London Borough of Barking & Dagenham
lbbd.gov.uk

Notice of Meeting

PENSIONS COMMITTEE

Wednesday, 16 September 2020 - 5:00 pm
Meeting to be held virtually

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

Independent Advisor: John Raisin

Observers: Dean Curtis, Steve Davies and Susan Parkin

Date of publication: 8 September 2020

Claire Symonds
Acting Chief Executive

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

Please note that this meeting will be webcast to enable the press and public to listen in to the proceedings of this 'virtual' meeting. To view the webcast click here and select the relevant meeting (the weblink will be available at least 24-hours before the meeting).

AGENDA

1. **Apologies for Absence**

2. **Declaration of Members' Interests**

   In accordance with the Council's Constitution, Members are asked to declare any interest they may have in any matter which is to be considered at this meeting.

3. **Minutes - To confirm as correct the minutes of the meeting held on 10 June 2020 (Pages 3 - 5)**

4. **Pension Fund Quarterly Monitoring - April-June 2020 (Pages 7 - 40)**

5. **Draft Pension Fund Accounts 2019/20 (Pages 41 - 67)**

6. **Administration and Governance Report (Pages 69 - 77)**

7. **Business Plan Update 2020 (Pages 79 - 83)**

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

9. 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 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).

10. Investment Strategy Review - Hymans Robertson (Investment Advisors) (Pages 85 - 131)

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

A New Kind of Council

- Build a well-run organisation
- Ensure relentlessly reliable services
- Develop place-based partnerships

Empowering People

- Enable greater independence whilst protecting the most vulnerable
- Strengthen our services for all
- Intervene earlier

Inclusive Growth

- Develop our aspirational and affordable housing offer
- Shape great places and strong communities through regeneration
- Encourage enterprise and enable employment

Citizenship and Participation

- Harness culture and increase opportunity
- Encourage civic pride and social responsibility
- Strengthen partnerships, participation and a place-based approach

This page is intentionally left blank

MINUTES OF
PENSIONS COMMITTEE

Wednesday, 10 June 2020
(5:00 - 6:40 pm)

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

Observers Present: Susan Parkin

Advisors Present: John Raisin, Nicholas Jellema and Stephen Jasinski

1. Declaration of Members' Interests

There were no declarations of interest.

2. Minutes - 11 March 2020

The minutes of the meeting held on 11 March 2020 were confirmed as correct.

3. Pension Fund Quarterly Monitoring - January-March 2020

The report provided information for employers, members of LBBD Pension Fund and other interested parties on how the Fund performed during the Quarter-1 January to 31 March 2020. Hymans Robertson, the recently appointed Investment advisors updated the Committee on the current state of the markets in the light of COVID-19.

The Fund's externally managed assets closed Q1 valued at £1,005,00m, a decrease of £121.32m from its value of £1,126.33m at 31 December 2019. The cash value held by the Council at 31 March 2020 was negative £10.51m, giving a total Fund value of £994.49m. The Investment Fund Manager verbally reported on the performance of the Fund up to 9 June 2020, which showed a significant bounce back with overall the Fund ending 1.96% up.

The Committee accordingly **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,

(iii) the quarterly performance of pension funds collectively and the performance of the fund managers individually, and

(iv) that the transition to CQS continues to be put on hold until clarification is obtained from LCIV.

4. Investment beliefs session - Hymans Robertson (Investment Advisors)

Following their appointment and in the light of the completion of 2019 actuarial valuation, Hymans Robertson (HR) had been asked to present an investment strategy review for the Committee's consideration at the meeting in September.

Forming part of that work Nick Jellema and Stephen Jasinki of HR outlined in a presentation the aim of the review which would:

consider the ability for the current funding and investment plan to meet the objective of the Pension Fund being fully funded in any given year,
allow members to consider the impact of alternative investment strategies and funding plans on the probability of success,
enable members to assess the attractiveness and appropriateness of the combinations considered, and
understand the implementation consequences, including the availability of assets not only within the LCIV, but also the wider investment market

The only options to achieve full funding going forward are either to increase the employer ('the Council') contributions in the future and/or improve the return on investment, hence the importance of putting forward recommendations for progressive change to the current investment strategy.

The presentation set out the strategic framework with good governance seen as key and having a set of clear objectives which are outcomes focused. This will necessitate a review of current objectives with the priority of aligning funding and investment strategies. The review is to be supported by asset liability modelling (ALM) analysis which is designed to enable informed decisions on the appropriate investment strategy (in the context of funding strategy), having examined the trade-off between risk and return.

Questions were raised and responded to by the investment advisors, specifically around diversified growth investments, performance management (poor outcomes v poor investments) and the principle levers for addressing the fund's deficit.

To support the review HR issued all Pension Committee members with an Investment Beliefs questionnaire to complete, the findings of which were presented and discussed. In summary HR will use the findings to identify the areas of strong belief to inform the review of the investment strategy and those areas where further development is required, and which will be reported upon in September.

The independent adviser (JR) was pleased to see the investment advisers actively seeking the Committee's views on their beliefs. He welcomed the emphasis on the investment strategy rather than focusing on management issues. He noted a word of caution that since Brexit, UK assets had generally underperformed, a factor that will need to be considered in the review. He was also keen to ensure that the Actuary's views were taken into account with the investment strategy, the importance of which was recognized by HR.

The investment advisors were thanked for their informative presentation.

5. Application for Admitted Body Status - Caterlink

In March 2019 it was agreed that Caterlink, the catering contractor to Goresbrook School should become an Admitted Body member of the Council's Pension Fund enabling transferred former Council employees to remain in the Local Government Pension Scheme or "broadly equivalent" scheme, as is their right.

Caterlink have gained a number of new contracts with various schools and have applied for an Admitted Body status for these contracts as staff will be transferring across. Accordingly,

The Committee have **resolved** to agree the application for Admitted Body status by Caterlink, as a 'closed' agreement.

6. Administration and Governance Report

The Pension Fund Accountant updated the Committee on the latest administrative and governance issues relating to the Pension Fund, which covered the following areas:

a) Pension Fund Budget 1 April 2020 to 31 March 2023,
b) Cash flow to 31 March 2020,
c) An update on the appointment of Hymans Robertson and Barnett Waddington for the Fund's Investment Consulting Services and its Actuarial Services respectively, and
d) From the Independent Advisor on the Scheme Advisory Board (SAB) Good Governance Project and other significant developments in the LGPS which focused on:
    - Good governance in the LGPS project, particularly the Phase II report, and
    - The judgement in the Supreme Court case regarding the 2016 LGPS statutory guidance.

The Committee accordingly **noted** the report

7. Business Plan Update 2020

The purpose of this report was to update the Pension Committee on progress regarding the Pension Fund's 2020/21 Business Plan.

Appendix 1 provided a summary of the Business Plan actions from 1 January to 31 December 2020. A Strategic Asset Allocation is being carried out by the Fund's Actuary and a full business plan for 2020/21 is being drafted alongside this and will be presented to the Committee in September 2020 for approval.

The Committee noted the report and Business Plan.

This page is intentionally left blank

PENSIONS COMMITTEE

16 September 2020

Title: Pension Fund Quarterly Monitoring 2020/21 – April to June 2020	
Report of the Chief Operating Officer	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: Jesmine Anwar, Pension Fund Accountant	**Contact Details:** Tel: 020 8227 3763 E-mail: Jesmine.Anwar@lbbd.gov.uk
Accountable Director: Philip Gregory, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	

Summary

This report provides information for employers, members of London Borough of Barking and Dagenham Pension Fund and other interested parties on how the Fund has performed during the quarter 1 April to 30 June 2020.

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 Pension Fund,

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

(iii) the quarterly performance of pension funds collectively and the performance of the fund managers individually,

(iv) the update on the transition to CQS, and

(v) the Independent Advisors Market Background Report 2019-20

1. Introduction and Background

1.1 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 April to 30 June 2020 ("Q2"). The report updates the Committee on the Fund's investment strategy and its investment 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.

1.2 A verbal update on the unaudited performance of the Fund for the period 1 July to 15 September 2020 will be provided to Members at the Pension Committee.

2. Independent Advisors Market Background Q2 2020

2.1 April to June 2020 was characterised by a clear disconnect between the economy and households on the one hand and financial markets. While many businesses faced temporary or permanent closure and millions of employees faced either unemployment or the threat of unemployment (with US unemployment at 11.1% in June 2020 compared to 3.5% in February and around 30% of UK employees on the Government's Furlough scheme) equity markets saw huge gains which erased much of the losses of late February and March 2020. There were however significant discrepancies in equity sector performance. Information technology was a generally very strong performer as would be expected in a lockdown/social distancing environment. In contrast banks struggled in an environment of ultra-low interest rates and economies in distress.

2.2 The MSCI World Index which fell over 21% in the January to March Quarter recovered much of this loss in the April to June Quarter to close on 30 June 2020 less than 8% lower than at 31 December 2019. US stocks enjoyed a dramatic rebound. The S&P 500 index which fell 20% in the January to March Quarter ended the April to June Quarter only 4% lower than at the start of January. Unprecedented central bank monetary policy stimulus, led by the US Federal Reserve, backed up by the fiscal initiatives of various governments provided the support to facilitate this recovery.

2.3 As the press release issued on 10 June 2020 after the June meeting of the policy setting Federal Open Markets Committee (FOMC) of the US Federal Reserve correctly stated *"the Coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world…"* COVID-19 has heavily affected the US economy. The "advance" estimate from the US Bureau of Economic Analysis, of 30 July 2020, indicated that "*…gross domestic product (GDP) decreased at an annual rate of 32.9 percent in the second quarter of 2020…"* Compared with the previous three months the economy contracted 9.5%.This was the largest contraction since World War II.

2.4 In December 2019 unemployment had been at a 50 year low of 3.5%. By March 2020 it had risen to 4.4%. There was a huge increase in April to 14.7%. This is the highest level recorded in the present series of the US Bureau of Labour Unemployment Rate statistics which date back to 1948. By the end of June, the rate was still 11.1% and above any recorded between 1948 and 2019. Inflation as measured by the Personal Consumption Expenditures (PCE) Index (the US Federal Reserve's preferred inflation measure) has long run clearly below the Federal Reserve's 2% target. The Minutes of the June 2020 FOMC indicate that the Committee believes COVID-19 will result in lower inflation stating *"… the overall effect of the outbreak on prices was seen as disinflationary… Observing that inflation had been running somewhat below the Committee's 2 percent longer-run objective before the coronavirus outbreak, some participants noted a risk that long-term inflation expectations might deteriorate. Participants noted that a highly accommodative stance of monetary policy would likely be needed for some time to achieve the 2 percent inflation objective over the longer run."*

2.5 In contrast to the weakness of the economy US equities regained most of the losses suffered in the previous Quarter. Late February and March 2020 saw dramatic falls in equity markets before efforts led by the unprecedented actions of US Federal reserve led to a turnaround in late March. Despite this the S&P 500 closed at 2,585 on 31 March 2020 compared to 3,231 on 31 December 2019. April saw a dramatic turnaround with the S&P 500 closing at 2,912 on 30 April. By the end of May the index had risen to 3,044 and on 8 June it closed at 3,232 fractionally above its 31 December level! At the close on 30 June the index stood at 3,100. This was an increase of 20% over the April to June Quarter leaving the S&P 500 only 4% lower than at the close on 31 December 2019. The particular recovery in the US equity market was undoubtedly assisted by the unprecedented actions of the US Federal Reserve which are described in some detail in the Independent Advisors Market Background report for January to March 2020.

2.6 The FOMC of the US Federal Reserve which had introduced extraordinary measures to support the economy and financial markets in March 2020 continued this approach at its April and June meetings. The very low interest rate policy introduced in March was maintained at the April and June meetings when *"the Committee decided to maintain the target range for the federal funds rate at 0 to ¼ percent."* Forecasts issued after the June meeting indicated Federal Reserve policymakers expect interest rates to remain at this level until 2022. The Federal Reserve undertook asset purchases and implemented the unprecedented policy (announced in March) of purchasing corporate bonds. Central Bank support undoubtedly supported and buoyed equity markets but so must the fiscal stimulus provided by the Federal Government (which included a $1,200 payment to individuals with a yearly income under $75,000 and $1,200 billion support to businesses) and investor optimism with markets positively reacting, for example, to signs of laid off workers returning and some turnaround in the unemployment statistics.

2.7 Although not as positive as US equities Eurozone equities enjoyed a significant recovery in the April to June Quarter. The MSCI EMU Index increased by 17% (in Euro terms) to offset a sizable proportion of the 25% loss of the January to March 2020 Quarter – this left the index around 12% lower than at the beginning of January. The significant monetary policy interventions of the major central banks of March 2020 including the European Central Bank (ECB), supported equity markets in this Quarter as did additional monetary policy easing announced by the ECB at its April and June meetings. This included an expansion, in June, of the ECB's Pandemic Emergency Purchase Programme (PEPP) – covering government and corporate debt - from 750 billion to 1,350 billion Euros. Fiscal policy interventions to support businesses and employees by major governments including France, Germany, Italy and Spain and easing of lockdown restrictions during the April to June Quarter also supported the equity market recovery.

2.8 The Eurozone economy suffered a large contraction in the April to June Quarter with GDP down by 12.1% compared to the previous Quarter according to preliminary flash estimates issued on 31 July 2020. Eurostat stated "*these were by far the sharpest declines observed since the time series started in 1995.*" Eurozone unemployment which had been 7.4% in December 2019 was 7.8% in June 2020. This small increase reflects the fact that there are furlough schemes covering millions of workers in France, Germany, Italy and Spain and many of these jobs could be at risk when they end. In 2019 headline Eurozone inflation was well below the ECB policy objective of below, but close to 2% over the medium term. By December 2019 Eurozone headline inflation had climbed to 1.3%. The onset of COVID-19 has however also clearly negatively impacted the inflation policy objective with Eurozone inflation at 0.3% in June 2020.

