
	Prepare training sessions for Committee alongside strategy review process to help the Members understand the role of each asset class within the scheme's portfolio.	Throughout 2022, Hymans provided training on alternative asset classes, including Diversified Growth funds, Multi-Asset Credit funds, and Residential and Global property. Hymans will be delivering further training to committee members as a part of the on-going strategy review.
	Work with fund to show evidence of support for industry initiatives to promote RI activity and engagement with relevant consultations and regulatory bodies	The fund is now invested in the Paris Aligned Global Alpha Fund as a part of RI strategy.
Implementation and LGPS Pooling	Work alongside the Members, Officers and relevant pool to develop/provide suitable investment solutions for the scheme	Hymans have continued to liaise with the LCIV regarding a number of their current and pipeline strategies. Investments in the LCIV, and the wider investment universe, will be considered as part of implementation of our recommendations in the strategy review
	Assist the Members and Officers with understanding the offerings provided by the	Aside from discussing the MAC sub-fund with the Officers, nothing further has been provided on this area year-to-date.

	relevant pool and with the transition of assets to the pool	
Compliance and regulation	Provide sufficient support in relation to the review of the scheme's investment strategy statement following any material changes to the investment strategy (or at least once every three years)	Hymans provided timely updates on material events impacting the Fund including the ongoing consultation on TCFD requirements for the LGPS as well as changes to market conditions and to managers the Fund is invested in. The ISS was updated in 2021, with further changes likely as the strategy evolves.
Client servicing and relationship management	Produce investment reports, briefing papers and investment advice in good time ahead of Committee meetings	Following feedback from Officers, Hymans provide draft papers 4 weeks in advance of meetings to allow adequate time for Officer input, and any cover papers to be drafted.
	Respond to email requests and voicemails on a timely basis	Communication with the Committee and Officers has been prompt.
	Provide advice in a clear and concise manner, limiting the use of jargon and ensuring that the Members and Officers understand the key messages	Where required, meetings with Officers have been arranged before Committee meetings to ensure advice is well laid out and understood Feedback on presentations and advice has been taken on board by Hymans to improve communication in the future.

PENSIONS COMMITTEE
11 January 2023

Title: Draft Pension Fund Accounts 2021/22	
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, Acting Chief Executive.	
Summary: This report presents the Pension Committee with the Draft Pension Fund Accounts for 2021/22.	
Recommendations The Committee is asked to consider and note the Draft Pension Fund Accounts for 2021/22.	

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 2022, 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 2022 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 2021/22 had positive return for the year, although the return was significantly reduced as a result of a market downturn following Russia's invasion of Ukraine. The overall investment return for the fund over the year, net of fund manager fees and custodian costs was 5.1%, which was 5.4% lower than the benchmark of 10.5%. Over three years the Fund's annualised return was 8.8%, which is 1.3% below the Fund's benchmark return of 10.1%.

2.2 Over one-year Baillie Gifford providing a negative return of 5.8% but underperformed its benchmark by 18.4%, while BlackRock, Abrdn, Hermes and passive equities provided double digit positive returns.

2.3 One new employer, Aspens 3, was admitted to the Fund in 2021/22. During the year, the total number of active employers within the Fund was 42.

2.4 The Fund increased in value by £78.1m from £1,282.8m as at 31 March 2021 to £1,360.9m as at 31 March 2022.

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 2021/22.

APPENDIX 1

London Borough of Barking & Dagenham

Pension Fund Accounts

for the year ended

31 March 2022

London Borough of Barking and Dagenham
Pension Fund Account

	Note	2020/21 £000	2021/22 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions	**8**	46,161	**47,558**
Transfers in from other pension funds	**9**	3,521	**3,612**
		49,682	**51,170**
Benefits	**10**	(42,074)	**(42,636)**
Payments to and on account of leavers	**11**	(7,668)	**(4,427)**
		(49,742)	**(47,063)**
Net additions from dealings with members		(60)	**4,107**
Management expenses	**12**	(6,719)	**(6,754)**
Net Additions/(Withdrawals) including Fund Management Expenses		(6,779)	**(2,647)**
Returns on Investments			
Investment Income	**13**	12,600	**14,355**
Profit (losses) on disposal of investments and changes in the market value of investments	**14**	283,609	**62,963**
Net returns on investments		296,209	**80,982**
Net increase in the net assets available for benefits during the year		289,430	**78,335**