2.9 COVID-19 had a huge negative effect on the United Kingdom economy during the April to June 2020 Quarter causing (to quote the Bank of England Monetary Policy Summary issued 18 June 2020) *"severe economic and financial disruption*." To take just one example - by 30 June there were, according to statistics released by HM Revenue and Customs, 9.4m employees on the Government's furlough scheme. This represents around 30% of UK employees. Consumer Price Inflation (CPI), which had been 1.5% in March 2020 fell way below the Bank of England target of 2%. CPI was 0.8% in April, 0.5% in May and 0.6% in June.

2.10 Although UK equities gained 10% (as measured by the FTSE All Share) over the April to June Quarter they clearly lagged world markets generally which increased by approximately 19% (as measured by the MSCI World Index) and continued their long period as unloved by investors. Given the COVID-19 dominated environment a 10% gain over the Quarter must, however, still be viewed as somewhat positive. The Quarter saw a recovery by the FTSE All Share Index doubtlessly facilitated by the huge fiscal stimulus of government, the continuing monetary policy stimulus of the Bank of England (which expanded its asset purchase programme from £645 billion to £745 billion at its June Monetary Policy Committee meeting and maintained Base Rate at its all-time low of 0.1% throughout the Quarter) and indications of consumer spending and output increases as COVID-19 restrictions were eased during the Quarter.

2.11 Japanese Equities (as measured by the Nikkei 225 Index) had lost 20% in the January to March Quarter. The April to June Quarter was, however, clearly very positive with the Nikkei 225 gaining approximately 18%. This resulted in the Nikkei 225 ending June about 6% lower than at the end of December 2019. One reason for the bounce back by Japanese equities may be the policy decision taken by the Bank of Japan at its 16 March 2020 meeting to increase its purchase activity relating to Japanese Exchange Traded Funds (ETF's) and its subsequent implementation of this. The Bank of Japan also announced further measures, including increasing its ability to purchase government and corporate bonds to support the economy and markets during the April to June Quarter. The Japanese Government announced major support packages in April and May primarily directed at business and employment support.

2.12 Asian (excluding Japan) and Emerging Market equities both enjoyed a positive Quarter. The MSCI AC Asia (excluding Japan) returned 17% (in $ terms) compared to a loss of 18% in the previous Quarter. The MSCI Emerging Markets index returned a positive return of 18% (in $ terms) following a torrid January to March Quarter when the Index lost approaching 24% (in $ terms). The reopening of markets during the April to June Quarter and central bank stimulus by Asian/Emerging Market as well as the major central banks facilitated a recovery in equity prices despite the ongoing COVID-19 emergency and economic weakness.

2.13 As reported by the National Bureau of Statistics of China the Chinese economy grew by 3.2% in the April to June Quarter compared with the same period in 2019. This followed a fall of 6.8% in the January to March Quarter. China is the first major economy to report growth in the context of the COVID-19 emergency. This surely reflects both the fact that as the source of COVID-19 China has had longer to seek to tackle the virus, and also government support for the economy.

2.14 The leading Government Bonds - US, UK and Germany – had had a very positive January to March Quarter with prices rising significantly (and yields consequently falling) as investors favoured their perceived safety as equity markets fell and a severe global recession seemed likely. During the April to June Quarter investors maintained their appreciation of these assets. The US and German 10 year bond yields which opened the Quarter at the low yields of 0.67 and -0.47 were little changed by the end of June closing at 0.66 and -0.45. The 10 year UK Gilt increased further in value as the yield fell from 0.36 to 0.17 – the increase in Gilt prices perhaps reflected concerns regarding the future of the UK after its current agreement with the European Union ends in December 2020 and also a reaction to comments in May by Andrew Bailey the Governor of the Bank of England that negative interest rates were a possibility.

2.15 Corporate credit and in particular high yield had weakened in the January to March Quarter in the context of both economic and financial market weakness and indeed turmoil. In contrast the April to June Quarter saw corporate bonds perform strongly doubtlessly strengthened by supportive announcements from March onwards by the major central banks in relation to corporate bond purchases. A return of investor risk appetite was also a contributory factor as high yield as well as investment grade corporate credit enjoyed a clearly positive April to June 2020 Quarter.

2.16 In conclusion the April to July Quarter was extremely positive for equity markets despite a very poor economic environment including lockdowns/social distancing, GDP contraction, the potential for big increases in unemployment and extremely low inflation in developed economies. Additionally, as Jay Powell the Chair of the US Federal Reserve stated in his press conference of 10 June 2020 *"The extent of the downturn and the pace of recovery remain extraordinarily uncertain…"* All this clearly raises the vital question as to how much equity prices are now driven by optimism in markets based on central bank support, suggestions of a possibly viable vaccine, and any sign of economic momentum rather than by macroeconomic fundamentals and likely long term company earnings? Is fear of missing out another possible driver of the equity recovery? Volatility in equity markets going forward would clearly not be a surprise!

3. Overall Fund Performance

3.1 The Fund's externally managed assets closed Q2 valued at £1,132.03m, an increase of £127.03m from its value of £1,005.00m at 31 March 2020. The cash value held by the Council at 30 June 2020 was 0.81m, giving a total Fund value of £1,132.84m. The gross value of £1,132.84m includes a prepayment of £35.0m from the Council. The net asset value as at 30 June 2020, after adjusting for the prepayment was therefore £1,097.84m.

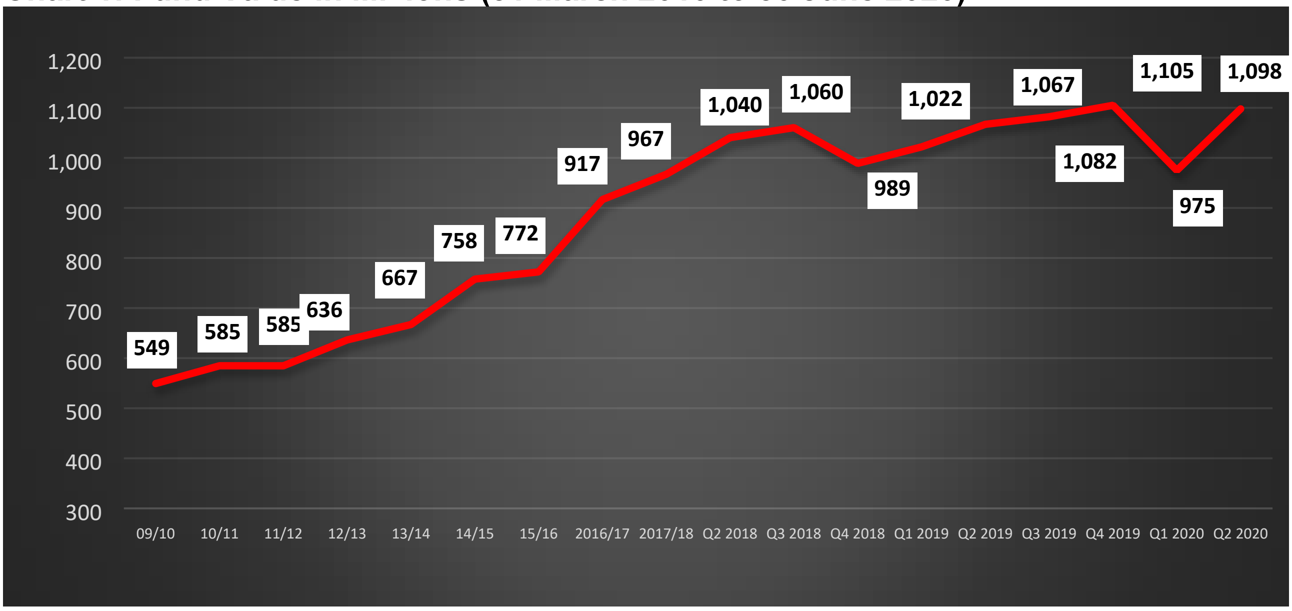
3.2 For Q2 the Fund returned 12.3%, net of fees, outperforming its benchmark by 2.7%. Over one year the Fund returned 4.5%, underperforming its benchmark by 1.5%. Over three years the Fund underperformed its benchmark by 1.8%, with a return of 5.1%. The Fund's returns are below:

Table 1: Fund's 2019, 2018, 2017 Quarterly and Yearly Returns

Year	2020		2019				2018		One Year	Two Years	Three Years	Five Years
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3				
Actual Return	12.3	(11.4)	2.2	1.4	3.3	5.8	(6.3)	2.3	4.5	4.8	5.1	7.8
Benchmark	9.6	(7.7)	1.7	2.4	3.5	5.6	(4.6)	3.3	6.0	6.9	6.9	8.7
Difference	2.7	(3.7)	0.5	(1.0)	(0.2)	0.2	(1.7)	(1.0)	(1.5)	(2.1)	(1.8)	(0.9)

3.3 Appendix 1 illustrates changes in the market value, the liability value, the Fund's deficit and the funding level from 31 March 2013 to 31 May 2020. Members are asked to note the significant changes in value and the movements in the Fund's funding level. Chart 1 below shows the Fund's value since 31 March 2010.

Chart 1: Fund Value in Millions (31 March 2010 to 30 June 2020)



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 Table 2 highlights the Q2 2020 returns. Baillie Gifford performed well this quarter returning 27.9% which was 8.1% above the benchmark. The return for Kempen was 16.9% which was 2.9% below the benchmark of 19.8%. UBS Equities passive fund provided a return of 18.8% against a 18.8% benchmark. Most managers provided a positive return this quarter except for Blackrock, Schroders and the funds diversified alternative fund.

Table 2 – Fund Manager Q2 2020 Performance

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Aberdeen Standard	(0.6)	1.3	(1.9)	Δ
Baillie Gifford	27.9	19.8	8.1	O
BlackRock	(2.9)	(2.0)	(0.9)	Δ
Hermes GPE	0.9	1.4	(0.5)	Δ
Kempen	16.9	19.8	(2.9)	Δ
Prudential / M&G	0.1	1.3	(1.2)	Δ
Newton	8.0	1.1	6.9	O
Pyrford	6.2	1.3	4.9	O
Schroders	(2.0)	(2.0)	0.0	O
Mellon Corporation (Standish)	4.7	1.3	3.4	O
UBS Bonds	2.5	2.5	0.0	O
UBS Equities	18.8	18.8	0.0	O

3.6 Kempen has provided a disappointing return of -8.6% over one year which was 17.5% below the benchmark. UBS Bonds performed well over the year with returns of 11.1%. Baillie Gifford also performed well returning 20.3% which was 11.5% above the benchmark.

Table 3 – Fund Manager Performance Over One Year

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Aberdeen Standard	1.8	4.9	(3.1)	
Baillie Gifford	20.3	8.8	11.5	O
BlackRock	(4.3)	(2.6)	(1.7)	Δ
Hermes GPE	5.7	5.8	(0.1)	Δ
Kempen	(8.6)	8.9	(17.5)	
Prudential / M&G	3.5	4.9	(1.4)	Δ
Newton	2.0	4.6	(2.6)	Δ
Pyrford	2.9	6.0	(3.1)	
Schroders	(4.7)	(2.6)	(2.1)	Δ
Mellon Corporation (Standish)	2.4	4.9	(2.5)	Δ
UBS Bonds	11.1	11.1	0.0	O
UBS Equities	7.3	7.3	0.0	O

3.7 Over two years, (table 4), most mandates are positive. Returns ranged from -2.0% for Schroders to 15.5% for Baillie Gifford. Absolute return and credit continue to struggle, underperforming their benchmarks but providing positive actual returns overall. Kempen also underperformed the benchmark by 11.3% with a return of negative 1.1%

Table 4 – Fund manager performance over two years

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Aberdeen Standard	3.2	4.8	(1.6)	Δ
Baillie Gifford	15.5	9.9	5.6	O
BlackRock	(0.4)	0.4	(0.8)	Δ
Hermes GPE	2.1	5.7	(3.6)	
Kempen	(1.1)	10.2	(11.3)	
Prudential / M&G	3.5	4.7	(1.2)	Δ
Newton	5.5	4.5	1.0	O
Pyrford	2.7	6.8	(4.1)	
Schroders	(2.0)	0.4	(2.4)	Δ
Mellon Corporation (Standish)	1.3	4.8	(3.5)	
UBS Bonds	8.0	8.0	0.0	O
UBS Equities	7.7	7.9	(0.2)	Δ

4. Asset Allocations and Benchmark

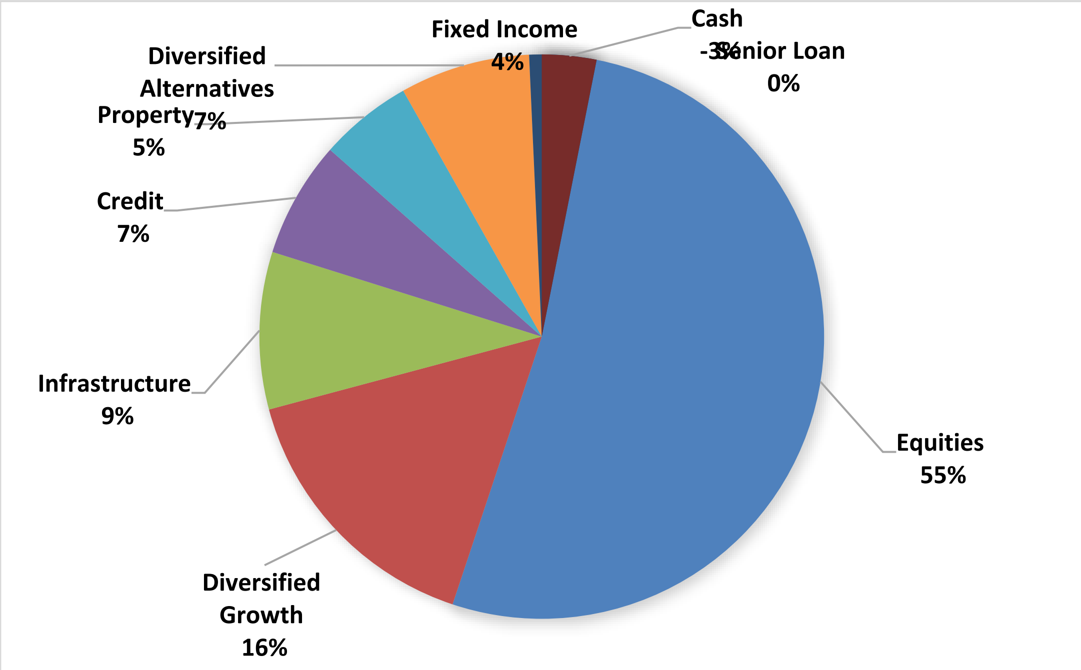
4.1 Table 5 below outlines the Fund's current actual asset allocation, asset value and benchmarks

Table 5: Fund Asset Allocation and Benchmarks as at 31 March 2020

Fund Manager	Asset (%)	Market Values (£000)	Benchmark
Aberdeen Standard	7.4%	81,747,764	3 Mth LIBOR + 4% per annum
Baillie Gifford	23.3%	255,773,164	MSCI AC World Index
BlackRock	3.3%	36,427,108	AREF/ IPD All Balanced
Hermes GPE	9.0%	98,893,410	Target yield 5.9% per annum
Kempen	13.8%	151,387,253	MSCI World NDR Index
Prudential / M&G	0.0%	670	3 Mth LIBOR + 4% per annum
Newton	6.7%	73,146,995	One-month LIBOR +4% per annum
Pyrford	9.8%	107,054,528	UK RPI +5% per annum
Schroders	2.0%	22,012,131	AREF/ IPD All Balanced
Mellon Corporation	6.0%	65,549,464	3 Mth LIBOR + 4% per annum
UBS Bonds	3.8%	42,047,517	FTSE UK Gilts All Stocks
UBS Equities	18.0%	197,837,273	FTSE AW Devel. Tracker (part hedged)
LCIV	0.0%	150,000	None
Cash	-3.1%	(34,191,683)	One-month LIBOR
Total Fund	**100.0%**	**1,097,835,594**	

Chart 2: Fund Allocation by Asset Class as at 30 June 2020

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



4.3 Overall the strategy is overweight equities, with equities at the top end of the range. Cash is underweight due to the pre-payment from the council. The current position compared to the strategic allocation is provided in table 6 below:

Table 6: Strategic Asset Allocation

Asset Class	Current Position	Strategic Allocation Target	Variance	Range
Equities	55.1%	48%	7.1%	*45–53*
Diversified Growth	15.7%	16%	-0.3%	*16-20*
Infrastructure	9.0%	9%	0.0%	*4-11*
Credit	6.7%	8%	-1.3%	*6-10*
Property	5.3%	7%	-1.7%	*6-9*
Diversified Alternatives	7.4%	8%	-0.6%	*6-10*
Fixed Income	3.8%	4%	-0.2%	*3-5*
Cash	-3.1%	0%	-3.1%	*0-1*
Senior Loan	0.0%	0%	0.0%	*0-1*

5. Fund Manager Performance

5.1 Kempen

Kempen	2020		2019				2018		One Year	Two Years	Since Start 6/2/13
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£151.39m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	**16.9**	(27.9)	1.2	1.3	5.2	5.5	(7.3)	2.9	(8.6)	(1.1)	6.3
Benchmark	**19.8**	(15.7)	1.0	3.8	6.5	9.9	(11.3)	6.3	8.9	10.2	12.1
Difference	**(2.9)**	(12.2)	0.2	(2.5)	(1.3)	(4.4)	4.0	(3.4)	(17.5)	(11.3)	(5.8)

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 2.9% for the quarter and has underperformed its one-year benchmark by 17.5%. Kempen provided an annual return of -1.1% over two years which was 11.3% below the benchmark. It has also underperformed its benchmark since inception by 5.8%, although the return over this period is an annualised return of 6.3%.

Portfolio Rebalancing

Kempen sold two names during Q2: Retail Properties of America and Telefonica Brasil.

Real estate company Retail Properties of America was hit hard by the crisis and chose to suspend its dividend so was sold. Telefonica Brasil was sold, although it is a well-managed company and a defensive name in Brasil, the valuation did not provide much margin of safety against the uncertain macro-economic situation in Brasil.

One new stock was added: Principal Financial

The new holding Principal Financial is a medium sized US life insurer with extensive operations in Latin America. The company has a strong franchise and solid strategy, the valuation is attractive while the shares still offer a dividend yield over 5%.

5.2 Baillie Gifford

Baillie Gifford	2020		2019				2018		One Year	Two Years	Since Start 6/2/13
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£255.77m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	**27.9**	(13.2)	4.9	0.7	7.7	12.4	(12.5)	3.0	20.3	15.5	15.7
Benchmark	**19.8**	(15.9)	1.5	3.4	6.2	9.8	(10.6)	5.7	8.8	9.9	11.9
Difference	**8.1**	2.7	3.4	(2.7)	1.5	2.6	(1.9)	(2.7)	11.5	5.6	3.8

Reason for appointment

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

Performance Review

For Q2 BG returned 27.9%, outperforming its benchmark by 8.1%. BG's one-year return was 20.3%, outperforming its benchmark by 11.5%. Since initial funding, the strategy has returned 15.7% p.a., outperforming its benchmark by 3 .8%.

Looking at sector attributions in the quarter, the sub-fund's highest conviction areas: consumer discretionary; communication services; and healthcare, were the highest returning sectors for the Sub-fund yielding a positive relative return of +8.6% alone. The manager stock selection in the 'rapid growth' bucket was already delivering strong growth prior to the pandemic but since has accelerated. for example, Shopify had a return of 130% in the quarter leading to be the top performer for the Sub-fund. In addition, Amazon also observed very strong gains in the portfolio.

The sub fund was also able to participate and outperform the benchmarks recovery in energy and industrials through strong stock selection. However, the sub fund was less successful in financials as AIA and Ping Ann insurance were weak. Prudential has also been weak for nearly 3-4 years for performance, but the manager still sees it as a key financial service provider to emerging markets in Asia.

The sub-fund's annual investment portfolio turnover increased to 15% in Q2 2020, up from 12% last quarter. There have been three key areas in which the manager has sought to make changes to the portfolio. First of which are changes to benefit from the accelerated technology adoption trends; second is instances where the manager is seeing marked improvement in the competitive landscape; and third is areas where the manager has observed evidence of change, particularly within the growth stalwart's bucket.

5.3 UBS Equities

UBS Equities	2020		2019				2018		One Year	Two Years	Since Start 31/08/12
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£197.84m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	18.8	(19.3)	5.7	2.1	4.0	11.5	(12.8)	5.3	7.3	7.7	12.6
Benchmark	18.8	(19.3)	5.7	2.1	4.1	11.5	(12.9)	5.7	7.3	7.9	12.7
Difference	0.0	0.0	0.0	0.0	(0.1)	0.0	0.1	(0.4)	0.0	(0.2)	(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 18.8% for Q2 and 7.3% over one year. Since funding in August 2012, the strategy has provided an annualised return of 12.6%.

Equities

Equity markets moved higher in June, in spite of volatility caused by fears of a potential 'second wave' of COVID-19 cases and renewed lockdowns in parts of the United States. Dovish commentary from the US Federal Reserve, further positive vaccine trial results, and continued improvements in economic data supported markets over the month, with market leadership shifting toward Europe and the emerging markets.

US economic data appears to have bottomed out as lockdown measures have been eased, and jobs growth has continued to surpass expectations, but there is still significant uncertainty about the pace of the economic recovery, particularly in light of increased infections and renewed lockdowns in some states. Fiscal policy is providing strong support to households and businesses, and a new stimulus package is likely to pass Congress in the coming month. Investor focus is likely to start to shift toward November's elections in the months to come.

5.4 UBS Bonds

UBS Bonds	2020		2019				2018		One Year	Two Years	Since Start 5/7/2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£42.05m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	2.5	6.3	(3.9)	6.2	1.4	3.4	1.9	(1.7)	11.1	8.0	5.9
Benchmark	2.5	6.3	(3.9)	6.2	1.3	3.4	1.9	(1.7)	11.1	8.0	5.9
Difference	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.1

Reason for appointment

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

Performance

The return for Q2 was 2.5%, with a one-year return of 11.1% and a two-year return of 8.0%.

Europe is on the path to normalisation as the COVID-19 restrictions are eased. Fiscal support has been plentiful thus far, and an EU recovery fund of EUR 750 billion is being finalised. The European Central Bank has increased its bond-purchase program, enabling it to continue buying bonds into the middle of 2021. At EUR 1.35 trillion, this should be large enough to absorb the surge in bond issuance that will accompany national fiscal plans. These measures should facilitate the recovery in 2020, even if the recovery is likely to take time as households and firms adapt to the post-COVID-19 world.

The Bank of England's Monetary Policy Committee decreased the policy rate to 0.1%. The UK Debt Management Office held 42 nominal bond auctions during the quarter across a range of maturities.

Outside of Asia, the fundamental picture for emerging markets remains challenged, with the many of the most affected countries by COVID-19 globally in Latin America. That said, the effects of loose monetary policy in the developed world are contributing to capital inflows into the region. These developments have supported and should continue to support emerging market assets. To put some of the easing measures in numbers, developed market central banks have expanded their balance sheets by over USD 4.6 trillion this year, enough to purchase the entire universe of emerging markets' external sovereign and corporate bonds, or roughly 60% of the free-float market capitalisation of emerging market equities.

5.5 M&G / Prudential UK

M&G / Prudential	**2020**		**2019**				**2018**		**One Year**	**Two Years**	**Since Start 31/5/2010**
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**			
£0.00m	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**0.1**	1.7	0.0	1.7	0.0	1.0	1.2	1.2	3.5	3.5	4.4
Benchmark	**1.3**	1.2	1.2	1.2	1.0	1.2	1.2	1.1	4.9	4.7	3.0
Difference	**(1.2)**	0.5	(1.2)	0.5	(1.0)	(0.2)	0.0	0.1	(1.4)	(1.2)	1.4

Reason for appointment

This investment seeks to maximise returns using a prudent investment management approach with a target return of Libor +4% (net of fees).

Performance and Loan Security

The strategy provided a return of 4.4% per year, with an outperformance against the benchmark of 1.4% since inception. The strategies holding has reduced in size to nil, with all of the loans repaid. The weighted average credit rating is BB+ with an average life of 1.3 years.

This investment completed the sale of its last senior loan and is now closed.

5.6 Schroders Indirect Real Estate (SIRE)

Schroders	2020		2019				2018		One Year	Two Years	Since Start 6/8/2010
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£22.01m	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**(2.0)**	(3.9)	1.0	0.3	0.1	(1.1)	0.3	1.4	(4.7)	(2.0)	5.2
Benchmark	**(2.0)**	(1.3)	0.3	0.4	0.6	0.3	0.9	1.6	(2.6)	0.4	6.7
Difference	**0.0**	(2.6)	0.7	(0.1)	(0.5)	(1.4)	(0.6)	(0.2)	(2.1)	(2.4)	(1.5)

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.

Q2 2020 Performance and Investment Update

The fund generated a negative return in Q2 of 2.0% with a one-year return of negative 4.7% and a two-year return of negative 2.0%.

SIRE's portfolio structure maintains an overweight position relative to its benchmark to the industrial and alternative sectors and an underweight position to the retail sector. The lockdown and collapse in revenues has meant that some businesses have not paid rent and service charges. The government's decision to place a moratorium on the eviction of tenants until the end of September 2020 may also be a factor. Retailers have been most likely to defer rent and service charge payments, while most office occupiers have paid in full. Industrial tenants fall somewhere in the middle.

COVID-19 has accelerated the growth in online retailing and increase in structural vacancy. The market share of online sales jumped to 33% in May 2020 from 19% in 2019 and, while some of that will unwind as non-essential shops re-open, some people will remain hesitant about visiting stores. The surge in internet sales during lockdown helped support demand for warehouses, both from supermarkets and pure online retailers. No sales or purchases were made during Q2 2020.

5.7 BlackRock

BlackRock	2020		2019				2018		One Year	Two Years	Since Start 1/1/2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£36.43m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	**(2.9)**	(2.8)	0.6	0.7	0.5	0.1	1.0	1.9	(4.3)	(0.4)	0.4
Benchmark	**(2.0)**	(1.3)	0.3	0.4	0.6	0.3	0.9	1.6	(2.6)	0.4	3.6
Difference	**(0.9)**	(1.5)	0.3	0.3	(0.1)	(0.2)	0.1	0.3	(1.7)	(0.8)	(3.2)

Reason for appointment

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

Q2 2020 Performance and Investment Update

BR returned -2.9% for the quarter against the benchmark of -2.0%. It returned -4.3% over one year against its benchmark's return of -2.6%.

During the second quarter, the Fund completed two disposals totalling £60 million. Retail was the largest detractor to performance over the quarter with capital declines of -4.8% in value with a contribution of -76bps to performance. The Alternative sector and more specifically the Healthcare allocation, returned 2.2% for the quarter, contributing 23bps of performance. The Fund also completed several significant leases, which deliver valuable income to the portfolio.

5.8 Hermes

Hermes	2020		2019				2018		One Year	Two Years	Since Start 9/11/2012
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£98.89m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	0.9	3.9	(0.2)	1.2	1.0	(1.5)	1.1	(2.2)	5.7	2.1	8.7
Benchmark	1.4	1.5	1.4	1.5	1.5	1.4	1.4	1.4	5.8	5.7	5.9
Difference	(0.5)	2.4	(1.6)	(0.3)	(0.5)	(2.9)	(0.3)	(3.6)	(0.1)	(3.6)	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 0.9% in Q2 underperforming the benchmark by 0.5%. As at 30 June 2020, the strategy reported a one-year positive return of 5.7%, underperforming its benchmark by 0.1%. Since inception the strategy has provided a good annualised return of 8.7%, outperforming its benchmark by 2.8%.