Net Assets Statement as at 31 March 2022

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	2020/21 £000	**2020/21 £000**
Investment Assets	**16**	1,311,990	**1,385,048**
Investment Liabilities	**16**		
Current Assets	**17**	1,067	**1,229**
Current Liabilities	**17**	(49,962)	**(44,847)**
Net asset of the fund available to fund benefits at the end of the reporting period		1,263,095	**1,341,430**

Notes to the Pension Fund Accounts for the year ended 31 March 2022

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. 2021/22 had positive return for the year, although the return was significantly reduced as a result of a market downturn following Russia's invasion of Ukraine. The overall investment return for the fund over the year, net of fund manager fees and custodian costs was 5.1%, which was 5.4% lower than the benchmark of 10.5%. Over three years the Fund's annualised return was 8.8%, which is 1.3 % below the Fund's benchmark return of 10.1%. Over one-year Baillie Gifford providing a negative return of 5.8% but underperformed its benchmark by 18.4%, while BlackRock, Abrdn, Hermes and passive equities provided double digit positive returns.

One new employer, Aspens 3, was admitted to the Fund in 2021/22. During the year, the total number of active employers within the Fund was 42.

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	B&D Citizen's Advice Bureau
Elutec	BD Corporate Cleaning
Goresbrook Free School	BD Schools Improvement Partnership
Greatfields Free School	BD Together
James Campbell Primary	Be First
Partnerships Learning	BD Trading Partnerships
Pathways	BD Management Services
Riverside Bridge	Caterlink
Riverside Free School	Caterlink 2
Riverside School	Caterlink 3
St Margarets	Caterlink 4
St Joseph's Dagenham	Cleantech
St Joseph's Barking	Lewis and Graves
St Theresa's Dagenham	Pantry Catering
Sydney Russell Academy	Schools Offices Services Ltd
Thames View Infants Academy	Sports Leisure Management
Thames View Junior Academy	The Broadway Theatre
University of East London	Town and Country Cleaners
Warren Academy	
Not Active	**Not Active**
Magistrates Court	Abbeyfield Barking Society
	Age UK
	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:

	2020/21	2021/22
Number of Employers with active members	**41**	**42**
Number of Employees in scheme		
London Borough of Barking and Dagenham		
Active members	**4,670**	**4,496**
Pensioners	**4,627**	**4,718**
Deferred pensioners	**4,898**	**5,040**
Undecided and other members	**252**	**126**
	14,447	**14,380**
Admitted and Scheduled Bodies		
Active members	**1,629**	**1,444**
Pensioners	**1,003**	**1,038**
Deferred pensioners	**1,605**	**1,754**
Undecided and other members	**105**	**77**
	4,342	**4,313**

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 2021/22 financial year and its position as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2021/22. The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2022. 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 2022;

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 2021. 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.

<u>Unquoted investments</u>

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 £243.1m.**

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 2020/21 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 **£3.5m** (2020/21 £3.7m).

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 2021. 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 2022 was 22%.

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

Contributions	2020/21	2021/22
Members normal contributions	**£000**	**£000**
Council	**7,831**	**8,342**
Admitted bodies	**539**	**482**
Scheduled bodies	**1,938**	**1,909**
Total contributions from members	**10,308**	**10,733**
Employers contributions		
Council - Normal	**21,601**	**23,784**
Council - Deficit Recovery	**3,052**	**3,361**
Admitted bodies - Normal	**2,193**	**1,941**
Admitted bodies- Deficit Recovery	**107**	**99**
Scheduled bodies - Normal	**5,851**	**5,732**
Scheduled bodies- Deficit Recovery	**1,805**	**1,674**
Pension Strain	**1,244**	**235**
Total contributions from employers	**35,853**	**36,825**
Total Contributions	**46,161**	**47,558**

9. Transfers in from other pension funds

	2020/21	2021/22
	£000	**£000**
Individual Transfers	**3,521**	**3,612**
	3,521	**3,612**