Portfolio review

Operational and financial performance across the HIF I portfolio was negatively affected by continuing Covid-19 emergency and resulting lockdown. Major impacts include materially reduced traveller demand, reductions to power price and inflation forecasts, increased bad debt and construction delays. During the period, Eurostar undertook a material refinancing to provide liquidity for the medium term. Shareholders committed contingent equity to inject up to £100m (£10m for Hermes Infrastructure clients including HIF I).

Renewable assets have proved relatively well insulated from the short-term impact of COVID-19, with the main long-term impact being lower forecast wholesale power prices. The extent of impact will vary according to the relative exposure of individual assets to merchant power prices which, for HIF I, is mitigated by the volume of subsidy, fixed and contracted revenues in its renewable portfolio. Transport assets have been more exposed to short term revenue impacts, which in the case of Eurostar, Iridium Hermes Roads (shadow tolls) and Scandlines have been material.

Whilst no asset is immune from the effects of COVID-19 and the resulting nationwide lockdown, the Manager's view is that the business models of all portfolio businesses remain fundamentally sound and in some cases, such as Eurostar, may benefit in the medium term from societal and economic behavioural change following the pandemic

HIF I completed its acquisition of 74% of the interests held by Iridium in six shadow toll roads located in Spain and completed the sale of its 25.6% managed interest in Energy Assets Group Limited to a consortium comprising European institutional investors and an infrastructure fund.
On 30 April 2020, the HIF I Fund reached the end of its five-year investment period.

5.9 Aberdeen Standard Asset Management

Aberdeen Standard	2020		2019				2018		One Year	Two Years	Since Start 15/9/2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£81.75m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	**(0.6)**	0.7	(0.2)	1.9	2.3	0.6	(0.8)	2.6	1.8	3.2	3.4
Benchmark	**1.3**	1.2	1.2	1.2	1.2	1.2	1.1	1.1	4.9	4.8	4.7
Difference	**(1.9)**	(0.5)	(1.4)	0.7	1.1	(0.6)	(1.9)	1.5	(3.1)	(1.6)	(1.3)

Reason for appointment

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

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

Performance

Overall, the strategy provided a return of -0.6% in Q2 2020, underperforming its benchmark by 1.9%. The largest detractors were Advent International GPE VIII & PAI Europe VI. In terms of winners, Pharo Gaia generated strong performance in the second quarter, driven by particularly strong gains in April and May.

Over one year the mandate has underperformed its benchmark, with a return of 1.8% against a benchmark of 4.9%. Since inception in September 2014, the strategy has returned 3.4%, underperforming its benchmark by 1.3%.

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

i. Relative Value strategies, intended to profit from price dislocations across fixed income and equity markets,
ii. Global macro strategies, which are intended to benefit significantly from global trends, whether these trends are up or down, across asset classes and geographies,
iii. Tail risk protection, which in the case of Kohinoor Series Three Fund is intended to offer significant returns at times of stress and more muted returns in normal market environments, and
iv. Reinsurance

Aberdeen 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.

5.10 Pyrford

Pyrford	2020		2019				2018		One Year	Two Years	Since Start 28/9/2012
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£107.05m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	**6.2**	(4.8)	0.7	0.9	1.1	2.7	(2.0)	0.8	2.9	2.7	3.4
Benchmark	**1.3**	1.5	1.5	1.7	2.8	1.1	1.5	2.3	6.0	6.8	6.9
Difference	**4.9**	(6.3)	(0.8)	(0.8)	(1.7)	1.6	(3.5)	(1.5)	(3.1)	(4.1)	(3.5)

Reason for appointment

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

Performance

Pyrford generated a return of 6.2% in Q2 outperforming its benchmark by 4.9%. Over one year the strategy has returned 2.9%, underperforming its benchmark by 3.1%. Pyrford underperformed its benchmark by 3.5% since inception.

The current asset allocation of the portfolio is 40% equities, 57% bonds and 3% cash. With 40% in equities the portfolio positioning will benefit from a strong equity market environment as it has done in the second quarter where the strategy delivered positive returns. Within the fixed income side of the portfolio, the manager continues to adopt a very defensive stance by owning short duration securities to protect the capital value of the portfolio from expected rises in yields. The target duration is 2.5 years, but the sub- fund has been running this at lower levels for the last 18 months.

Outlook and Strategy

The investment will continue to digest the threat that coronavirus poses to the world economy. Global supply chains remain fragile and global demand has been decimated whilst governments scramble to understand and contain the virus. The length of national lockdowns is uncertain and while some lockdown measures are easing, close attention will be paid to the second wave of cases.

In June, the portfolio's equity exposure has been reduced slightly from 45% to 40%. The manager felt that a reduction was prudent given the strong recent rally in equity markets. The potential for a further downward leg in equity market remains a real possibility and the manager will once again be prepared to increase exposure to equities if this happens.

While the performance is lower than that of other sub-funds, the risks taken within this sub-fund are also significantly lower than peers. The manager remains very cautious on the markets and with the sudden rebound in asset prices across most risk markets, this is likely to continue for the foreseeable future.

5.11 Newton

Newton	2020		2019				2018		One Year	Two Years	Since Start 31/8/2012
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£73.15m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	8.0	(9.2)	1.6	1.7	4.3	4.2	(1.7)	2.1	2.0	5.5	3.5
Benchmark	1.1	1.2	1.2	1.2	1.0	1.2	1.2	1.1	4.6	4.5	4.5
Difference	6.9	(10.4)	0.4	0.5	3.3	3.0	(2.9)	1.0	(2.6)	1.0	(1.0)

Reason for appointment

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

Performance

Newton generated a return of 8.0% in Q2 and outperformed its benchmark by 6.9%. Over one year the strategy has returned 2.0%, underperforming its benchmark by 2.6%. Newton's performance since inception is 3.5% and underperforms its benchmark by 1.0%.

The portfolio performance was driven by exposure to precious metals, index-linked and corporate bonds as well as economic sensitive assets, mainly equities. The greater commitment to risk assets is to an extent balance with increased exposure to gold and US Treasuries. Asset allocation remains one of the more dynamic and will change as the evolving outlook necessitates.

The portfolios exposure is summarised below:

Portfolio Exposures		
	31 March 2020	30 June 2020
Equities	**30.43**	**37.00**
UK	5.15	6.40
North America	9.23	12.20
Europe	10.83	12.70
Japan	0.31	0.40
Pacific Basin Ex Japan	3.01	2.90
Emerging Markets	1.91	2.40
Fixed Income	**22.20**	**23.30**
Government Bonds	6.03	3.90
Corporate Bonds	8.31	13.10
Index Linked Government	3.38	2.80
Emerging Debt	4.48	3.50
Alternatives	**47.37**	**39.70**
Infrastructure Funds	7.75	11.30
Renewable Energy	0.40	0.00
Precious Metals	11.90	15.40
Derivative Instruments	15.08	1.50
Cash and FX Forwards	12.25	11.50
Total	**100.00**	**100.00**

5.12 Mellon Corporation (Standish)

Mellon Corporation	2020		2019				2018		One Year	Two Years	Since Start 20/8/2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3			
£65.55m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	4.7	(2.3)	(0.0)	0.1	0.8	1.9	(2.7)	0.1	2.4	1.3	0.7
Benchmark	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.1	4.9	4.8	5.2
Difference	3.4	(3.5)	(1.2)	(1.1)	(0.4)	0.7	(3.9)	(1.0)	(2.5)	(3.5)	(4.5)

Reason for appointment

Mellon Corporation 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

The Fund returned 4.7% against a benchmark return of 1.3%. Over one year the strategy has underperformed its benchmark of 4.9% by 2.5%, providing a return of 2.5%. Since funding in August 2013, Mellon Corporation has only provided an annual return of 0.7%.

Portfolio Composition:

The Fund's allocation to corporate credit has increased from the historically low levels held earlier in Q1 2020 but which had been increased towards the end of that quarter following significant dislocation in credit spreads as the COVID 19 pandemic spread globally and governments in developed and emerging economies reacted through varying degrees of lockdown.

Strategy Review

Given the consistent underperformance of the strategy both against the benchmark and peer groups, Members agreed to replace BNY Mellon as the fund's active credit manager and to appoint CQS through the LCIV.

In July 2019, the LCIV informed officers that they have put CQS 'on watch' so the transition process to CQS was put on hold until the issues were resolved. On 18 September 2019, LCIV presented to the committee members and after a thorough discussion, members agreed to progress with the transition to CQS. The funding amount was £60million. LCIV confirmed that the trading could only take place at month end so there were further issues around the transition date:

- An initial transition date of 31 October 2019 was set. However, due to uncertainties around Brexit, the fund was advised that CQS would not be trading.
- The transition date was then delayed to the of November 2019, however, the fund was advised against this due to the Thanksgiving Day.

On 21 November 2019, LCIV raised the possibility that CQS would be removed from the platform or alternatively, another manager would be appointed in addition to CQS as they still have concerns. As a result, the transition to CQS was put on hold until this position could be clarified. LCIV then announced that CQS is no longer on watch but will be increasing the level of monitoring of the manager.

Following a poor performance in Q1, CQS bounced back in Q2. On 23rd July 2020, officers were informed that the LCIV are looking to add another manager to the Multi-Asset Credit Strategy to provide a more robust performance and better risk profile for investors, without the single manager risk that currently exists. CQS currently remains on enhanced monitoring status so the transition is still on hold.

5.13 Currency Hedging

No new currency hedging positions were placed in Q2 2020.

6. Consultation

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

7. Financial Implications

Implications completed by: Philip Gregory, Finance Director

7.1 The Council's Pension 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 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.

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 Pension 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 pension 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.

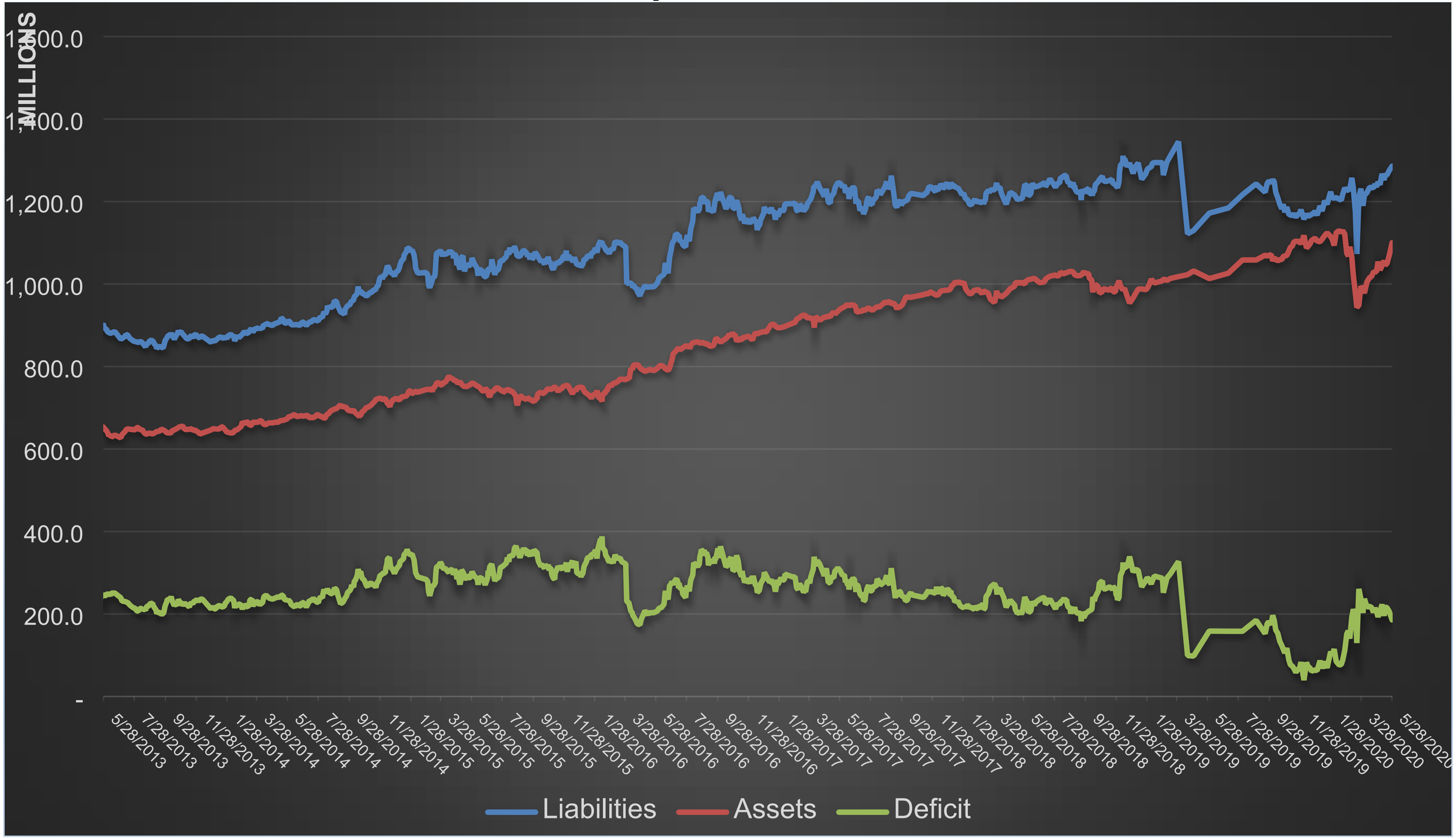
Background Papers Used in the Preparation of the Report:

- Northern Trust Quarterly Q2 2020 Report; and
- Fund Manager Q2 2020 Reports.

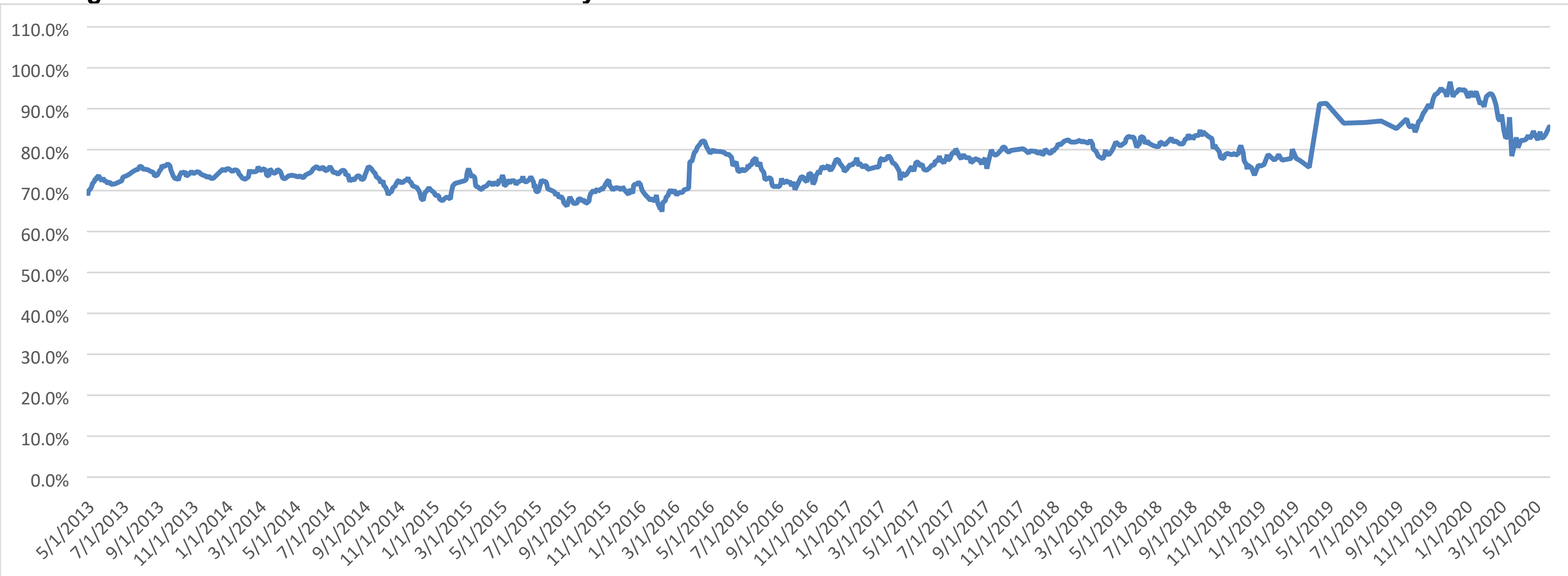
List of appendices:

Appendix 1 - Fund Asset and Liability Values 31 March 2013 to 28 May 2020
Appendix 2 - Definitions
Appendix 3 - Roles and Responsibilities
Appendix 4 – Independent Advisors Market Background Report 2019-20

APPENDIX 1 - Fund Asset Values 31 March 2013 to 28 May 2020



Funding Level between 31 March 2013 to 28 May 2020



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."*

APPENDIX 4

JOHN RAISIN FINANCIAL SERVICES LIMITED

Independent Advisors Report

Market Background 2019-20

Given the outbreak of COVID-19 and the huge fall in equity markets in late February and March 2020 it is easy to forget that for most of the year 1 April 2019 to 31 March 2020 global stocks increased in value and the world economy continued to experience positive, if modest, economic growth. During April to December 2019 markets were clearly influenced by pessimism and ultimately optimism regarding US-China trade relations, and accommodative major central bank policy. April to December 2019 saw global equities advance with the MSCI World Index up 11% and the United States S&P 500 up 14%.

April to December 2019 saw uncertainly in the United States-China trade relationship. 2019, however, ended positively – on 12-13 December both sides announced significant progress on a "Phase 1" deal. The US S&P 500 index reached a (then) new closing high of 3,169 on 13 December.

April to December saw strong consumer confidence in the United States and low unemployment in the major economies of the United States, the Eurozone and the United Kingdom. US unemployment was 3.5% in December 2019 a fifty-year low and Eurozone unemployment was 7.3% its lowest since the financial crisis of 2008. There were however also concerning economic indicators.

US inflation continued to be clearly below the Federal Reserve's 2% target. Eurozone and Japanese inflation remained well below the targets of their central banks. Economic growth showed signs of weakness. US annualised growth fell to below 2.5% compared with around 3% for the April to December 2018 period. Chinese growth at around 6% (annualised) was the lowest since 1990.

April to December 2019 saw the US Federal Reserve and the European Central Bank clearly move towards looser more supportive (of both financial markets and the economy) monetary policy. This was in clear contrast to 2018 when both had tightened their monetary policy approach with the Federal Reserve increasing interest rates three times in the period June to December 2018.

In July, September and October 2019 the US Federal Reserve reduced the target range for the federal funds rate by 0.25%. At the press conference following the October meeting Chair Jay Powell stated *"Today we decided to lower the interest rate for the third time this year…. weakness in global growth and trade developments have weighed on the economy and pose ongoing risks. These factors, in conjunction with muted inflation pressures, have led us to lower our assessment of the appropriate level of the federal funds rate…"*

The European Central Bank (ECB) also acted to support financial markets and the Eurozone economy. In June the ECB extended to at least the first half of 2020 the existing ultra-low interest rate policy. In September the ECB further loosened monetary policy including reducing the deposit interest rate by 0.1% to minus 0.5% and reintroducing quantitative easing which was restarted on 1 November at the rate of asset purchases of 20 billion Euros per month. The Bank of Japan continued its huge monetary stimulus programme which commenced in 2013.

The resolution of some of the trade tensions between the United States and China in late 2019 and the further loosening of monetary policy by the US Federal Reserve and ECB in the second half of 2019 had led to a general view that global stocks would continue their long upward trend through 2020. Indeed, on 19 February 2020 the US S&P 500 Index reached a new record closing high of 3,386 almost 5% above the 31 December 2019 closing figure of 3,231.

On 24 February 2020, however, equities across the globe began to rapidly fall following the decision of Italy to quarantine 10 towns in response to COVID-19 (Coronavirus). Concerns regarding COVID-19 then rapidly and hugely affected US equity markets and other major markets. By the end of Friday 28 February, the S&P 500 had fallen approximately 13% from its 19 February all-time high. On 28 February Federal Reserve Chair Jay Powell stated that *"… the coronavirus poses evolving risks to economic activity. The Federal Reserve is closely monitoring developments... We will use our tools and act as appropriate to support the economy."* The actions subsequently taken by, and led by the US Federal Reserve during March 2020 were unprecedented even in comparison to those following the 2008 financial crisis.

The governments of a number of leading world economies - the UK, Canada, France and Italy announced major fiscal initiatives to support their economies and citizens and also, by extension, financial markets on or before 20 March 2020. Measures included income subsidies for laid off workers, tax deferrals and state loans or guarantees for companies The German Parliament and US Congress also agreed unprecedented fiscal support packages in the last week of March. While these measures were crucial to mitigating the adverse impact of COVID-19 on economies and financial markets it was the extraordinary interventions of the US Federal Reserve which, surely, prevented a financial market meltdown in March 2020.

At an emergency meeting on 3 March 2020, the US Federal Reserve, reduced the target range for federal funds rate (its main interest rate) by ½%, to the range 1 to 1 ¼%. COVID-19 equity related market chaos continued however and was compounded by reaction to an oil price plunge on 9 March arising from Russian and Saudi Arabian action which resulted in a trading break in New York, the first time this measure had been used.

Then in an unscheduled (Sunday) meeting on 15 March the US Federal Reserve intervened on an unprecedented scale. The federal funds rate was reduced by a full 1% to the range 0% to ¼% and an asset purchase programme announced of *"at least"* $500bn of Treasury bonds and *"at least"* $200bn of mortgaged backed securities to *"support the smooth functioning of markets…."* To further support the flow of credit to businesses and households the US Federal Reserve also announced measures to ease requirements upon and to support banks and other savings institutions. To directly support not only the US markets and economy but other major developed markets and economies the Federal Reserve also announced, on 15 March 2020, *"co-ordinated action"* with a number of other central banks to lower the cost of borrowing dollars internationally.

The ECB acted decisively on 18 March announcing a 750 billion Euro Pandemic Emergency Purchase Programme (PEPP) covering government and corporate debt to *"…counter the serious risks to the… outlook for the euro area posed by the outbreak and escalating diffusion of the coronavirus, COVID-19."* The Bank of England acted decisively reducing Bank Rate by from 0.75% to 0.25% on 10 March and then on 19 March to an all-time low of 0.10% together with the introduction of a £200 billion purchase programme of bonds. On 10 March, it also introduced measures to facilitate further lending to businesses by UK banks.

Turmoil however continued when markets reopened on Monday March 16. The S&P 500 fell by 12% only to rise by 6% on 17 March and then to fall by 5% on 18 March. On 16 March in the context of the clearly rapid spread of COVID-19 in Europe, closures and severe disruption to businesses not only in Europe but the US coupled with an admission by President Trump that the Coronavirus crisis could last till *"August, could be July, could be longer…"* US markets fell 12%. 18 March was a day of panic in world markets with the FTSE All World equity index falling almost 7%, government bond prices falling, oil prices again plummeting, sterling falling to its lowest level against the dollar since the 1980s. The S&P index closed on Friday 20 March at 2,305 which was 15% lower than at the close on Friday 13 March with liquidity shocks exacerbating the declines in equities.

Then on 23 March, the US Federal Reserve intervened in an unprecedented manner. First it extended its purchases of Treasury Bonds and mortgage backed securities from $700billion to *"the amounts needed to support smooth market functioning and effective transmission of monetary policy…"* This meant that to help facilitate the supply of credit to households and businesses the US Federal Reserve was prepared to buy unlimited amounts of government securities. Secondly, in an extraordinary break with previous precedent the Federal Reserve announced initiatives to purchase both new issue and secondary market corporate debt. This meant that in effect the Federal Reserve was prepared to directly support employers and act as a backstop in the corporate bond market.

In the days following this extraordinary intervention by the Federal Reserve of 23 March 2020, financial markets began to recover with the S&P 500 closing at

2,585 on 31 March a full 12% higher than on 20 March. Admittedly, after much argument Congress finally passed a huge $2.2 trillion fiscal stimulus on 27 March to assist US business and families. However, there can be no doubt that during March 2020 the US Federal Reserve acted decisively and in an unprecedented manner to avoid a financial market meltdown while the US Congress argued over what measures to take.

In summary, over the January to March 2020 Quarter global equity prices fell heavily with the MSCI World Index down 21% (in $ terms). European and UK equities were especially badly affected with the MSCI EMU Index down 25% (in Euro terms) and the FTSE All Share down 25% (in £ terms). The S&P 500 lost 20% as did the Nikkei 225.

Though the effects of COVID-19 were only really felt by the world economy and financial markets from late February onwards GDP data for the first Quarter 2020 demonstrates the immediate and devastating economic effects. The "Third" estimate from the US Bureau of Economic Analysis, issued on 25 June 2020, indicated that US *"gross domestic product (GDP) decreased at an annual rate of 5.0 percent in the first quarter of 2020…"* In the previous three Quarters an annualised rate of approximately plus 2% was achieved. Eurozone GDP was down 3.6% in the first Quarter of 2020, compared to the previous Quarter, according to a Eurostat data release of 20 July 2020. *Eurostat stated "These were the sharpest declines observed since time series started in 1995"* In each of the previous three Quarters Eurozone GDP increased by plus 0.1%-0.3%.

In conclusion the period April to December 2019 was positive for both equity markets and the world economy. However the effects of COVID-19 in late February and March 2020 resulted in a market crisis which would almost certainly have resulted in a financial market meltdown had it not been for the unprecedented actions of the US Federal Reserve supported by other major central banks and the fiscal policy initiatives announced by the governments of a number of leading world economies.

However, despite unprecedented monetary and fiscal stimulus by central banks and governments world equity markets were down over 20% for the January to March 2020 Quarter and the impact of COVID-19 on the world economy looked extremely serious. Overall, for the year 1 April 2019 to 31 March 2020 world equity markets measured by the MSCI World Index were down over 10%.

John Raisin
27 July 2020

PENSIONS COMMITTEE

16 September 2020

Title: Pension Fund Accounts 2019/20	
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, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	
Summary: This report presents the Pension Committee with the Draft Pension Fund Accounts for 2019/20.	
Recommendations The Committee is asked to consider and note the Draft Pension Fund Accounts for 2019/20.	

1. Introduction

1.1 This report introduces the annual accounts of the London Borough of Barking and Dagenham Pension Fund for the year ended 31 March 2020, 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 2020 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.

2. Key Highlights

2.1 19/20 started off with strong positive returns for the first three quarters, but uncertainty caused by Covid-19 resulted in a market correction in the fourth quarter. As a result, the Fund's return for the year was a negative, with an investment return, net of fund manager fees and custodian costs, of -5.1%, which was 4.6% lower than its benchmark of -0.5%. Taking net pension contributions into account, the Fund fell in size by 4.6%. Over three years the Fund has returned an annualised return of 1.7%, which was 2.4% below the Fund's benchmark return of 4.1%.

2.2 Equities were the main detractors of performance, with UBS Equities and Kempen providing a return of -9.4% and -22.3% for the year. Passive bonds, infrastructure and Alternatives provided positive returns of 10.0%,10.8% and 2.2% respectively. The remaining managers provided a small negative return ranging from 1.3% for the Baillie Gifford to 2.7% for the fund's property manager, Schroders.

2.3 Two new employers were admitted to the Fund in 2019/20, including, Aspens 2 and Caterlink. During the year, the total number of active employers within the Fund was 39.