10. Benefits

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

	2020/21				**2021/22**			
	Council	Admitted Bodies	Scheduled Bodies	Total	**Council**	**Admitted Bodies**	**Scheduled Bodies**	**Total**
	£000	£000	£000	£000	**£000**	**£000**	**£000**	**£000**
Pensions	29,129	188	6,434	35,751	**29,707**	**232**	**6,427**	**36,366**
Lump sums	3,715	372	1,056	5,143	**3,768**	**352**	**730**	**4,850**
Death grants	888	-	292	1,180	**953**	**-**	**364**	**1,317**
	33,732	560	7,782	42,074	**34,428**	**584**	**7,521**	**42,533**

11. Payments to and on account of leavers

	2020/21	2021/22
	£000	**£000**
Individual Transfers	7,544	**4,427**
Refunds	124	**102**
	7,668	**4,528**

12. Management Expenses

	2020/21	2021/22
	£000	**£000**
Administration and Processing	710	**676**
Management Fees	4,305	**4,114**
Custody Fees	58	**57**
Oversight and Governance Fees	243	**225**
Other Costs	1,403	**1,683**
	6,720	**6,754**

13. Investment Income

	2020/21	2021/22
	£000	**£000**
Fixed Interest Securities	428	**442**
Equity Dividends	9,192	**11,089**
Pooled Property Income	2,522	**2,220**
Interest - Manager's Cash	136	**825**
Interest - LBBD balance	22	**1**
Other Income	300	**1**
	12,600	**14,578**

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 31/03/2021 £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)	24,052		131,213
Infrastructure	99,190	649		4,311		104,150
Other Investments	150					150
Derivative Contracts						
Futures	287	5,527	(1,674)	(4,646)		(505)
Cash Deposits						
Custodian	14,327	-	1,868	0	(2,492)	13,702
In-House	39				74	113
Short-Term Loan	(29,200)				5,050	(24,150)
Pending Trade Sales	0		3,518	8		3,527
Other Investments	9					0
Total	1,282,790	79,346	-70,266	66,404	2,633	1,360,898

	Value 31/03/2020 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2021 £000
Pooled Unit Trusts	768,107	5,803		267,636		1,041,546
Property Unit Trusts	59,985			265		60,250
Pooled Alternatives	64,969	38,059	(19,453)	12,617		96,192
Infrastructure	92,913	9,435		(3,158)		99,190
Other Investments	150					150
Derivative Contracts						
Futures	(652)	1,158	(6,634)	6,415		287
Cash Deposits						
Custodian	8,986	32,032	(33,642)	(153)	7,104	14,327
In-House	126				(87)	39
Short Term Loan	(10,713)				(18,487)	(29,200)
Pending Trade Sales	9,303		(9,290)	(13)		-
Other Investments	9					9

Total	993,183	86,487	(69,019)	283,609	(11,470)	1,282,790

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 2022 was as follows:

Fund by Investment Manager	2020/21		2021/22	
	£'000	%	**£'000**	**%**
Abrdn Asset Management	96,479	7.5%	**130,707**	**9.6%**
BlackRock	37,352	2.9%	**59,357**	**4.4%**
Hermes	99,190	7.7%	**104,150**	**7.7%**
Kempen	186,303	14.5%	**204,309**	**15.0%**
Other Cash Balances	14,365	1.1%	**13,816**	**1.0%**
Short Term Investment	(29,200)	2.3%	**(24,150)**	**-1.8%**
RREEF	50	0.0%	**0**	**0.0%**
Schroders	22,848	1.8%	**3,056**	**0.2%**
Insight	68,089	5.3%	**66,227**	**4.9%**
UBS Passive Bonds	38,766	3.0%	**36,808**	**2.7%**
UBS Passive Equity	245,525	19.1%	**274,912**	**20.2%**
London CIV	150	0.0%	**150**	**0.0%**
London CIV - Baillie Gifford	312,413	24.4%	**291,693**	**21.4%**
London CIV - Newton / Pyrford	190,450	14.8%	**196,336**	**14.4%**
Pending Trade Sales	0	0.0%	**3,527**	**0.3%**
Other Investments – Tax Recoverable	9	0.0%	**0**	**0.0%**
Total	1,282,789	100.0%	**1,360,897**	**100.0%**
Current Assets	1,067	0.1%	**1,229**	**0.1%**
Current Liabilities	(20,762)	-1.6%	**(20,697)**	**-1.5%**