2.4 The Fund decreased in value by £48.1m from £1,041.9m as at 31 March 2019 to £993.8m as at 31 March 2020.

2.5 Audit fees for the year increased from £16k to £19.7k.

London Borough of Barking & Dagenham

Pension Fund Accounts

for the year ended

31 March 2020

London Borough of Barking and Dagenham
Pension Fund Account

	Note	2018/19 £000	**2019/20 £000**
Dealings with members, employers and others directly involved in the scheme			
Contributions	**8**	45,570	**45,653**
Transfers in from other pension funds	**9**	2,372	**4,588**
		47,942	**50,241**
Benefits	**10**	(40,216)	**(41,307)**
Payments to and on account of leavers	**11**	(2,765)	**(6,589)**
		(42,981)	**(47,896)**
Net additions from dealings with members		4,961	**2,345**
Management expenses	**12**	(5,957)	**(6,355)**
Net Additions/(Withdrawals) including Fund Management Expenses		(996)	**(4,010)**
Returns on Investments			
Investment Income	**13**	9,759	**14,691**
Profit (losses) on disposal of investments and changes in the market value of investments	**14**	44,767	**(58,921)**
Net returns on investments		54,526	**(44,230)**
Net increase in the net assets available for benefits during the year		53,530	**(48,240)**

Net Assets Statement as at 31 March 2020

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	2018/19 £000	**2019/20 £000**
Investment Assets	**16**	1,041,927	**993,832**
Investment Liabilities	**16**	(226)	**(652)**
Current Assets	**17**	825	**1,052**
Current Liabilities	**17**	(20,624)	**(20,570)**
Net asset of the fund available to fund benefits at the end of the reporting period		1,021,902	**973,662**

Notes to the Pension Fund Accounts for the year ended 31 March 2020

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 funds financial position, performance and financial adaptability 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. 19/20 started off with strong positive returns for the first three quarters, but uncertainty caused by Covid-19 resulted in a market correction in the fourth quarter. As a result, the Fund's return for the year was a negative, with an investment return, net of fund manager fees and custodian costs, of -5.1%, which was 4.6% lower than its benchmark of -0.5%. Over three years the funds annualised return was 1.7%, which is 2.4% below the Fund's benchmark return of 4.1%. Equities were the main detractors of performance, with UBS Equities and Kempen providing a return of -9.4% and -22.3% for the year. Passive bonds, infrastructure and Alternatives provided positive returns of 10.0%,10.8% and 2.2% respectively. The remaining managers provided a small negative return ranging from 1.3% for the Baillie Gifford to 2.7% for the fund's property manager, Schroders.

Two new employers were admitted to the Fund in 2019/20, including, Aspens 2 and Caterlink. During the year, the total number of active employers within the Fund was 39.

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

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

	2018/19	**2019/20**
Number of Employers with active members	33	**39**
Number of Employees in scheme		
London Borough of Barking and Dagenham		
Active members	4,298	**4,288**
Pensioners	4,687	**4,669**
Deferred pensioners	4,731	**4,841**
Undecided and other members	231	**218**
	13,947	**14,016**
Admitted and Scheduled Bodies		
Active members	1,978	**1,693**
Pensioners	965	**1,014**
Deferred pensioners	1,466	**1,620**
Undecided and other members	62	**187**
	4,471	**4,514**

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 2019/20 financial year and its position as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2019/20. The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2020. 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 2020;

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 2020. 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)

<u>Administration Expenses</u>

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.

<u>Investment management expenses</u>

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, 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 £217.9m.**

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 2019/20 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, made by LBBD employees during the year amounted to **£232k** (2018/19 £267k). 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 **£3.9m** (2018/19 £4.0m).

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 2020. Employee contributions are matched by employer contributions, which are set based on triennial actuarial funding valuations.

Currently employer contribution rates range from 15.6% 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 2020 was 23.5%.

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

Contributions	2018/19	**2019/20**
Members normal contributions	£000	**£000**
Council	6,710	**6,829**
Admitted bodies	959	**924**
Scheduled bodies	1,913	**1,909**
Total contributions from members	9,582	**9,662**
Employers normal contributions		
Council - Normal	17,878	**18,511**
Council - Deficit Recovery	5,726	**5,928**
Admitted bodies - Normal	3,750	**3,535**
Admitted bodies- Deficit Recovery	23	**30**
Scheduled bodies - Normal	5,235	**5,203**
Scheduled bodies- Deficit Recovery	1,948	**1,845**
Pension Strain	1,428	**939**
Total contributions from employers	35,988	**35,991**
Total Contributions	45,570	**45,653**

9. Transfers in from other pension funds

	2018/19	**2019/20**
	£000	**£000**
Individual Transfers	2,372	**4,588**
	2,372	**4,588**

10. Benefits

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

	2018/19				**2019/20**			
		Admitted	Scheduled			**Admitted**	**Scheduled**	
	Council	Bodies	Bodies	Total	**Council**	**Bodies**	**Bodies**	**Total**
	£000	£000	£000	£000	**£000**	**£000**	**£000**	**£000**
Pensions	26,913	462	5,678	33,053	**28,200**	**538**	**6,061**	**34,799**
Lump sums	4,934	226	1,216	6,376	**4,996**	**244**	**776**	**6,016**
Death grants	599	1	187	787	**437**	**19**	**36**	**492**
	32,446	689	7,081	40,216	**33,633**	**801**	**6,873**	**41,307**

11. Payments to and on account of leavers

	2018/19	**2019/20**
	£000	**£000**
Individual Transfers	2,439	**6,007**
Refunds	326	**582**
	2,765	**6,589**

12. Management Expenses

	2018/19	**2019/20**
	£000	**£000**
Administration and Processing	773	**721**
Management Fees	3,587	**3,991**
Custody Fees	25	**58**
Oversight and Governance Fees	239	**237**
Other Costs	1,333	**1,348**
	5,957	**6,355**

13. Investment Income

	2018/19 £000	**2019/20 £000**
Fixed Interest Securities	421	**438**
Equity Dividends	6,252	**11,226**
Pooled Property Income	2,759	**2,952**
Interest - Manager's Cash	184	**49**
Interest - LBBD balance	120	**23**
Other Income	23	**3**
	9,759	**14,691**

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 31/03/2019 £000	**Purchases £000**	**Sales £000**	**Change in Fair Value £000**	**Cash Movement £000**	**Value 31/03/2020 £000**
Pooled Unit Trusts	**825,298**	**6,477**	**-**	**(63,667)**	**-**	**768,108**
Property Unit Trusts	**64,151**	**-**	**-**	**(4,166)**	**-**	**59,985**
Pooled Alternatives	**68,781**	**36,187**	**(44,827)**	**4,828**	**-**	**64,969**
Infrastructure	**74,419**	**10,557**		**7,937**	**-**	**92,913**
Other Investments	**647**	**-**	**(492)**	**(5)**	**-**	**150**
Derivative Contracts						
Futures	**(226)**	**3,728**	**(896)**	**(3,258)**	**-**	**(652)**
Cash Deposits						
Custodian	**4,089**	**(23,449)**	**16,950**	**(590)**	**11,986**	**8,986**
In-House	**4,532**				**(15,120)**	**(10,588)**
Pending Trade Sales	**-**				**9,303**	**9,303**
Other Investments	**10**				**(1)**	**9**
Total	**1,041,701**	**33,500**	**(29,265)**	**(58,921)**	**6,168**	**993,183**

	Value 31/03/2018 £000	Purchases £000	Sales £000	Change in Fair Value £000	Cash Movement £000	Value 31/03/2019 £000
Pooled Unit Trusts	778,268	5,649	-	41,381	-	825,298
Property Unit Trusts	63,662	39,570	(39,571)	490	-	64,151
Pooled Alternatives	55,488	26,209	(18,456)	5,540	-	68,781
Infrastructure	67,077	7,207	-	135	-	74,419
Other Investments	802	-	-	(155)	-	647
Derivative Contracts						
Futures	400	233,930	(231,908)	(2,648)	-	(226)
Cash Deposits						
Custodian	1,073	287,587	(284,595)	24	-	4,089
In-House	632	-	-	-	3,900	4,532
Total	967,402	600,152	(574,530)	44,767	3,900	1,041,691

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 principle asset classes. A list of the Fund's Fund Manager, their mandate and the asset type is outlined in the table below:

Investment Manager	**Mandate**	**Asset Type**
Aberdeen Asset Management	Active	Diversified Alternatives
Mellon Corporation	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 2020 was as follows:

	2018/19		**2019/20**	
Fund by Investment Manager	£000	%	**£000**	**%**
Aberdeen Asset Management	68,555	6.6	**64,318**	**6.5%**
BlackRock	39,651	3.8	**37,066**	**3.7%**
Hermes	74,419	7.1	**92,913**	**9.4%**
Kempen	165,846	15.9	**129,412**	**13.0%**
Other Cash Balances	8,621	0.8	**(1,602)**	**(0.2)%**
Prudential/M&G	498	0.0	**0**	**0.0%**
RREEF	338	0.0	**343**	**0.0%**
Schroders	24,162	2.3	**22,576**	**2.3%**
Mellon Corporation	63,364	6.1	**62,544**	**6.3%**
UBS Passive Bonds	37,324	3.6	**41,043**	**4.1%**
UBS Passive Equity	183,816	17.6	**166,591**	**16.8%**
London CIV	150	0.0	**150**	**0.0%**
London CIV - Baillie Gifford	202,492	19.4	**199,910**	**20.1%**
London CIV – Pyrford	103,188	9.9	**100,852**	**10.2%**
London CIV - Newton	69,267	6.6	**67,755**	**6.8%**
Pending Trade Sales	-	-	**9,303**	**0.9%**
Other Investments – Tax Recoverable	10	-	**9**	**0.0%**
Total	1,041,701	100.0	**993,183**	**100.0%**

15. Cash

The cash balance held at 31 March 2020 is made up as follows:

Cash balances held by Investment Managers	2018/19 £000	**2019/20 £000**
Aberdeen Asset Management	1,541	**7,776**
Prudential / M&G	184	**505**
Schroders	862	**240**
BlackRock	1,499	**463**
Other balances	3	**-**
In-house Cash	4,532	**(10,587)**
Total Cash	8,621	**(1,062)**

16. Securities

Investment Assets	2018/19 £000's	**2019/20 £000's**
Pooled funds - UK		
UK fixed Income Unit Trust	37,324	**41,043**
UK Equity Unit Trust	386,458	**366,650**
UK Absolute Return	172,455	**168,606**
UK Property Unit Trust	24,500	**22,919**
UK Unit Trust	498	**-**
Pooled funds - Overseas		
Overseas Fixed Income Unit Trust	63,364	**62,544**
Overseas Equity Unit Trust	165,846	**129,412**
Overseas Property Unit Trust	39,651	**37,066**
Other Investment - Infrastructure	74,419	**92,913**
Other Investment - Private Equity	34,714	**34,436**
Other Investment - Hedge Funds	34,067	**30,533**
Other Investment – Tax Recoverable	10	**9**
Cash	8,621	**(1,602)**
Pending Trade Sales		**9,303**
Total Investment Assets	1,041,927	**993,832**
Investment Liabilities		
Futures	(226)	**(652)**
Total Investment Liabilities	(226)	**(652)**
Current Assets: Debtors	825	**1,052**
Current Liabilities: Creditors	(20,624)	**(20,570)**
Total Net Assets	1,021,902	**973,662**

17. Debtors and Creditors

The following amounts were debtors or creditors for the Fund at 31 March 2020:

	2018/19	**2019/20**
Debtors	£000	**£000**
Other Investment Balances		
Tax recoverable	10	**0**
Pending Trade Sales		**9,313**
Current Assets		
Other local authorities	347	**584**
Other entities and individuals	478	**468**
Total Current Assets	825	**1,052**
Total Debtors	835	**10,365**
Creditors		
Investment Liabilities	£000	**£000**
Futures	226	**652**
Current Liabilities		
Other local authorities	382	**376**
LBBD Prepayment	20,000	**20,000**
Other entities and individuals	242	**193**
Total Current Liabilities	20,624	**20,570**
Total Creditors	20,850	**21,222**

18. Holdings

All holdings within the Fund as at 31 March 2020 were in pooled funds or Limited Liability Partnerships (LLP), with no direct holdings over 5% of the net assets of the scheme. As at 31 March 2020 the following pooled funds and LLPs were over 5% of the scheme's net assets:

Security	Market Value as at 31 March 2020	% of Total Fund
	£000	%
London CIV - Baillie Gifford	199,910	20.1%
UBS Passive Equity	166,591	16.8%
Kempen	129,412	13.0%
London CIV - Pyrford	100,852	10.2%
Hermes	92,913	9.4%
London CIV - Newton	67,755	6.8%
Mellon Corporation	62,544	6.3%

19. Investment Strategy Statement

An Investment Strategy Statement was agreed by the Council's Investment Committee on 15 March 2018 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**
Average future life expectancy (in years for a pensioner)	22.0	24.7	**21.3**	**23.4**
Average future life expectancy (in years) at age 65 for non -pensioner assumed to be aged 45 at the 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%

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%**

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 **£1,501m** as at 31 March 2020 (31 March 2019: £1,676m). 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 £1,501m 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 2019/20 accounting period:

Scheduled Bodies	Rate %	Admitted Bodies	Rate %
Barking College	25.3	Aspens	31.3
Dorothy Barely Academy	18.7	Aspens 2	36.1
Eastbury Academy	23.6	B&D Citizen's Advice Bureau	43.0
Elutec	20.0	BD Corporate Cleaning	27.8
Goresbrook Free School	15.6	BD Schools Improvement Partnership	27.7
Greatfields Free School	23.5	BD Together	27.8
James Cambell Academy	22.8	BD Management Services	27.8
LBBD	23.5	Be First	27.0

Partnership Learning	21.9	Cleantech	28.1
Pathways	23.7	Caterlink	34.0
Riverside Bridge	17.7	Elevate East London LLP	21.3
Riverside Free School	17.6	Laing O'Rourke	28.1
Riverside School	17.3	Lewis and Graves	23.5
St Joseph's Dagenham	26.0	Schools Offices Services Ltd	24.4
St Joseph's Barking	24.6	Sports Leisure Management	22.2
St Margarets Academy	23.0	The Broadway Theatre	31.1
St Theresa's Dagenham	28.7	Town and Country Cleaners	24.7
Sydney Russell	20.5		
Thames View Infants Academy	18.1		
Thames View Junior Academy	20.0		
University of East London	28.6		
Warren Academy	24.4		

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

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 2019/20.

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 £766.7m**

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 were £8.7m.**

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 £217.9m.**

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 bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis
Other Investment - Infrastructure	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis
Other Investment - Private Equity	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis
Other Investment - Hedge Funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis

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 2020.

Description of asset	Assessed valuation range	Value at 31 March 2020	Value on Increase	Value on Decrease
	%	£000s	£000s	£000s
Property Unit Trust	10	59,985	65,983	53,986
Other Investment - Infrastructure	15	92,913	106,850	78,976
Other Investment - Private Equity	15	34,436	39,601	29,270
Other Investment - Hedge Funds	15	30,533	35,113	25,953
		217,867	247,547	188,185

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

McCloud Ruling

In December 2018 the Court of Appeal ruled that transitional provisions which were put in place under reforms to both the Judges' and Firefighters' Pension Schemes discriminated against a group of members on the grounds of age. Although this ruling did not relate directly to the LGPS, the LGPS also put in place protections for older members as part of the reforms which came into effect from 2014. The UK Government confirmed on 15 July 2019 that, alongside the process to remedy the Fire and Judiciary schemes, it will also bring forward proposals to address the issue for the other public service pension schemes, including the LGPS. It is unclear at this stage what the exact extent will be of the required changes to the LGPS.

Covid-19

On 11th March 2020 the World Health Organisation declared a pandemic caused by the Covid-19 virus. Measures taken by governments around the world to contain the spread of Covid-19, resulted in a significant drop-in economic activity and this then led to big falls in global markets and market volatility. Governments and Central Banks around the world introduced fiscal and monetary action to stabilise economies leading to a sharp increase in government borrowing.

Subsequently markets have shown resilience, with equities rebounding back to pre-pandemic levels, but there remains a number of uncertainties around how sustained the recovery will be. The sensitivity of the Funds' investments to market movements is shown in note 27. The Fund has a long-term time horizon and its strategic asset allocation reflects this.

Following the 2019 triennial valuation of the Fund, the Pensions Committee will review the investment strategy in 2020/21, which will take into account the impact of Covid-19 and other macro risks.

Employer contributions have not been revisited but the situation is being kept under review and all employers will be informed of any potential implications.

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 **£642.3k** (2018/19: £751.1k) are charged by the Council.

24. Contingent Asset and liabilities

As at 31 March 2020 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 Chief Operating Officer, the Director of Finance, the Investment Fund Manager, Pension Fund Accountant and Senior Treasury Accountant, charged to the Fund are provided below:

	2018/19 £000	**2019/20** **£000**
Short Term employee benefits	231.7	**189.1**
Total	231.7	**189.1**

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 £000	Financial assets at amortised cost 2018/19 £000	Financial liabilities at amortised cost £000	**Designated as fair value through profit and loss** **£000**	**Financial assets at amortised cost** **2019/20** **£000**	**Financial liabilities at amortised cost** **£000**
Pooled Fixed Income Unit Trusts	100,688	-	-	**103,587**	**-** **-**	**-**
Equities	552,304	-	-	**496,062**	**-**	**-**
Property Unit Trusts	64,151	-	-	**59,985**	**-**	**-**
Cash		8,620	-		**(1,602)**	**-**
Other investments	315,938	-	-	**325,845**	**-**	**-**
Pending Trade Sales	-	-	-		**9,303**	**-**
Total Financial Assets	1,033,081	8,620	-	**985,479**	**7,701**	**-**
Financial Assets - Debtors			825			**1,052**
Financial liabilities - Creditors			(20,624)			**(20,570)**
Total Net Assets	1,033,081	8,620	(19,799)	**985,479**	**7,701**	**(19,518)**

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 additions, 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 is monitored by reviewing the Fund's asset allocation; and
- Specific risk exposure is limited by applying maximum exposures to individual investments.

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. Riskier 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 2019/20 reporting period.

Asset Class	**One Year Expected Volatility (%)**	**Asset Class**	**One Year Expected Volatility (%)**
Global Pooled Inc UK	13.1	Alternatives	6.6
Total Bonds	5.2	Cash	1.0
Property	2.3		

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 2020 £000**	**% Change**	**Value on Increase £000**	**Value on Decrease £000**
Pooled Fixed Interest Securities	**103,588**	**5.2**	**108,956**	**98,220**
Pooled Equity Investments	**496,063**	**13.1**	**560,951**	**431,174**
Pooled Property	**59,985**	**2.3**	**61,342**	**58,628**
Pooled Absolute Return	**168,606**	**6.6**	**179,671**	**157,542**
Infrastructure	**92,913**	**6.6**	**99,011**	**86,816**
Other Investments	**64,326**	**6.6**	**68,547**	**60,105**
Cash	**(1,602)**	**1.0**	**(1,617)**	**(1,586)**
Pending Trade Sales	**9,303**	**6.6**	**9,913**	**8,693**
Total	**993,182**		**1,086,774**	**899,592**

Asset Type	Value as at 31 March 2019 £000	% Change	Value on Increase £000	Value on Decrease £000
Pooled Fixed Interest Securities	100,688	4.52	105,240	96,137
Pooled Equity Investments	552,304	10.01	607,590	497,018
Pooled Property	64,150	2.32	65,639	62,663
Pooled Absolute Return	172,455	3.92	179,215	165,695
Infrastructure	74,419	3.92	77,336	71,502
Other Investments	69,064	3.92	71,771	66,356
Cash	8,621	0.01	8,623	8,619
Total	1,041,701		1,115,412	967,990

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 2019 and 31 March 2020 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 2019 £000	**As at 31 March 2020 £000**
Cash and cash equivalent	8,621	**(1,602)**
Fixed interest securities	100,688	**103,587**
Total	109,309	**101,985**

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 2020**	**Change in year in the net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£000	**£000**	**£000**
Cash and cash equivalent	**(1,602)**	**(16)**	**16**
Fixed interest securities	**103,587**	**1,036**	**(1,036)**
Total	**101,985**	**1,020**	**(1,020)**

Asset type	Carrying amount as at 31 March 2019	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
Cash and cash equivalent	8,621	86	(86)
Fixed interest securities	100,688	1,007	(1,007)
Total	109,309	1,093	(1,093)

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 **£642.3k** (2018/19 £751.1k) 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 **£24.4m** to the Fund in 2019/20 (2018/19 £23.6m). All monies owing to and due from the Fund were paid in year.

In 2019/20 the Council prepaid two-years' worth of employer contributions, totalling **£40.0m**. As at 31 March 2020 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.

This page is intentionally left blank

PENSIONS COMMITTEE

16 September 2020

Title: Administration and Governance Report	
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, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	
Recommendations The Committee is recommended to note: i. The Independent Advisors update on Government Consultation to address Age Discrimination relating to 'transitional protection' in the LGPS (commonly referred to as "McCloud"), ii. that the Fund is cash flow negative, iii. the Fund's three-year budget for the period 1 April 2020 to 31 March 2023, and iv. the London CIV's Update	

1. Introduction

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

i. Independent Advisors update on Government Consultation to address Age Discrimination relating to 'transitional protection' in the LGPS (commonly referred to as "McCloud")
ii. Pension Fund Budget 1 April 2020 to 31 March 2023;
iii. Cash flow to 30 June 2020;

2. Update on Government Consultation to address Age Discrimination relating to 'transitional protection' in the LGPS (commonly referred to as "McCloud")

2.1 <u>Introduction</u>

The purpose of this paper is to inform the Pensions Committee of the Government Consultation issued on 16 July 2020 to address age discrimination relating to transitional protection arrangements introduced as part of the 2014 reforms of the LGPS.

2.2 On 16 July 2020 the Ministry of Housing Communities and Local Government (MHCLG) issued a consultation called “Amendments to the statutory underpin.” This consultation proposes amendments to the LGPS Regulations to remove age discrimination in relation to ‘transitional protection’ arrangements introduced when the LGPS was reformed in 2014. This whole issue is now commonly referred to as “McCloud” which refers to one of the court cases that highlighted the age discrimination present in all the public service pension schemes (which include the Judicial, Firefighters’, Civil Service, NHS, Police, Teachers and Local Government schemes) covered by the Public Service Pensions Act 2013.

2.3 When the LGPS was reformed in 2014 a number of changes were made including changing the scheme going forward from a final salary to a career average scheme. However, the new scheme included transitional protection arrangements for members nearing retirement designed to ensure older workers would not be worse off as a result of the introduction of the new scheme. This protection meant that members who met certain criteria, including that they were within ten years of their final salary scheme normal pension age on 1 April 2012, received ‘underpin protection.’ This meant that a member’s pension entitlement under the new career average scheme could not be lower than it would have been under the previous final salary scheme. An underpin test was required to be carried out comparing career average benefits the member accrued against the ‘underpin amount’ which is the final salary benefits that would have accrued if the LGPS had not been reformed.

2.4 Transitional protection arrangements for older workers were also introduced into the other major public sector pension schemes which were reformed in 2015 (a year later than the LGPS). These protections were challenged in the cases of both the Judicial and the Firefighters’ schemes in what are known as the “McCloud” and “Sergeant” cases respectively where it was argued that younger members received less favourable treatment than those older members who were given transitional protection. In December 2018, the Court of Appeal ruled that the transitional protection in the Judicial and Firefighters pension schemes constituted unlawful age discrimination. Consequently in 2019 the Government stated that it would take action to address this issue across all the public sector pension schemes covered by the Public Service Pensions Act 2013.

2.5 On 16 July 2020 the Ministry of Housing Communities and Local Government (MHCLG) issued a consultation called “Amendments to the statutory underpin” to address the age discrimination identified in the LGPS. A separate consultation to address the age discrimination in the other (unfunded) pension schemes covered by the Public Service Pensions Act 2013 was issued at the same time by HM Treasury.

2.6 The Consultation issued by the MHCLG is very long (69 pages), detailed and technical in nature. It includes draft Regulations to remedy the present defects in the LGPS Regulations. The Consultation also includes 29 questions which respondents may wish to address. The Consultation appears to have been very carefully prepared by MHCLG who have also held technical discussions with the LGPS Scheme Advisory Board for England and Wales prior to formally issuing the Consultation. The Consultation runs from 16 July to 8 October 2020. The final proposals as put into place through revisions to the LGPS Regulations will be back dated to 1 April 2014 when the new LGPS arrangements came into effect.

2.7 As the LGPS Regulations are currently constituted they treat members of the Scheme differently depending on their age as follows:

- Those who were active members of the Scheme on 31 March 2012 and were within ten yours of their normal pension age (NPA) on 1 April 2012 are entitled to underpin protection and are therefore “better off” than the group below
- Those who were active members of the Scheme on 31 March 2012 and were more than ten years from their NPA were not eligible for underpin protection and were therefore potentially “worse off” than the above group as they were not guaranteed a pension of at least the level they would have received in the final salary scheme. However, in reality most younger members will not benefit from any change to the underpin protection

2.8 The exact details and the mechanism for calculating whether a member is better off under the non-discriminatory underpin proposed in the Consultation are complex and lengthy. However, the proposals may be briefly summarised as described in the following paragraph:

2.9 In essence the Consultation proposes a solution and amendments to the LGPS Regulations which extend the underpin to the second group above (those described in the second bullet point) – that is it is proposed to extend the underpin protections to those who were not old enough to receive underpin protection when it was originally introduced. This should ensure equality between the two groups for benefits accrued from 1 April 2014 onwards. Vital general features of the proposed solution are briefly described at 1 to 4 below but these are only extremely brief summaries of a technically complex solution which is described and explained in the actual Consultation. Therefore, the summaries below should not be relied upon as describing the situation as it would apply to any particular individual

- Eligibility is restricted to those who were active members of the LGPS on 31 March 2012 and who went on to accrue benefits since 1 April 2014
- The underpin applies between 1 April 2014 and 31 March 2022 only. It will cease earlier than 31 March 2022 if the member ceases to be an active member or dies in service. Crucially it is only service between 1 April 2014 and 31 March 2022 that will be assessed under both “final salary” and “career average” calculations. Service before 1 April 2014 will be assessed only under the final salary arrangements of the previous LGPS. Service from 1 April 2022 will only be assessed using a “career average” basis.
- The final salary for comparison purposes is the salary when the member ceases to be an active member or reaches age 65. Therefore, some underpin calculations will still need to be undertaken in the 2050s!
- As paragraph 136 of the Consultation makes clear “A major challenge of implementing the changes proposed would apply in respect of obtaining additional data from employers for members who are newly benefitting from underpin protection – estimated to be around 1.2 million individuals. Under the 2014 Scheme, certain member data which was required for administering the 2008 Scheme… are not required for calculating member benefits. To administer the revised underpin, administrators would need to obtain this data for qualifying members for the period back to April 2014… Particular challenges are likely to

arise where employers have changed their payroll provider, and the data isn't stored in current systems."

2.10 Assuming the Consultation proposals are implemented then this will result in a huge task for Pension Administration Teams such as that which services the London Borough of Barking and Dagenham. This challenge goes way beyond the major Data collection/analysis implications of the proposed solution and will also require significant Governance, Communication and Training challenges. Careful planning and appropriate resourcing will be required to ensure that implementation of the remedy within the London Borough of Barking and Dagenham is as smooth and effective as possible. Barnett Waddingham, who are now the Actuary to the London Borough of Barking and Dagenham Pension Fund have, in a Briefing Note of 5 August 2020, described as "onerous" the task facing individual LGPS Funds to implement the amendments to the underpin.