15. Cash

The cash balance held at 31 March 2022 is made up as follows:

Cash balances held by Investment Managers	2020/21 £000	**2021/22 £000**
Aberdeen Asset Management	14,204	**13,444**
Schroders	31	**19**
BlackRock	91	**183**
Other balances	-	**56**
In-house Cash	39	**113**
Total Cash	14,365	**13,816**

16. Securities

	2020/21 £000's	**2021/22 £000's**
Investment Assets		
Pooled funds - UK		
UK fixed Income Unit Trust	38,766	**36,808**
UK Equity Unit Trust	558,089	**566,755**
UK Absolute Return	190,450	**196,336**
UK Property Unit Trust	22,898	**3,056**
Pooled funds - Overseas		
Overseas Fixed Income Unit Trust	71,878	**76,556**
Overseas Equity Unit Trust	195,000	**206,391**
Overseas Property Unit Trust	37,352	**59,357**
Other Investment - Infrastructure	99,190	**104,150**
Other Investment - Private Equity	50,645	**78,842**
Other Investment - Hedge Funds	33,061	**39,946**
Other Investment – Tax Recoverable	9	**9**
Cash	14,365	**13,816**
Pending Trade Sales	-	**3,527**
Futures	287	**-**
Total Investment Assets	1,311,990	**1,385,548**
Investment Liabilities		
Futures	-	**(505)**
Total Investment Liabilities	-	**-**
Current Assets: Debtors	1,067	**1,229**
Current Liabilities: Creditors	(49,962)	**(44,847)**
Total Net Assets	1,263,095	**1,341,425**

17. Debtors and Creditors

The following amounts were debtors or creditors for the Fund at 31 March 2022:

	2020/21 £000	**2021/22 £000**
Debtors		
Other Investment Balances		
Pending Trade Sales	-	**3,518**
Current Assets		
Other local authorities	191	**426**
Other entities and individuals	876	**803**
Total Current Assets	**1,067**	**1,229**
Total Debtors	**1,067**	**4,747**
Creditors: Investment Liabilities		
Futures	-	
Current Liabilities		
Other local authorities	424	**410**
LBBD Prepayment	20,000	**20,000**
Other entities and individuals	338	**287**
Short Term Loan from LBBD	29,200	**24,150**
Total Current Liabilities	**49,962**	**44,847**
Total Creditors	**49,962**	**44,847**

18. Holdings

All holdings within the Fund at 31 March 2022 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 2022 the following pooled funds and LLPs were over 5% of the scheme's net assets:

Security	**Market Value as at 31 March 2022**	**% of Total Fund**
	£000	**%**
London CIV - Baillie Gifford	291,693	21.4%
UBS Passive Equity	274,912	20.2%
Kempen	204,309	15.0%
London CIV – Pyrford/Newton	196,336	14.4%
Hermes	104,150	7.7%

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 2021/22 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 2020/21.

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 £1,096.7m**

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 £-0.5m.**

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 £285.4m.**

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 2021.

Description of asset	Assessed valuation range	Value at 31 March 2022	Value on Increase	Value on Decrease
	%	£000s	£000s	£000s
Property Unit Trust	10	60,250	66,275	54,225
Other Investment - Infrastructure	15	99,190	114,069	84,312
Other Investment - Private Equity	15	50,645	58,242	43,048
Other Investment - Hedge Funds	15	33,061	38,020	28,102
		243,147	276,606	209,687

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 **£715.4k** (2019/20: £642.3k) are charged by the Council.

24. Contingent Asset and liabilities

As at 31 March 2022 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:

	2020/21 £000	**2021/22 £000**
Short Term employee benefits	189.1	**195.8**
Total	189.1	**195.8**

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**
		2020/21			**2021/22**	
	£000	£000	£000	**£000**	**£000**	**£000**
Pooled Fixed Income Unit Trusts	110,643	-	-			
Equities	753,089	-	-			
Property Unit Trusts	60,250	14,365	-			
Cash		-	-			
Other investments	373,642	-	-			
Pending Trade Sales		-	-			
Total Financial Assets	1,297,624	14,365	-			
Financial Assets - Debtors			1,067			
Financial liabilities - Creditors			(49,962)			
Total Net Assets	1,297,624	14,365	(48,895)			

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 2020/21 reporting period.

Asset Class	**One Year Expected Volatility (%)**	**Asset Class**	**One Year Expected Volatility (%)**
Global Pooled Inc UK	15.8	Alternatives	4.4
Total Bonds	5.0	Cash	0.8
Property	2.5		

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 2022 £000**	**% Change**	**Value on Increase £000**	**Value on Decrease £000**
Pooled Fixed Interest Securities	**110,643**	**5.0**	**116,164**	**105,122**
Pooled Equity Investments	**753,089**	**15.8**	**872,303**	**633,875**
Pooled Property	**60,250**	**2.5**	**61,757**	**58,744**
Pooled Absolute Return	**190,449**	**4.4**	**198,848**	**182,051**
Infrastructure	**99,190**	**4.4**	**103,565**	**94,816**
Other Investments	**84,002**	**4.4**	**87,707**	**80,298**
Cash	**14,365**	**0.8**	**14,485**	**14,246**
Total	**1,311,990**		**1,454,828**	**1,169,151**

Asset Type	Value as at 31 March 2021 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	110,643	5.0	116,164	105,122
Pooled Equity Investments	753,089	15.8	872,303	633,875
Pooled Property	60,250	2.5	61,757	58,744
Pooled Absolute Return	190,449	4.4	198,848	182,051
Infrastructure	99,190	4.4	103,565	94,816
Other Investments	84,002	4.4	87,707	80,298
Cash	14,365	0.8	14,485	14,246
Pending Trade Sales	1,311,990		1,454,828	1,169,151
Total	110,643	5.0	116,164	105,122

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 2020 and 31 March 2021 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 2021 £000	**As at 31 March 2022 £000**
Cash and cash equivalent	9,112	**14,365**
Fixed interest securities	103,587	**110,643**
Total	112,699	**125,008**

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 2022**	**Change in year in the net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£000	**£000**	**£000**
Cash and cash equivalent	**14,365**	**144**	**(144)**
Fixed interest securities	**110,643**	**1,106**	**(1,106)**
Total	**125,009**	**1,250**	**(1,250)**

Asset type	Carrying amount as at 31 March 2021	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
Cash and cash equivalent	14,365	144	(144)
Fixed interest securities	110,643	1,106	(1,106)
Total	125,009	1,250	(1,250)

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 2020 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 **£715.4k** (2020/21 £715.4k) 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 **£27.1m** to the Fund in 2021/22 (2020/21 £24.7m). All monies owing to and due from the Fund were paid in year.

In 2021 the Council prepaid two-years' worth of employer contributions, totalling **£40.0m**. As at 31 March 2022 one-year worth of prepaid employer's contribution remained, totalling **£20.0m,** with the Fund and this has been included as a prepayment in the Fund's debtors.

PENSIONS COMMITTEE
11 January 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: 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, Acting 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 Pension 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 30 November 2022.

1.2 A Strategic Asset Allocation Review is being carried out by the funds Actuary and a full business plan for 2021 to 2023 has been drafted alongside this. This sets out the key tasks for the Pension Committee in respect to the Pension Fund issues for 2021/22 and was agreed by members in the December 2020 committee.

2. Comments of the Finance Director

2.1 The Business Plan includes the major milestones and issues to be considered by the Committee and includes financial estimates for the investment and administration of the fund and appropriate provision for training.

2.2 The key actions, the date they were completed and by whom are summarised in the Business Plan Update report.

3. Comments of the Legal Officer

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

List of appendices: - Appendix 1 – Business Plan update

This page is intentionally left blank

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
Nov 22	Introduction to Heywood's: Insight	Officers	11th October

This page is intentionally left blank