2.11 The London Borough of Barking and Dagenham will need to develop and implement a project plan and commence the necessary steps to implement the "McCloud" remedy. This should include consideration of the extensive governance, data, communication, training and education activities that will require to be undertaken. Consideration should also be given to additional resourcing to implement the "McCloud" remedy. The Barnett Waddingham Briefing Note of 5 August 2020 includes the following comments in relation to the impact on Pensions Administration "It's important, given the scale of the task, that funds start to plan ahead and think what they can be doing now to get ready for implementation…It is clear that project planning and additional resources will be required."

2.12 The increase in liabilities resulting from the proposed "McCloud" remedy is uncertain and dependent on a number of variables. It is however not expected to be material in relation to the total liabilities of the LGPS. Paragraph 142 of the Consultation provides an estimate based on work by the Government Actuary Department (GAD) which states "…Assuming future member experience replicates the 2016 scheme valuation assumptions the future cost to LGPS employers could be around £2.5bn in the coming decades..." The Value of LGPS liabilities at 31 March 2019 was (according to the Scheme Advisory Board Annual Report) £296 billion and therefore the GAD estimate suggests an increase in liabilities of less than 1%.

2.13 This estimate by GAD may however be a significant overestimate. Hymans Robertson, one of the four actuarial firms who provide services to the LGPS (and who were Actuary to the Barking and Dagenham Fund at the 2019 Actuarial Valuation), have suggested in a Briefing Note of July 2017 that liabilities may increase by less than £1 billion "across the whole of the English & Welsh LGPS." Barnett Waddingham the present Actuary to the Barking and Dagenham Pension Fund has stated in their Briefing Note issued on 5 August 2020 that across the LGPS in England and Wales "…we estimate that the impact of the remedy might be to increase the liabilities by around 0.3% or around £0.9bn. This will depend on several factors; in particular, assumed salary growth relative to CPI and the level of withdrawals. This is significantly less that the £2.5bn estimated by GAD. This is largely because the salary growth assumption made by GAD is CPI plus 2.2% which is materially higher than our assumption for the 2019 E&W valuations which was typically CPI plus 1% p.a."

2.14 While the impact of the "McCloud" remedy on liabilities is likely to be very small at the level of a whole LGPS Fund, for example the London Borough of Barking and Dagenham Fund, it could possibly be significant for some employers. The Barnett Waddingham Briefing Note of 5 August 2020 includes the following comments on this issue "Although the impact is likely to be small at whole fund level it could be significant at individual employer level…For many employers in the LGPS with a mature workforce, like the councils, there is likely to be minimal impact…For employers with a young workforce… there could be a material impact on costs…Smaller employers may also be more affected. The change in an individual member's benefits may make up a significant proportion of their current liabilities and therefore the impact on smaller employers is likely to be more volatile." The issue of the effects of the proposed "McCloud" remedy on individual employers is therefore a matter the Barking and Dagenham Fund may wish to raise with its Actuary Barnett Waddingham.

3. Pension Fund Budget 1 April 2020 to 31 March 2023

3.1 Table 1 provides Members with the Fund's three-year budget to 31 March 2023.

Table 1: Pension Fund Budget 1 April 2020 to 31 March 2023

Contributions	**2020/21 Budget**	**2021/22 Budget**	**2022/23 Budget**
Opening Market Value	**974,493**	**1,012,293**	**1,050,243**
Employee Contributions			
Council	6,800	6,600	6,400
Admitted bodies	1,000	900	800
Scheduled bodies	1,950	2,000	2,050
Employer Contributions			
Council	21,000	22,000	23,000
Admitted bodies	4,000	3,750	3,500
Scheduled bodies	7,250	7,400	7,500
Pension Strain	1,000	1,000	1,000
Transfers In	2,500	2,500	2,500
Total Member Income	**45,500**	**46,150**	**46,750**
Expenditure			
Pensions	-36,500	-37,500	-38,500
Lump Sums and Death Grants	-7,000	-6,500	-6,500
Transfers Out	-2,500	-2,500	-2,500
Administrative expenses	-700	-700	-700
Total Expenditure on members	**-46,700**	**-47,200**	**-48,200**
Net dealings with members	**-1,200**	**-1,050**	**-1,450**
Returns on Investments			
Investment Income	7,500	7,500	7,500
Profit (losses)	35,000	35,000	35,000
Investment management expenses	-3,500	-3,500	-3,500
Net returns on investments	**39,000**	**39,000**	**39,000**
Net increase (decrease) in assets	**37,800**	**37,950**	**37,550**
Closing Market Value	**1,012,293**	**1,050,243**	**1,087,793**

3.2 The three-year budget shows a movement from members being employed by the Council to being funded by admitted bodies as staff move across to the various companies set up by the Council. The forecast is for the Council contribution to increase as the rate increases from 21.0% in 2020/21, 22.0% in 2021/22 and 23.0% in 2022/23. Admitted body contribution will initially increase, but as the admitted bodies are closed to new entries, their contributions will decrease over time. Due to these changes, the overall member income will decrease in 2021/22 and 2022/23.

3.3 An increase in death grant payments is projected in 2020/21. Pension payments are forecast to increase due to an increase in the number of pensioners as well as to reflect a pension increase of 1.7% for 2020/21.

3.4 Overall the Fund is expected to be cashflow negative for net dealings with members but cashflow positive if investment income and management expenses are included. Officers will be working with the fund managers over the coming year to establish a process to utilise the income from property and infrastructure to fund any cash flow shortfalls.

4. Cash flow to 30 June 2020

4.1 Table 2 below provides Members with the Fund's Cash flow to 30 June 2020.

Table 2: Actual Pension Fund Cash Flow to 30 June 2020

	2020/21 Budget £000's	**2020/21 Actual £000's**	**Over / Under £000's**
Contributions			
Employee Contributions			
Council	6,800	7,160	360
Admitted bodies	1,000	750	-250
Scheduled bodies	1,950	1,960	10
Employer Contributions			
Council	21,000	22,500	1,500
Admitted bodies	4,000	3,000	-1,000
Scheduled bodies	7,250	7,700	450
Pension Strain	1,000	1,000	0
Transfers In	2,500	2,300	-200
Total Member Income	**45,500**	**46,370**	**870**
Expenditure			
Pensions	-36,500	-35,700	800
Lump Sums and Death Grants	-7,000	-5,800	1,200
Payments to and on account of leavers	-2,500	-5,400	-2,900
Administrative expenses	-700	-700	-
Total Expenditure on members	**-46,700**	**-47,600**	**-900**
Net additions for dealings with members	**-1,200**	**-1,230**	**-30**
Returns on Investments			
Investment Income	7,500	7,500	-
Profit (losses)	35,000	35,000	-
Investment management expenses	-3,500	-3,500	-
Net returns on investments	**39,000**	**39,000**	**-**
Net increase (decrease) in the net assets	**37,800**	**37,770**	**-30**
Asset Values	**1,012,293**	**1,097,840**	
Liabilities	**-1,189,704**	**-1,285,865**	
Funding Level	**85.09%**	**85.38%**	

5. London CIV Update

5.1 The London Collective Investment Vehicle is the first fully authorised investment management company set up by Local Government. It aims to be the LGPS pool for London to enable Local Authorities to achieve their pooling requirements.

5.2 Having set up in 2015, CIV launched a number of funds which were seeded by London Borough Pension Funds. At 30 June 2020, London CIV assets under management was £8.9 billion which is a rise of more than 17% compared to the previous quarter.

5.3 The table below provides members with a breakdown of the LBBD Pension Funds holdings in LCIV as at 30 June 2020.

Fund	**Manager**	**Value of Holdings (£)**	**% of Pension Fund**
Global Alpha Growth Fund	Baillie Gifford	255,773,164	23.3%
Real Return Fund	Newton	73,146,995	6.7%
Global Total Real Fund	Pyrford	107,054,528	9.8%
Total		**435,974,687**	**39.8%**

5.4 Following a high staff turnover and interim appointments, LCIV have permanently appointed to three key posts over the last few months- the Client Relations Director (current post holder is retiring), the Chief Investment Officer (current postholder is an interim) and Head of Responsible Investment (new post).

6. Consultation

6.1 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.

7. Financial Implications

Implications completed by: Philip Gregory, Finance Director

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.

8.2 This report refers to the recent Supreme Court decision in R (on the application of Palestine Solidarity Campaign Ltd and another) (Appellants) v Secretary of State for Housing, Communities and Local Government (Respondent). Its implications are considered.

8.3 It related to a judicial review of Guidance issued by the Secretary of State on preparing and maintaining an Investment Strategy Statement. The Guidance was issued was issued pursuant to regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) ("the 2016 Regulations"), and to take effect when the regulations did so, on 1 November 2016. The Guidance was entitled: "Local Government Pension Scheme: Guidance on Preparing and Maintaining an Investment Strategy Statement".

8.4 The guidance contained new stipulations designed to prohibit LGPS funds from pursuing boycotts, divestment and sanctions against foreign nations and UK defence industries. This guidance was challenged on the basis that the Secretary of State had exceed his authority in that the power to issue guidance was limited to the purpose of the legislation creating the power. The challenge was successful in the High Court and so the Secretary of State appealed to the Court of Appeal where he won as the Court reversed the High Courts decision. A further appeal was then entered to the Supreme Court (the replacement to the House of Lords and the highest court in the land). Here the objectors to the Guidance were successful by a majority 3 to 2 judges who held that the guidance extended to matters outside the Secretary of States authority to give guidance. It was determined that the position was that the Secretary of State sought to promote the government's own wider political approach, by insisting that, in two particular contexts related to foreign affairs and to defence, administering authorities could not refrain from making particular investments on non-financial grounds, regardless of the views held by the scheme members. The flaw according to the majority was that the position was that judgements about non-financial considerations in investment decisions were for administering authorities not the Secretary of State to take. Administering authorities may take non-financial considerations into account provided that in doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.

8.5 In terms of direct implications, the guidance will need to be changed or at least amended. However, for practical purposes it has no specific impact for Barking and Dagenham as the administering authority has no stated intentions with regards to foreign policy or UK defence and within its investment strategy.

9. Other Implications

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

Background Papers Used in the Preparation of the Report:

The full (69 page) Consultation issued by the MHCLG to address the unlawful age discrimination in the present LGPS Regulations entitled "Amendments to the statutory underpin may be accessed at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901173/Condoc_-_amendments_to_LGPS_underpin_-_FOR_PUBLICATION.pdf

This page is intentionally left blank

PENSIONS COMMITTEE

16 September 2020

Title: Business Plan Update 2020/21	
Report of the Chief Operating Officer	
Public Report	Public Report
Wards Affected: None	**Wards Affected:** None
Report Author: Jesmine Anwar, Pension Fund Accountant	**Contact Details:** Tel: 020 8227 3763 E-mail: Jesmine.anwar@lbbd.gov.uk
Accountable Director: Philip Gregory, Finance Director	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	
Recommendations The Committee is asked to note progress on the delivery of the 2020/21 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 progress regarding the Pension Fund's 2020/21 business plan.

1.2 Appendix 1 provides a summary of the Business Plan actions from 1 January 2020 to 30 June 2020.

1.3 A Strategic Asset Allocation is being carried out by the funds Actuary and a full business plan for 2020/21 is being drafted alongside. This will set out the key tasks for the Pension Committee in respect to the Pension Fund issues for 2020/21.

2. Comments of the Finance Director

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

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

3. Comments of the Legal Officer

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

List of appendices:

Appendix 1 - Business Plan Update

Appendix 1

Business Plan Update

Month	Action Scheduled	By	Actual Activity
Jan 20	Fund Manager Meetings:		
	• Schroders	Officers	Meeting held with Schroders on 7th January 2020
	Meet the Manager: Baillie Gifford (BG)	Officers	Session with LCIV and BG attended on 16th January 2020
	Tender for Actuary and Investment Advisor	Officers	Invitation to tender issued
Feb 20	IAS 19 Data Collection (LBBD)	Officers	Submitted to Hymans Robertson
	Fund Manager Meetings:		
	• Equities: Kempen	Officers	Meeting held with Kempen on 5th February 2020
	• Equities: UBS	Officers	Meeting held with UBS on 27th February 2020
	Tender for Actuary and Investment Advisor	Officers	Interviews held on 24th and 26th February 2020
Mar 20	Fund Manager Meetings:		
	• Equities: Aberdeen Standard	Officers	Meeting held with Aberdeen Standard on 3rd March 2020
	Quarterly Pension Committee Meeting	All	Held on 11th March 2020
	Appointment of new Investment Advisor and Actuary	Officers	Contract to commence on 1st April 2020 and 1st July 2020 respectively
Apr 20	IAS 19 Results	Officers	To be included in Council's accounts
	Closure of Accounts	Officers	On-going
	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	On-going
	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 31 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
	FRS102 Data Collection – Academies	Officers	To be submitted in September
	Fund Manager Meetings:		
	Equities: BlackRock	Officers	Meeting to be held
	Infrastructure: Hermes	Officers	Meeting to be held
Oct 20	Pension Fund Stakeholder Meeting	Officers / Members	Meeting to be held
	Fund Manager Meetings:		
	• Equities: Kempen	Officers	Meeting to be held
	• Property: Schroders	Officers	Meeting to be held
	External Audit of Draft Accounts	Officers	To begin in October 20
Nov 20	Fund Manager Meetings:		
	• Equities: Aberdeen Standard	Officers	Meeting to be held
	• London CIV	Officers	Meeting to be held
Dec 20	Quarterly Pension Committee	All	To be held on 16th December 2020
	Business Plan to be agreed in Sep Committee	Members	
	Fund Manager Meetings:		

	• Equities: UBS	Officers	Meeting to be held

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank