Barking & Dagenham

Notice of Meeting

PENSIONS COMMITTEE

Wednesday, 16 March 2022 - 7:00 pm
Council Chamber, Town Hall, Barking

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 March 2022

Claire Symonds
Chief Executive

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Please note that this meeting will be webcast and members of the press and public are encouraged to view the proceedings via this method. Those wishing to attend the meeting in person must provide evidence of a negative Lateral Flow Test on arrival and are encouraged to wear a face mask at all times, including while seated in the public gallery on the second floor of the Town Hall. 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 informal meetings held on 16 June, 15 September and 14 December 2021 (Pages 3 - 12)

4. Pension Fund Quarterly Monitoring - October to December 2021 (Pages 13 - 44)

5. Administration and Governance Report (Pages 45 - 65)

6. **Training Policy (Pages 67 - 75)**

7. **Business Plan Update (Pages 77 - 82)**

8. **Pension Fund Annual Report 2020/21 (Pages 83 - 85)**

9. **Admitted Body Status (Pages 87 - 89)**

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

11. **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 items below contain commercially confidential information which is exempt under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

12. **Independent Advisor Contract Renewal (Pages 91 - 95)**

13. **Strategy Update - BGGA Paris Aligned Strategy Paper (Pages 97 - 112)**

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

Barking & Dagenham

Our Vision for Barking and Dagenham

ONE BOROUGH; ONE COMMUNITY;
NO-ONE LEFT BEHIND

Our Priorities

Participation and Engagement

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

Prevention, Independence and Resilience

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

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

Inclusive Growth

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

Well Run Organisation

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

MINUTES OF MEETING OF INFORMAL PENSIONS COMMITTEE

Wednesday, 16 June 2021
(7:00 - 8:06 pm)

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

Observers Present: Susan Parkin

Advisors Present: John Raisin and Nicholas Jellema

Apologies: Cllr Dave Miles

1. Declaration of Members' Interests

There were no declarations of interest.

2. Minutes (17 March 2021)

The minutes of the meeting held on 17 March 2021 were noted.

3. Council Pension Fund Accounts 2019/20- Update from BDO, Council's Auditors

The Committee received a verbal update from David Eagles of BDO, the Council's external Auditors, concerning the reasons for the delay in completing the Council's Pension Fund Accounts 2019/20.

The delays were principally due to a problem of available audit resources in the local government sector, as well as the fact that the Council's Accounts had only been signed off at the back end of last year and had led to more than expected resources from BDO, and which in turn had contributed to the delay in auditing the Pension Fund Accounts. Covid was also another factor insofar as auditors had not been able to conduct face to face activities. Also given the significant backlog of NHS audits these had been prioritised seeing they were due to be completed by the end of June 2021. The expectation was that the Council's Pension Accounts from 2019/20 would then be prioritised from July onwards.

4. Pension Fund Quarterly Monitoring - January-March 2021

The report introduced by the Pension Fund Accountant provided information for the Committee, employers and other interested parties on how the Fund had performed during the quarter("Q1") - 1 January to 31 March 2021. It included a verbal update from the Investment Fund Manager on the unaudited performance of the Fund up to 15 June 2021. By way of background, Hyman Robertson also presented the current markets' performances.

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, and

(iii) The quarterly performance of pension funds collectively and of fund managers individually.

5. Draft Pension Fund Accounts 2020/21 - Update

The Committee noted the draft Pension Fund Accounts 2020/21. The deadline for their completion was 31 July 2021, and therefore they were still subject to change.

6. Application for Admitted Body Status - Caterlink Contract Gains

Further to Minute 6 (12 June 2019), the Committee received a report from the Pension Fund Accountant on an application from Caterlink for Admitted Body status to the Council's Pension Fund.

It was recommended that the application from Caterlink for Admitted Body status to the London Borough of Barking and Dagenham Pension Fund, in respect of its catering contract with Barking and Dagenham College, be approved as a 'closed' agreement.

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

7. Administration and Governance Report

The Pension Fund Accountant gave an update on the latest administrative and governance issues relating to the Pension Fund.

The Committee noted:

(i) The Independent Advisor's LGPS update;

(ii) That the Fund was cash-flow positive;

(iii) The Pension Fund budget 1 April 2021 to 31 March 2024;

(iv) The London Collective Investment Vehicle (LCIV) update; and

(v) The McCloud Judgement update.

8. Business Plan 2021 - Update

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

9. Investment Strategy & Structure Review - Update

The Investment Fund Manager presented an update on the progress made following the strategy review carried out by Hymans Robertson in September and December 2020. Since that review a number of issues had arisen concerning the performance of one of the Fund's Property Managers which had led to changes being made to the timetable for the strategy review.

The Committee noted the progress and issues identified in the report and presentation and supported the proposed actions.

The Committee also recommended that the following be approved:

(i) In light of the winding up of the Schroder SIRE Fund, to increase the allocation to BlackRock to £50m through an in-specie transfer of circa £1.5m from the SIRE Fund and purchase of the remaining units (circa £10.3m) on the secondary market, as set out in paragraph 3.2, Option 1 of the report,

(ii) To use the remaining cash balance from the SIRE Fund to reduce the overdrawn position of the Fund, and

(iii) To amend the Fund's Strategic Asset Allocation for property from 5% to 4% and increase equities from 52% to 53%.

(Note: Recommendations (i) – (iii) were subsequently enacted by the Chief Executive acting under the provisions of paragraph 6.1(c) of Chapter 1, Part 3 of the Council Constitution.)

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MINUTES OF INFORMAL MEETING OF PENSIONS COMMITTEE

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

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

Observers Present: Susan Parkin

Advisors Present: Nicholas Jellema

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

10. Training

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

11. BDO Audit Update

The Committee received and noted a verbal update from Satinder Jas, BDO, the Council's external auditors, regarding the continuing reasons for the delay in completing the Council's Pension Fund Accounts for2019/20.

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

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

12. Declaration of Members' Interests

There were no declarations of interest.

13. Minutes (16 June 2021)

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

14. Pension Fund Quarterly Monitoring - April to June 2021

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

The Committee **noted:**

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

15. Administration and Governance Report

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

The Committee **noted:**

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

16. Business Plan 2021 Update

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

17. Investment Strategy Review Update

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

The Committee **noted:**

- That following a decision taken at the last meeting officers had completed the increase in the allocation to BlackRock to £50m, through an in-specie transfer and purchase of units on the secondary market,

- Officers had negotiated a fee reduction of 0.35% from 1.03% to 0.68% effective from 1 July 2021,

- The training dates as outlined in section 3 which were agreed at the meeting in June 2021, and

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

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

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

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

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MINUTES OF INFORMAL MEETING OF PENSIONS COMMITTEE

Tuesday, 14 December 2021
(7:00 - 7:45 pm)

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

Observers Present: Susan Parkin

Advisors Present: John Raisin

Apologies: Cllr Amardeep Singh Jamu and Cllr Dave Miles

18. Declaration of Members' Interests

There were no declarations of interest.

19. Minutes (15 September 2021)

The minutes of the informal meeting held on 15 September 2021 were noted.

20. Quarterly Monitoring Report

The report introduced by the Investment Fund Manager provided information for the Committee, employers and other interested parties on how the Fund had performed during the quarter ("Q3") - 1 July to 30 September 2021 together with an update on the Fund's investment strategy and performance. It included a verbal update on the unaudited performance of the Fund up to 30 November 2021.

The Committee **noted:**

(i) The progress on the strategy development within the Pension Fund,
(ii) The daily value movements of the Fund's assets and liabilities outlined in Appendix 1 to the report,
(iv) The purchase of £500k of BlackRock units at 30 November 2021, and
(iii) The quarterly performance of pension funds collectively and of fund managers individually.

21. Business Plan Update

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

22. Administration and Governance Report

The report provided an update on the administrative and governance changes that had occurred since the last meeting setting out the potential impact that the changes may have on the Pension Fund. It also set out the Fund's one and three-year cashflow forecast as well as updates on the London Collective Investment

Vehicle (LCIV) as the Fund moves towards more pooled investments, and progress on the pension administration software tender, a further review of which will be carried out in 2022 following the triennial valuation data collection exercise.

The Investment Fund Manager referenced the previously agreed training programme for the Committee and highlighted a proposed revision to the programme covering a number of asset classes, which will now be delivered in one session in February 2022, on a date to be determined by the Chair and communicated to Members.

Finally, the report also included details of the Investment Consultants Strategic Objectives Review, which in accordance with regulations must be set by the Pension Fund and reported to the Competition and Markets Authority by 7 January 2022. In that respect the Committee **noted** that on the advice of officers and the Independent Advisor the existing strategic objectives set for Hymans Robertson remained appropriate.

23. CIPFA Knowledge and Skills Guidance and Pensions Committee Training

The Committee received a paper from the Independent Advisor outlining the new guidance issued by CIPFA in June 2021 in respect of the Knowledge and Skills Framework for the LGPS.

In that respect the Committee supported the adoption of the CIPFA 2021 Code of practice on LGPS Knowledge and Skills including specifically the “five key principles” the “seven statements” and “eight core technical areas” included in the Code, which will be applicable to Pensions Committee Members, Pension Board Members, and Fund Officers.

Based on this it was **noted** that Fund Officers would, in consultation with the Independent Advisor, prepare a Training Policy for Members, to be presented for approval to the Pensions Committee in March 2022.

PENSIONS COMMITTEE

16 March 2022

Title: Pension Fund Quarterly Monitoring 2021/22 – 1 October to 31 December 2021	
Report of the Managing Director	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	
Summary This report provides information for employers, members of London Borough of Barking and Dagenham Pension Fund (“the Fund”) and other interested parties on how the Fund has performed during the quarter 1 October to 31 December 2021. The report updates the Committee on the Fund’s investment strategy and its investment performance.	
Recommendation(s) The Pension Committee is recommended to note: (i) the progress on the strategy development within the Fund; (ii) the Fund’s assets and liabilities daily value movements outlined in Appendix 1; (iii) the purchase of £769k of BlackRock units at 31 December 2021; and (iii) the quarterly performance of the fund collectively and the performance of the fund managers individually.	

1. Introduction and Background

1.1 This report provides information for employers, members of the LBBD Pension Fund (“the Fund”) and other interested parties on how the Fund has performed during the quarter 1 October to 31 December 2021 (“Q4”). The report updates the Committee on the Fund’s investment strategy and performance. Appendix 2 provides a definition of terms used in this report. Appendix 3 sets out roles and responsibilities of the parties referred to in this report. A verbal update on the unaudited performance of the Fund for the period to 14 March 2022 will be provided to Members at the Pension Committee.

2. Market Background October to December 2021

Q4 was positive for world equity markets, as a whole, with the MSCI World Index advancing 8% (in $ terms). There were however significant differences in performance across geographies. As in the previous (July to September) Quarter the developed US, European and UK markets performed positively while Asia and Emerging Markets fell slightly with the MSCI Emerging Markets and MSCI Asia (excluding Japan) indices both falling by around 1%. October was a positive month for most markets but concerns over the Omicron COVID variant clearly adversely affected markets in November although initial concerns were somewhat alleviated by December which was also broadly positive. Generally strong corporate earnings in the US and Europe clearly helped support Listed Equities in these regions. Continuing a theme which emerged earlier in 2021 inflation was a major issue of consideration with widespread clear evidence of further increases. The OECD reported (3/2/2022) that inflation in the OECD area had reached 5.6% in December 2021. As of September 2021, the OECD had reported inflation as 4.6% and 1.2% in December 2020.

Leading monetary policy makers indicated a shift in their thinking on inflation. While still considering that long term inflation would be around their 2% target there was a shift regarding the shorter term by the US, European & UK central banks. At the US Senate Banking Committee on 30/11/2021 US Federal Reserve Chair Jay Powell stated that *"I think it's probably a good time to retire"* the term *"transitory*" in reference to inflation although he still believed inflation would reduce *"significantly"* over the next year. The US Federal Reserve ceased referring to present inflationary trends as *"transitory"* in its documentation from December 2021. At her press conference on 16 December 2021 Christine Lagarde, President of the European Central Bank (ECB) while stating that she expected inflation *"to decline in the course of next year"* also stated "*Our new staff projections foresee annual inflation at 2.6 per cent in 2021, 3.2 per cent in 2022, 1.8 per cent in 2023, and 1.8 per cent in 2024 – significantly higher than in the previous projections in September."* On 15 December, the Bank of England Monetary Policy Committee increased Bank Rate for the first time in over three years as part of its approach "*to return CPI inflation sustainably to the 2% target."*

US equities had a very strong Q4 buoyed by strong earnings results. There were also suggestions that equities may have gained at the expense of bonds in an environment of inflation, indications/action from the US Federal reserve (FED) in terms of monetary tightening and increasing market expectations of US interest rate increases. The S&P 500 which had closed at 4,308 on 30 September 2021 had risen to 4,766 by 31 December 2021 an increase of 11%.

Q4 saw the FED very carefully but clearly and significantly modifying both its views and approach to monetary policy. While the press releases issued after the September Federal Open Market Committee (FOMC) referred to elevated inflation *"largely reflecting transitory factors"* this changed to *"largely reflecting factors that are expected to be transitory"* in November. Then at the December FOMC meeting the word *"transitory"* was omitted from the press release. Resulting from an assessment of *"substantial further progress"* towards the FOMC goals of *"maximum employment and inflation at the rate of 2 percent over the longer term"* the November meeting agreed a decision to scale back the $120 billion per month asset purchase programme by $15 billion a month. At the December meeting *"In light of inflation developments and further improvements in the labor market"* the FOMC determined to further reduce these purchases by $30 billion a month from January 2022 indicating an end of the asset purchase programme by March 2022. While at both the November and December meetings the FOMC voted, yet again, to maintain its main interest rate at the range 0-0.25% the Summary of Economic Projections issued after the December meeting indicated that Federal Reserve Officials expected three interest rate rises in 2022. In September, the consensus had been one or potentially no rate rises in 2022.

In November 2021 President Biden, despite concerns expressed by some Democrats, nominated Jay Powell for a second term as Chair of the US Federal Reserve. Chair Powell who won wide praise for his leadership of the Federal Reserve during the severe crisis which hit markets in 2020 following the worldwide outbreak of COVID 19 represents experience and continuity in the face of the present context of high inflation and uncertain economic circumstances.

US inflation continued to rise further and significantly above the policy target of 2% with the Core PCE index (the FED's favoured index) registering 4.2%, 4.7% and 4.9% in October, November, and December, respectively. As the US Bureau of Economic Analysis states in the commentary accompanying the Core PCE figures this *"index makes it easier to see the underlying inflation trend by excluding two categories – food and energy – where prices tend to swing up and down more dramatically and more often than other prices…"* US Unemployment fell further in Q4 to 3.9% in December 2021 which was close to the pre pandemic January and February 2020 level of 3.5%.

US economic growth clearly accelerated during the Quarter. On 24 February 2022, the *"second"* (updated) estimate issued by the US Bureau of Economic Analysis estimated US GDP at an annual rate of 7% in the period October to December 2021 compared to 2.3% in Q3. This equates to growth of slightly under 1.8% during Q4.

Q4 was clearly positive for Eurozone Equities with the MSCI EMU index advancing 3.7% in $ terms and 5.6% in Euro terms. Corporate earnings results announced during the Quarter were, overall, clearly positive. Reducing concerns over the Omicron variant were a likely contributor to a particularly positive December. Eurozone unemployment continued downward. Unemployment which had been 8.1% in March 2021 was reported by Eurostat at 6.6% in October, 6.5% in November and 6.4% in December.

Eurozone GDP which had grown by 2.3% in the previous Quarter was estimated by Eurostat (*"flash"* estimate of 15 February 2022) to have increased by only 0.3% in the October to December Quarter. The effects of the Omicron variant including tightened restrictions, most notably in Germany (the largest Eurozone economy) were a clear contributory factor in this marked slowdown. Euro area inflation continued, however, to increase. The Harmonised Index of Consumer Prices (HICP) as reported by Eurostat which had been 3.4% in September increased to 4.1% in October, 4.9% in November and reached 5% in December.

After leaving monetary policy essentially unchanged at its October policy meeting the mid December meeting saw the ECB announce a reduction in its overall asset purchase programme. The ECB press release of 16/12/2021 stated *"The Governing Council judges that the progress on economic recovery and towards its medium-term inflation target permits a step-by-step reduction in the pace of its asset purchases over the coming quarters…"* On the basis of this statement however ECB asset purchases will continue for almost another year at least.

The press release however also confirmed the existing policy on interest rates remaining at or below 0% and in effect indicated this level throughout 2022 thereby signalling a more cautious approach to tightening monetary policy than both the US Federal Reserve and Bank of England.

As in the previous Quarter, Q4 saw UK equities advance positively. Despite a negative November – significantly influenced by the new COVID Omicron variant the FTSE All Share and the FTSE 100 both advanced by approximately 4% while the FTSE 250 (domestically focussed mid cap index) increased by around 2%.

UK GDP increased by 1% over the Quarter the same rate as for the previous Quarter. Therefore, UK GDP was still 0.4% below its pre pandemic level. This contrasts with the US, Eurozone and China which have all achieved GDP above the levels of the final Quarter of 2019. The UK unemployment rate, however, continued to fall and was reported by the Office for National Statistics (on 15 February 2022) at 4.1% for the October to December Quarter only 0.1% above the pre COVID pandemic level. UK CPI inflation increased dramatically during the Quarter reaching its highest level in 30 years by December 2021 with commentators referring to a "cost of living crisis." CPI inflation which had been 3.1% in September increased to 4.2% in October, 5.1% in November, and 5.4% in December. Despite low unemployment prices outpaced pay increases for the Quarter, according to Office for National Statistics data.

The Bank of England Monetary Policy Committee (MPC) surprised markets by not raising rates at its November meeting. It was however clearly stated in the Monetary Policy Summary issued after the November meeting that there would likely be increases in Base Rate *"over coming months"* At its meeting ending on 15 December 2021 the MPC increased Base Rate from 0.1% to 0.25% – the first increase since August 2018. The Monetary Policy Summary issued after the December MPC meeting stated *"At its November meeting, the Committee judged that, provided the incoming data, particularly on the labour market, were broadly in line with the central projections in the November Monetary Policy Report, it would be necessary over coming months to increase Bank Rate in order to return CPI inflation sustainably to the 2% target. Recent economic developments suggest that these conditions have been met. The labour market is tight and has continued to tighten, and there are some signs of greater persistence in domestic cost and price pressures…The Committee judges that an increase in Bank Rate of 0.15 percentage points is warranted at this meeting."*

As in the previous Quarter Asia and Emerging markets, overall, performed less well than developed western markets. The MSCI AC Asia (excluding Japan) index and the MSCI Emerging Markets index both fell by over 1% (in $ terms) on a total returns net basis. China performed poorly amid investor concerns regarding mixed economic indicators, lockdown restrictions and implications relating to the COVID Omicron variant which also adversely affected other Asian and Emerging Markets. Investor sentiment regarding Asia and Emerging markets was also adversely affected by concerns regarding slowing global growth, inflation and possible future interest rate rises in the US and other advanced economies.

Japanese equities had a negative Quarter with the Nikkei 225 declining by approximately 2%. The period October to December saw inflation, rather than deflation in Japan but at levels still far below the Bank of Japan's 2% target. CPI inflation reached 0.8% in December. While at its December policy meeting the Bank of Japan announced a reduction of its corporate debt purchases to pre pandemic levels there was no change to its core approach to monetary policy. The Statement on Monetary Policy issued after the meeting included that the Bank *“expects short- and long-term policy interest rates to remain at their present or lower levels.”* Furthermore, possible new stimulus measures were explicitly referred to by the inclusion of the words *“For the time being, the Bank will closely monitor the impact of COVID-19 and will not hesitate to take additional easing measures if necessary.”*

The benchmark 10-year yields of US and UK Government bonds were little changed over the Quarter. However, the more policy sensitive 2-year yields increased significantly (meaning the price of the bonds fell) in the context of inflationary concerns, indications of future interest rate rises from the US Federal Reserve and Bank of England, and an actual rate rise by the Bank of England in December 2021. The 2 Year US Treasury yield increased (weakened) from 0.28% to 0.73% and the 2 Year UK Gilt yield increased (weakened) from 0.41% to 0.69%.

Russia (Q1 2022)

Overall the Fund had very little exposure to Russia by the end of January, with only Kempen, Baillie Gifford, Abrdn and Insight having exposure. Insight, as outlined later in this paper, sold out of the position before the invasion of Ukraine.

Bailie Gifford has exposure of £1.5m to Sberbank and £0.17m to VK Company, with Kempen having a total of £3.2m exposure to Lukoil, Severstal and Phosagro.

A summary of the potential impact of the war in Ukraine is provided below but the actual impact could develop in a number of ways and the impact could spread to outside of Europe.

Impact on global growth

The increase in geopolitical risk and sharp upward move in energy prices is likely to have an adverse impact on economic activity globally until there is greater certainty as to how events in Ukraine will play out. Europe, which remains heavily reliant on Russian gas, will experience the greatest impact from higher energy prices, with fracking helping to insulate the impact on prices in the US. It is expected that broader disruption to commodity markets as both Russia and Ukraine are significant commodity exporters.

In the longer term the impact of events in Ukraine will limited impact on US growth. In Europe governments are likely to increase defence spending and accelerate the transition away from costly Russian fossil fuels towards renewables. Overall, the main impact of the Russian invasion from a global economic perspective will be higher energy prices, which in turn will increase inflationary pressures. The full extent of sanctions will be revealed in the weeks ahead, and there is a possibility that they will include Russian oil and gas exports. It is also possible that Russia reduces energy supplies to Europe as a tactical move, deliberately causing a spike in prices to maximise disruption and economic pain. Excess household savings should insulate consumption to a degree, and there are various long-term investment programmes in place, such as the European Recovery Fund and US Build Back Better plans, that should help to underpin growth.

Central bank reaction functions are likely to be influenced by their individual remits. In the US, the FED is focused on both inflation and growth, so may be tempted to tighten at a slower pace than currently forecast for 2022. The asset purchases will still cease as planned in March. In the eurozone, the European Central Bank's (ECB) mandate is focused on inflation, which was already elevated even before the conflict in Ukraine. Although they may look through any energy spike as 'transitory' they will be conscious of the risk that forward looking inflation expectations shift upwards if inflation remains elevated for a prolonged period. The ECB would like to edge interest rates back to 0%, with the inflationary impulse from higher energy prices likely to outweigh growth concerns. There is a risk, however, that a significant decline in risk assets tightens financial conditions sufficiently to force global central banks to pause and more meaningfully push back plans to tighten policy.

Although the global economy should not experience stagflation as per its technical definition, there is likely to be a period of elevated inflation and slowing, although not contracting, growth.

Impact on developed market government bonds

Developed government bond markets have been volatile in recent sessions. Yields initially declined as investors fled to safe haven assets and expectations for the tightening cycle in markets such as the US and UK softened. Inflationary concerns remain, however, and the sharp rise in energy prices that has occurred as a result of the conflict has further exacerbated this. It is expected that there will be continued volatility in the weeks ahead as market sentiment shifts between concerns about either the growth or inflation outlook. It would not be surprising to see yield curves steepen as shorter maturity bonds move to price in a reduced risk of future interest rate hikes whereas longer maturity bonds underperform on inflation fears.

Impact on global credit

With potentially slower global growth and rising uncertainty, corporate bond spreads have widened by around 30 basis points, taking them back to levels seen in mid-2020. Spreads have been broadly widening since October 2021, with markets growing increasingly nervous about how central banks would react to elevated levels of inflation. On a percentile basis, credit spreads have moved from 12th percentile (expensive over a 20-year history) to 35th percentile.

Fundamentally, however, corporates remain in a strong position. Balance sheets have been repaired, leverage has declined to pre-COVID levels and cash positions are robust. Recent earnings reports, although generally positive, have been notable in toning down growth expectations. Against this backdrop defaults have remained low, and it is not expected that to change materially. M&A activity may decline from elevated levels given the increase in uncertainty and higher financing costs.

3. Overall Fund Performance

3.1 The Fund's closed Q4 valued at £1,424.44m, an increase of £27.66m from its value of £1,396.90m at 30 September 2021. Cash held by the Fund was £1.74m, giving a total Fund value of £1,426.03m. The gross value includes a prepayment of £25.0m and a short-term loan of £19.2m from the Council.

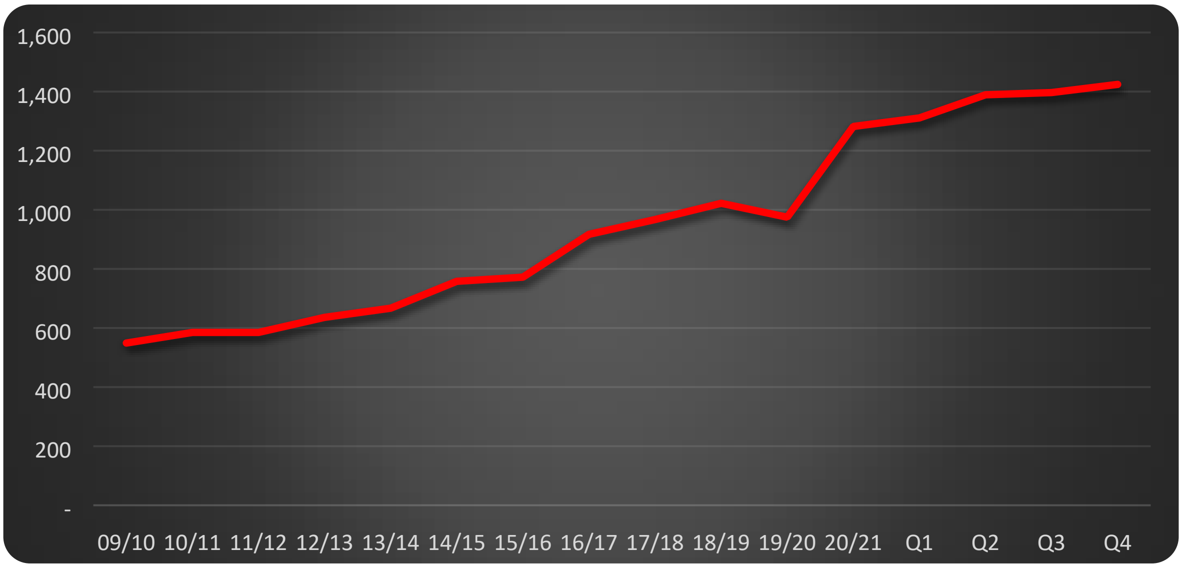
Adjusting for this reduces the Q4 value to £1,381.83m, an increase of £39.08m from the 30 September figure of £1,342.75m.

3.2 For Q4 the Fund returned 2.6%, net of fees, underperforming its benchmark by 2.2%. Over one year the Fund underperformed its benchmark by 2.2%, returning 12.0% and underperformed the benchmark by 0.4% over three years, returning 11.9.6%. The Fund has also underperformed its benchmark over five years by 0.6%, returning 8.8%. Compared to the LGPS universe of Funds, represented below by the PIRC Universe, the Fund has underperformed by 2.2% over one year but outperformed over three years and five years. The Fund's returns are below:

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

Year	2021				2020				One Yr	Two Yrs	Three Yrs	Five Yrs	Ten Yrs
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1					
Return	2.6	1.1	4.2	3.6	8.0	2.8	12.3	(11.4)	12.0	11.6	11.9	8.8	9.2
Benchmark	4.8	1.7	4.6	2.5	5.1	2.5	9.6	(7.7)	14.2	11.6	12.3	9.4	9.8
Difference	(2.2)	(0.6)	(0.4)	1.1	2.9	0.3	2.7	(3.7)	(2.2)	0.0	(0.4)	(0.6)	(0.6)
PIRC	4.4	1.4	5.6	2.4	5.8	1.8	11.3		14.2		11.6	8.7	9.9
Difference	(1.8)	(0.3)	(1.4)	1.2	2.2	1.0	1.0		(2.2)	11.6	0.3	0.1	(0.7)

3.3 The chart below shows the Fund's value since 31 March 2010 to 31 December 2021.



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

3.5 Appendix 1 illustrates changes in the market value, the liability value, the Fund's deficit and the funding level from 31 March 2013 to 13 March 2022. Members are asked to note the changes in value and the movements in the Fund's funding level.

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

3.6 **Table 2 – Fund Manager Q4 2021 Performance**

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	1.6	1.0	0.6	
Baillie Gifford	0.1	6.3	(6.2)	
BlackRock	6.7	7.5	(0.8)	
Hermes GPE	(0.9)	1.4	(2.3)	
Kempen	2.9	7.3	(4.4)	
Newton	3.7	1.0	2.7	
Pyrford	1.3	4.0	(2.7)	
Schroders	0.0	0.0	0.0	
Insight	(0.7)	1.0	(1.7)	
UBS Bonds	2.4	2.4	0.0	
UBS Equities	7.6	7.6	0.0	

Table 2 highlights the Q4 2021 returns BlackRock, Newton and Kempen provided returns around 3% or above, with UBS bonds providing a 2.4% return. Most other funds were flat. Schroders and BlackRock figures are still being reviewed to pick up the in-specie transfers between the two funds. The underperformance against benchmark of Baillie Gifford and Kempen are significant and have resulted in the Fund underperforming its benchmark for the quarter and over longer periods too.

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

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	18.3	4.0	14.3	
Baillie Gifford	8.8	18.9	(10.1)	
BlackRock	15.9	18.0	(2.1)	
Hermes GPE	0.8	5.7	(4.9)	
Kempen	18.9	21.3	(2.4)	
Newton	7.2	4.0	3.2	
Pyrford	3.7	12.0	(8.3)	
Schroders	6.8	6.0	0.8	
Insight	(0.6)	4.0	(4.7)	
UBS Bonds	(4.9)	(5.0)	0.0	
UBS Equities	21.7	21.7	0.0	

Over one-year Kempen has provided a return of 18.9% which was 2.4% below the benchmark, Abrdn has returned 18.3%, significantly outperforming the benchmark by 14.3% and UBS a return of 21.7%. UBS Bonds has returned -4.9% over the 1-year period. The underperformance against benchmark of Baillie Gifford and Pyrford are significant.

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

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	15.9	4.3	11.6	
Baillie Gifford	21.1	17.4	3.7	
BlackRock	6.7	8.5	(1.8)	
Hermes GPE	2.1	5.8	(3.7)	
Kempen	10.0	18.2	(8.2)	
Newton	7.5	4.1	3.4	
Pyrford	3.3	9.0	(5.8)	
Schroders	2.0	2.5	(0.5)	
Insight	2.7	4.3	(1.6)	
UBS Bonds	1.6	1.6	0.0	
UBS Equities	18.9	18.9	0.0	

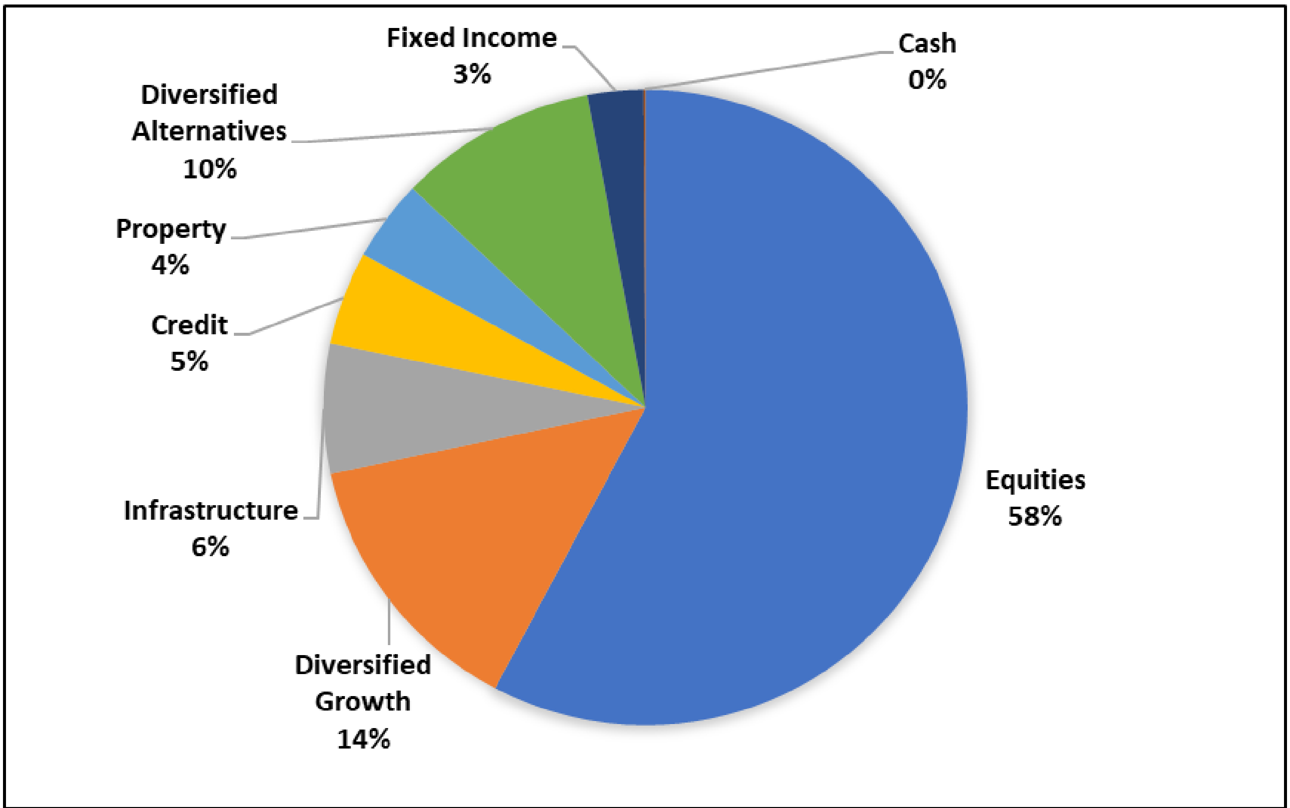
Over two years, (table 4), all mandates, are positive. Returns ranged from (1.6%) for UBS bonds to 21.1% for Baillie Gifford. Pyrford and Insight (formerly Mellon Corp and Standish) continue to struggle, underperforming their benchmarks but providing positive actual returns overall. Kempen also underperformed the benchmark by 8.2% with a return of 10.0%.

4. Asset Allocations and Benchmark: Table 5 outlines the Fund's asset allocation, asset value & benchmark as at 31 December 2021.

4.1 **Table 5: Fund Asset Allocation and Benchmarks as at 31 December 2021**

Fund Manager	Asset (%)	Market Values (£000)	Benchmark
Abrdn	10.0%	142,455	3 Mth LIBOR + 4% per annum
Baillie Gifford	23.3%	332,965	MSCI AC World Index
BlackRock	3.9%	55,657	AREF/ IPD All Balanced
Hermes GPE	6.6%	93,901	Target yield 5.9% per annum
Kempen	14.3%	203,935	MSCI World NDR Index
Newton	6.0%	85,680	One-month LIBOR +4% per annum
Pyrford	7.9%	112,672	UK RPI +5% per annum
Schroders	0.2%	3,081	AREF/ IPD All Balanced
Insight	4.8%	67,911	3 Mth LIBOR + 4% per annum
UBS Bonds	2.8%	39,647	FTSE UK Gilts All Stocks
UBS Equities	20.1%	286,334	FTSE AW Developed Tracker (part hedged)
LCIV	0.0%	150	None
RREEF		53	
Cash	0.1%	1,592	One-month LIBOR
Fund Value	100.0%	**1,426,034**	
ST Loan		-19,200	
Prepayment		-25,000	
Net Fund Value		1,381,887	

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



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

Table 6: Strategic Asset Allocation

Asset Class	Current Position	Strategic Allocation Target	Variance	Range
Equities	57.7%	52%	5.7%	*50-60*
Diversified Growth	13.9%	15%	-1.1%	*14-18*
Infrastructure	6.6%	8%	-1.4%	*7-11*
Credit	4.8%	7%	-2.2%	*6-10*
Property	4.1%	5%	-0.9%	*4-7*
Diversified Alternatives	10.0%	9%	1.0%	*7-10*
Fixed Income	2.8%	4%	-1.2%	*3-5*
Cash	0.1%	0%	0.1%	*0-1*
Total Fund	100.00%	100.00%		

5. Fund Manager Performance

5.1 Kempen

Kempen	2021				2020				One Year	Two Years	Start 6/2/13
	Q4	**Q3**	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**			
£203.9m	**%**	**%**	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**2.9**	**3.0**	2.9	10.2	15.3	(3.2)	16.9	(27.9)	18.9	10.0	8.8
Benchmark	**7.3**	**2.5**	7.6	4.0	7.8	3.2	19.8	(15.7)	21.3	18.2	13.9
Difference	**(4.4)**	**0.5**	(4.7)	6.2	7.5	(6.4)	(2.9)	(12.2)	(2.4)	(8.2)	(5.2)

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 0.5% for Q4 by 4.4% and has outperformed over one-year by 9.6%. Kempen provided an annual return of 9.1% over two years which was 5.9% below the benchmark. It has also underperformed its benchmark since inception by 4.7% but providing an annualised return of 8.7%.

Strategy Update

The portfolio has a current dividend yield of 4.6 against 1.6 for the MSCI World index.

Kempen announced in January 2022 that Joris Franssen will take over as Head of the Dividend Team, effective 1 April 2022. Jorik van den Bos will leave Kempen also on 1 April 2022 after a 20-year career in dividend investing to pursue other career interests outside of dividend investing.

When inflation is persistently higher than current market expectations, active management based on attractive valuation, cash generation and solid balance sheets will benefit this strategy. Kempen to note evidence of this in the strategy's strong relative returns in early 2022 and they continue to engage with the underlying companies from an ESG perspective and continue to improve the portfolio's carbon footprint in-line with the 2030 target.

5.2 Baillie Gifford

Baillie Gifford	2021				2020				One Year	Two Years	Start 6/2/13
	Q4	**Q3**	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**			
£333.0m	**%**	**%**	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**0.1**	**(0.6)**	7.1	2.2	11.1	7.6	27.9	(13.2)	8.8	21.1	16.3
Benchmark	**6.3**	**1.5**	7.4	3.7	8.6	3.5	19.8	(15.9)	18.9	17.4	13.5
Difference	**(6.2)**	**(2.0)**	(0.3)	(1.5)	2.5	4.1	8.1	2.7	(10.1)	3.7	2.8

<u>Reason for appointment</u>

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

<u>Performance Review</u>

For Q4 BG returned 0.1%, underperforming its benchmark by 6.2%. BG's one-year return was 8.8%, underperforming its benchmark by 10.1%. Since initial funding, the strategy has returned 16.3% p.a. outperforming its benchmark by 2.8%.

The largest detractors were SEA Limited, Moderna and DoorDash. SEA, the online content, e-commerce and payments company, reversed previous quarter relative gains and dropped sharply in Q4 (c. -30%). The stock price came under significant pressure following an announcement from Tencent, one of the largest shareholders of SEA, that they will be reducing the size of their holding to 18% (a reduction of 2%). The number of shares divested is not large in absolute terms, but the market didn't like the signalling effect of this move and the overhang it creates over the stock price.

The biotechnology pharmaceuticals company Moderna also detracted this quarter as shipment delays prompted a downgrade in 2021 revenue guidance and caused subsequent pressure on the stock price. The investment manager takes the view the downward pressure on the stock price will be short lived and remains very confident in the long-term prospects of the company which they view as essentially a 'software' company with favourable operating leverage due to its innovative mRna technology.

U.S. food ordering and delivery platform DoorDash performed poorly as investors were unnerved by the company's heavy reinvestment of earnings in acquisitions such as the recent one of Wolt (a European courier business). While investors with shorter term horizons penalised the stock, Baillie Gifford emphasised that spending now to grow the business later should be beneficial over the longer term.

The largest positive contributors were: Teradyne, a company that develops automatic test equipment for semiconductors and wireless devices, which advanced on the back of strong demand for their products and services; the heavy building materials producer Martin Marietta Materials which had a good Q4 on the back of positive news for the infrastructure sector in its key U.S. market; and Anthem, a health care benefits and life insurance provider, that benefitted from a positive surprise in its quarterly earnings and improved full year guidance.

5.3 UBS Equities

UBS Equities	2021				2020				One Year	Two Years	Start 31/08/12
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£286.3m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	7.6	0.9	7.5	5.8	11.2	5.6	18.8	(19.3)	21.7	18.9	15.0
Benchmark	7.6	0.9	7.5	5.8	11.2	5.6	18.8	(19.3)	21.7	18.9	15.0
Difference	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Reason for appointment

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

Performance

The fund returned 7.6% for Q4 and 21.7% over one year. Since funding in August 2012, the strategy has provided an annualised return of 15.0%.

Equities

Risk assets were resilient in the quarter as profit growth and earnings expectations stayed strong despite a sharp move higher in short-term interest rates, uncomfortably elevated inflation, and the emergence of a new variant of COVID-19.

For the quarter, the MSCI World Index rose 7.5%, fuelled by a 10.7% gain for the S&P 500 Index. European stocks rose 6.2%, and Japanese equities fell by 1%. Emerging market equities also moved lower, linked to broad-based FX weakness and continued concerns about the potential for a hard landing in China as well as a regulatory overhang on major internet companies.

Financial markets moved violently on low volume as the COVID-19 Omicron variant quickly rose to the forefront of market concerns in late November on the heels of a US holiday. Oil prices tumbled more than 15% over four sessions, 10-year Treasury yields declined by roughly 30 basis points, and global stocks slumped by 4%. Much of these moves retraced by year-end, with a sharp improvement in risk appetite seeing global equities end 2021 just shy of record highs.

The nascent repricing of short-term US interest rates during September accelerated aggressively to the upside in the final three months of 2021. Two-year Treasury yields jumped 45 basis points, as traders fully priced in three rate hikes from the Fed in 2022. The Treasury curve flattened meaningfully, with 5s30s falling more than 40 basis points to eclipse lows not seen since the market turmoil of March 2020. Longer-term bond yields in the US and Germany were little changed over the course of the quarter, as investors questioned the duration and terminal rate of central bank tightening cycles. Total returns in EM dollar-denominated sovereign debt were slightly positive, with -3% in total returns for local-currency bonds.

The performance of equity styles over the final month of the year suggests markets were balancing concerns related to the broad-based removal of monetary policy stimulus expected in 2022 with a growth outlook that remains above-trend despite the emergence of the Omicron variant. Quality and value were the best performing factors near year end, while more speculative pockets of the equity market came under pressure.

Credit generally performed worse than equities in the quarter, as US high yield spreads tightening marginally while US investment grade spreads widened immaterially. Asian high yield underperformed amid enduring concerns about China's real estate sector. Oil prices finished the quarter down 1%, with raw industrials up 4.5%.

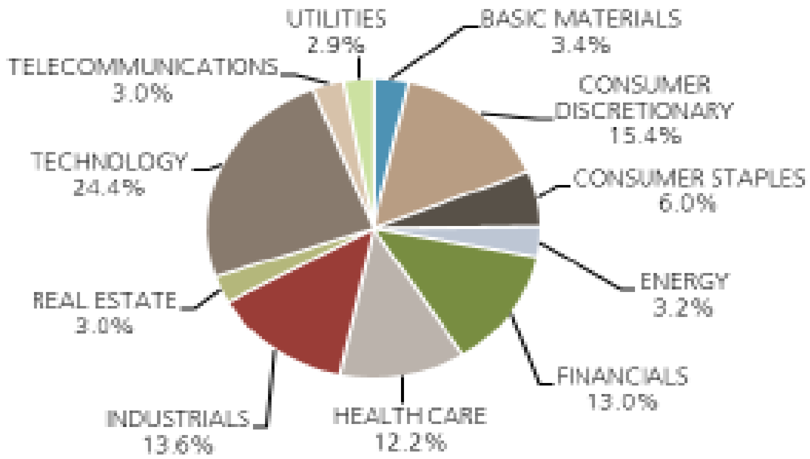
Review - (Q4 2021)

Following the FTSE quarterly review in December, 11 stocks were added to and six stocks were deleted from the index, along with various changes in the shares in issue of the index constituents. Two-way turnover totalled 0.73%.

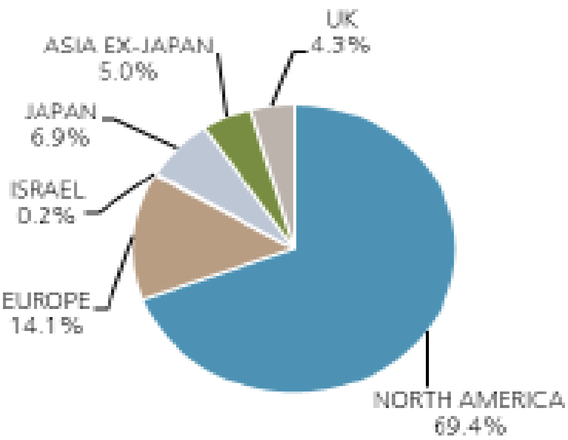
Also, during the quarter but outside of the review, SK Square was added to the index following a spin-off from SK Telecom. Kansas City Southern was acquired by CP Railway for cash and shares.

Positioning: the various weightings and top 10 holdings are included below:

Industry group weights in FTSE (Dev) World index as at 31 Dec 21



Regional allocation in FTSE (Dev) World index as at 31 Dec 21



Industry group weights in FTSE (Dev) World index as at 31 Dec 21

	Weight %
APPLE INC.	4.3
MICROSOFT CORP	4.0
AMAZON.COM	2.3
ALPHABET CLASS A	1.4
TESLA	1.3
ALPHABET CLASS C	1.3
META PLATFORMS INC	1.2
NVIDIA	1.1
UNITEDHEALTH GROUP	0.7
JPMORGAN CHASE & CO	0.7

Source: UBS

5.4 UBS Bonds

UBS Bonds	2021				2020				One Year	Two Years	Start 5/7/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£39.7m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	2.4	(1.8)	1.7	(7.2)	0.6	(1.2)	2.5	6.3	(4.9)	1.6	4.1
Benchmark	2.4	(1.8)	1.7	(7.2)	0.6	(1.2)	2.5	6.3	(5.0)	1.6	4.1
Difference	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0

Reason for appointment

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

Performance

The fund returned 2.4% for Q4, (4.9%) for one year and 1.6% for two-year return.

Review - (Q4 2021)

The All-Stock Gilt index returned 2.42% in sterling terms over the quarter. In yield terms, 2-year nominal yields rose by 0.26% to 0.67% and 10 year nominal yields fell by 0.05% to 0.97%. The modified duration of the index is 12.24 years.

The Bank of England's Monetary Policy Committee decreased the policy rate to 0.25%. The UK Debt Management Office held 12 nominal bond auctions during the quarter across a range of maturities.

5.5 Schroders Indirect Real Estate (SIRE)

Schroders	2021				2020				One Year	Two Years	Start 6/8/2010
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£3.1m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	0.0	0.0	3.9	2.9	2.7	0.3	(2.0)	(3.9)	6.8	2.0	5.1
Benchmark	0.0	0.0	3.8	2.2	2.1	0.2	(2.0)	(1.3)	6.0	2.5	7.1
Difference	0.0	0.0	0.1	0.7	0.6	0.1	0.0	(2.6)	tbc	tbc	tbc

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

Q2 2021 Performance and Investment Update

Returns for Schroders were not completed by the time of this report as the custodian was still confirming the impact of the in-specie transfers.

A number of disinvestments were made in Q4. Further sales are in progress and Schroders anticipate the majority of SIRE's underlying investments will be sold by March 2022. As at 31 December 2021 only £3.1m remained of the strategy.

5.7 BlackRock

BlackRock	2021				2020				One Year	Two Years	Start 1/1/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£55.7m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	6.7	4.3	2.9	2.1	2.5	0.5	(2.9)	(2.8)	15.9	6.7	1.5
Benchmark	7.5	4.5	3.8	2.2	2.1	0.2	(2.0)	(1.3)	18.0	8.5	4.6
Difference	(0.8)	(0.2)	(0.9)	(0.1)	0.4	0.3	(0.9)	(1.5)	(2.1)	(1.8)	tbc

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

Q2 2021 Performance and Investment Update

BR returned 6.7% for Q4 against a benchmark of 7.5%, returned 15.9% over one year against a benchmark of 18.0%, although these figures are subject to further review by the Custodian. A further 16,100 units were purchased on 31 January, costing £769k at December 2021 NAV prices as part of increasing the allocation to BR. This will increase the BR holding to over £57.4m, based on current values.

During Q4 the Fund completed three acquisitions totalling £149.55m with no disposals. This included the off-market acquisition of Saffron House in Farringdon, EC1 for £95.00m generating an income yield of 4.65%. The Fund has been reviewing the office component of the portfolio to make sure it is well configured going forward. Whilst BR don't believe in the 'death of the office', it is increasingly clear a pattern of hybrid working between home and office is likely to become a more permanent feature of normal working life for many office tenants post pandemic.

5.8 Hermes

Hermes	2021				2020				One Year	Two Years	Start 9/11/2012
	Q4	**Q3**	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**			
£93.9m	**%**	**%**	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**(0.9)**	**2.2**	(1.1)	0.6	(1.5)	0.0	0.9	3.9	0.8	2.1	7.5
Benchmark	**1.4**	**1.4**	1.4	1.5	1.4	1.4	1.4	1.5	5.7	5.8	5.9
Difference	**(2.3)**	**0.7**	(2.5)	(0.9)	(2.9)	(1.4)	(0.6)	2.4	(4.9)	(3.7)	1.6

Reason for appointment

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

Performance

Hermes returned (0.9%) in Q4 underperforming the benchmark by 2.3%. Over one year the strategy reported a one-year return of 0.8%, underperforming its benchmark by 4.9%. Since inception the strategy has provided a good, annualised return of 7.5%, outperforming its benchmark by 1.6%.

Portfolio review

Anglian Water Group (HIF I Core)

Following a good offer from Ontario Teachers' Pension Plan ("OTPP"), the Fund is participating alongside First Sentier Investors in the sale of a 15.56% interest in Anglian Water Group ("AWG") to OTPP, of which HIF I's interest in AWG is 3.3%.

The EV/RCV multiple achieved is exceeds the target. Completion is expected to occur in Q1 2022, subject to customary conditions and approvals. Distribution of proceeds is planned to be staged throughout 2022, with the first c. 46% expected to be returned in Q1 and the remaining 54% by the end of December 2022.

Viridor (HIF I, II & SAP VA)

Viridor has already proved to be successful. As a result of transactions signed shortly before year end Hermes expect to have received 48.5% of invested capital back by the end of Q1 2022, whilst continuing to retain managed stake in the restructured Viridor business. This is expected to represent good return.

Following these Viridor related transactions, across all Federated Hermes Infrastructure managed funds, Hermes will continue to own a 9.45% stake in the Viridor holding company. Following the divestment of non-core activities, Viridor will be a focused EfW business, developing new EfW plants and holding an 80% interest in Viridor Energy Limited that manages the operational EfW fleet. The independent valuation process for 31 December 2021 is ongoing, but based on indicative figures, the residual Viridor business is forecast to be valued above the original investment.

5.9 Abrdn Asset Management

Abrdn	2021				2020				One Year	Two Years	Start 15/9/2014
	Q4	**Q3**	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**			
£142.46m	**%**	**%**	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**1.6**	**4.9**	4.4	7.4	8.3	5.1	(0.6)	0.7	18.3	15.9	7.2
Benchmark	**1.0**	**1.0**	1.0	1.0	1.0	1.0	1.3	1.2	4.0	4.3	4.6
Difference	**0.6**	**3.9**	3.4	6.4	7.3	4.1	(1.9)	(0.5)	14.3	11.6	2.6

Reason for appointment

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

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

Performance summary

The Portfolio had a further strong quarter, posting a gain of around 1.6% (net of fees) over the three months to the end of December. This has subsequently been updated by the manager to 5.5%, largely due to higher September 30 valuations across some of the more seasoned private equity investments (Advent, OEP, PAI) which Abrdn were able to reflect in October and November. The revised figure will be reported in the March 2022 figure.

Looking at 2021 overall, the Portfolio performed very well, returning circa 18.3% (net of fees). Gains were driven by private equity investments, most notably the primary commitments to Advent (funds GPE VIII and GPE IX) and OEP which in aggregate contributed over 1500 basis points to the Portfolio's overall return.

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

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

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

Outlook

Turning to hedge funds, Abrdn remain constructive on the outlook for equity hedge. Abrdn envisage an environment in which bottom-up stock-picking will be better rewarded than it has been since the onset of COVID-19. Market and factor beta have been key drivers of equity hedge performance in a market quick to pivot on incremental COVID-related news. In that environment, equity hedge managers with sustained or flexible net exposures, and particularly those willing and able to proactively trade between sectors and styles, have outperformed. While the ability to remain nimble will continue to be valuable amidst heightened macroeconomic uncertainty, Abrdn believe those managers that have struggled to generate alpha should see improved results going forward.

Abrdn have upgraded their outlook for fixed income relative value strategies to positive, predicated on the fact that the opportunity set for bond basis trading in G3 countries is notably improved and Abrdn expect it to improve further now that the Fed is moving towards rate hikes and balance sheet run-off. In addition to the Fed, the BoE has already started a rate hike trajectory and is discussing balance sheet reduction. The ECB is further behind, but rhetoric has turned marginally more hawkish in recent weeks as the ECB also faces persistently above target inflation in the Eurozone. Consistent with history, Abrdn would expect central bank action to be supportive of the opportunity set for fixed income relative value funds as it creates more volatility around each point on the curve as well as higher flows through the various fixed income instruments as investors adjust positioning.

Abrdn’s outlook for discretionary macro remains cautiously positive. Abrdn are seeing the COVID-19 or vaccination uptake-related global recovery divergence theme becoming less and less of a factor in the context of macro hedge fund returns and Abrdn’s outlook. Instead, Abrdn are seeing inflation rhetoric and central bank thinking around interest rate policy being among the dominant themes in 2022. Abrdn believe that this backdrop should continue to be supportive and allow specialists to identify attractive directional and relative value opportunities, particularly in interest rates and currencies.

In terms of private equity, the market has remained robust, both in terms of fund-raising and deal activity, and deal pricing remains competitive. However, the underlying managers within the LBBD portfolio have continued to deploy capital in a disciplined manner to acquire assets with the potential for future earnings growth. Abrdn have continued to see a number of exits announced across the portfolio, typically at meaningful uplifts to holding valuations.

Russia and Ukraine Exposure:

Pharo Gaia is a macro fund focused on emerging markets and represents a 4.4% of the Portfolio. The fund lost 11.8% YTD driven by Russia and Ukraine positions. One of the two PMs has breached his drawdown limit and has been stood down from trading (in-line with the firm’s risk management policies).

Horizon, a Ukraine-based/-focused PE firm/fund, represents a 1.5% allocation. The Horizon portfolio comprises three TMT-focused assets. It is too early to assess the full impact of events on these companies, but Abrdn will update when possible.

5.10 Pyrford

Pyrford	2021				2020				One Year	Two Years	Start 28/9/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£112.7m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	1.3	0.3	1.1	0.9	3.1	(1.6)	6.2	(4.8)	3.7	3.3	3.4
Benchmark	4.0	2.7	3.6	1.7	1.6	1.8	1.3	1.5	12.0	9.0	7.5
Difference	(2.7)	(2.4)	(2.5)	(0.8)	1.6	(3.4)	4.9	(6.3)	(8.3)	(5.8)	(4.1)

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 1.3% in Q4 underperforming its benchmark by 2.7%. Over one year it returned 3.7%, underperforming its benchmark of 12.0% (which reflects the surge in RPI since the early part of 2021), by 8.3%. Pyrford underperformed its benchmark by 4.1% since inception and has returned 3.4% p.a. Pyrford's benchmark is ambitious for its strategy, which is largely defensive. Compared to the Credit benchmark over 2 years of 4.3% and the Fund's bond return over two years of 1.6%, its return is reasonable and provides the Fund with protection.

All Q4 returns were from the equities. U.K. stocks which account for the bulk of the equity holdings outperformed overseas stocks by a big margin, led by National Grid, GlaxoSmithKline, Bunzl and Legal & General. Overseas holdings were profitable, but returns were well below the FTSE All World ex-UK Index because of the poor performance of the Japanese stocks and the large underweight position in the U.S.

Holdings in U.K. Gilts and foreign sovereign bonds were negative. The duration of the bond portfolio is only 1.2 years, but yields on short term govt. debt increased, particularly U.K. Exposure to unhedged investments in stocks & bonds denominated in foreign currencies accounts for 25% of the Sub-fund portfolio. Although sterling was more volatile in Q4, the quarter-on-quarter variances were modest and currency positioning and cash holdings did not have a significant impact on returns.

Outlook and Change in Ownership

Pyrford's views have not changed materially, with expectation that the surge in inflation will prove to be transitory has moderated, in line with the shift in tone from central banks, but not to the point that Pyrford expect more aggressive action to be taken to boost interest rates. The risk to growth is too high in the context of the accumulation of debt held by Governments, companies, and consumers. Despite that view, and the modest increase in bond yields in Q4, Pyrford believe that yields are still too low. Negative real yields present an asymmetric risk profile, where the risk of severe capital destruction outweighs the nominal returns available.

5.11 Newton

Newton	2021				2020				One Year	Two Years	Start 31/8/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£85.7m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	3.7	(0.1)	2.4	1.1	5.6	3.5	8.0	(9.2)	7.2	7.5	4.7
Benchmark	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.2	4.0	4.1	4.4
Difference	2.7	(1.1)	1.4	0.1	4.6	2.5	6.9	(10.4)	3.2	3.4	0.3

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 3.7% in Q4, outperforming its benchmark by 2.7%. Over one year the strategy has returned 7.2%, outperforming its benchmark by 3.2%. Newton's performance since inception is 4.7%, outperforming its benchmark.

The equity portfolio contributed 3.7% of returns (before management fees) in Q4. Some long-held positions, such as Microsoft, Accenture and Abbott Laboratories performed well, offsetting losses on Chinese stocks. The gains on individual stocks were supplemented by a 0.4% contribution from derivatives linked to equity indices. Alternative assets generated 1.1% of profits. Exposure to copper and oil paid off, and the portfolio profited on a note linked to carbon futures contracts (discussed later). Investments in renewable energy generators also performed well.

Derivatives held to protect the Sub-fund from losses on equity investments cost 0.5%. The investment manager uses short and long dated put options on major stock indices. The only other significant contribution came from currency positions.

Market View

Newton is still positive on the outlook for global growth and corporate earnings based on the expectation that consumer spending will remain resilient, restocking of inventories will continue and capital investment will recover from depressed levels. However, that view is tempered by concerns about the risk of sharp busts of volatility linked to geopolitical risks and changes in expectations for policy action. This is reflected in a moderation of exposure to equity markets, realignment of exposure within the equity and alternatives segments of the Sub-fund, and the increased weighting of cash. The investment manager wants dry powder to put to work when volatility presents opportunities to buy mispriced assets.

The cash position also illustrates the challenge of finding diversifying and return generating assets which do not expose the Sub-fund to the risk of substantial capital losses. Developed market government bonds don't fulfil that role now, and the investment manager does not see value in investment grade credit.

5.12 Insight (Mellon Corporation / Standish)

Insight	2021				2020				One Year	Two Years	Start 20/8/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£67.91	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(0.7)	0.0	0.2	(0.1)	2.2	1.5	4.7	(2.3)	(0.6)	2.7	0.9
Benchmark	1.0	1.0	1.0	1.0	1.0	1.0	1.3	1.2	4.0	4.3	5.0
Difference	(1.7)	(1.0)	(0.8)	(1.1)	1.2	0.5	3.4	(3.5)	(4.7)	(1.6)	(4.1)

Reason for appointment

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

Performance

In Q4, the Fund returned (0.7%) against a benchmark return of 1.0%. Over one year the strategy has underperformed its benchmark of 4.0% by 4.7%, providing a return of (0.6%). Since funding in August 2013, Mellon Corporation has only provided an annual return of 0.9%.

Portfolio Composition:

The vast majority of this underperformance can be attributed to the fund's overweight in Emerging market and peripheral European government debt.

In rates space, the Fund benefitted from a significant underweight in GBP denominated duration as rising inflation kept pressure on bond yields. This positive alpha was partially offset by underperformance associated with overweights in local EM and Australian duration.

Active FX positioning made a modestly positive contribution to relative performance with positions in the Australian dollar and Swedish Krona more than offsetting negative alpha associated with EUR and INR positions.

Asset allocation was the most material driver of relative performance as overweight to EM assets and other spread product accrued negative alpha. From a security selection standpoint, the overweight to high yield corporate and sovereign debt was an additional drag on performance. With inflation rising and global liquidity drying up, high yield external emerging market debt has come under notable stress.

With most spread sectors under pressure in Q4, the decision to own a significant amount of non-treasury assets insured underperformance over the period.

Exposure to Russia

Q4 positions were due to a view on monetary policy, Russia was hiking rates, real yields were high and Insight felt they would be pausing the cycle and eventually cut rates. As the probabilities on Russia invading Ukraine increased, Insight felt risk reward deteriorated on that view and exited before Russia actually invaded Ukraine.

5.13 Currency Hedging

No new currency hedging positions were placed in Q2 2021.

6. Consultation

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

7. Financial Implications

Implications completed by: Philip Gregory, Finance Director

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

7.2 This report updates the Committee on developments within the Investment Strategy and on scheme administration issues and provides an overview of the performance of the Fund during the period.

8. Legal Implications

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

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

8.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 are the primary regulations that set out the investment framework for the Fund. These regulations are themselves amended from time to time. The Regulations are made under sections 1(1) and 3(1) to (4) of, and Schedule 3 to, the Public Service Pensions Act 2013. They set out the arrangements which apply to the management and investment of funds arising in relation to a Fund maintained under the Local Government Pension Scheme.

9. Other Implications

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

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

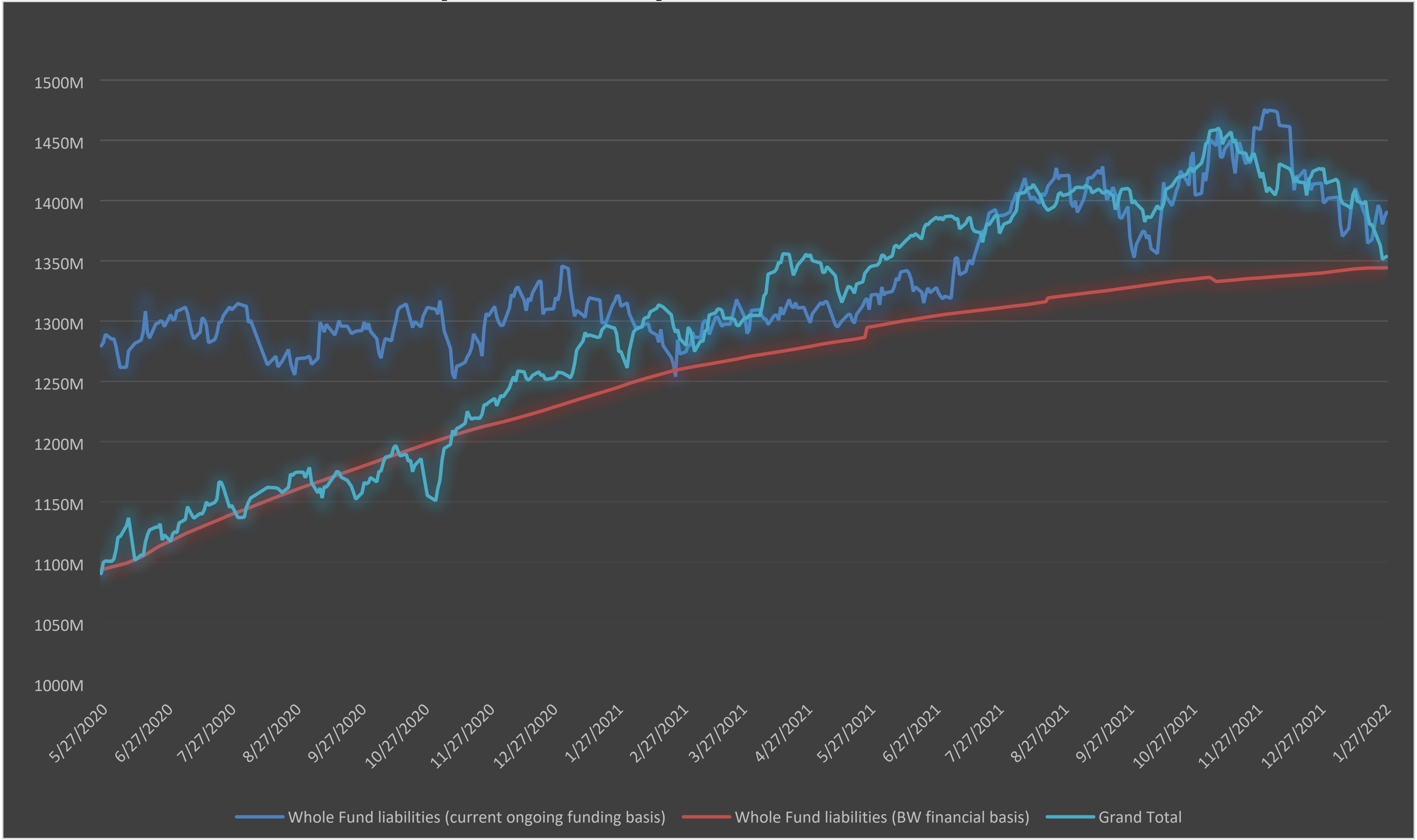
Background Papers Used in the Preparation of the Report:

- Northern Trust Quarterly Q4 2021 Report; and
- Fund Manager Q4 2021 Reports.

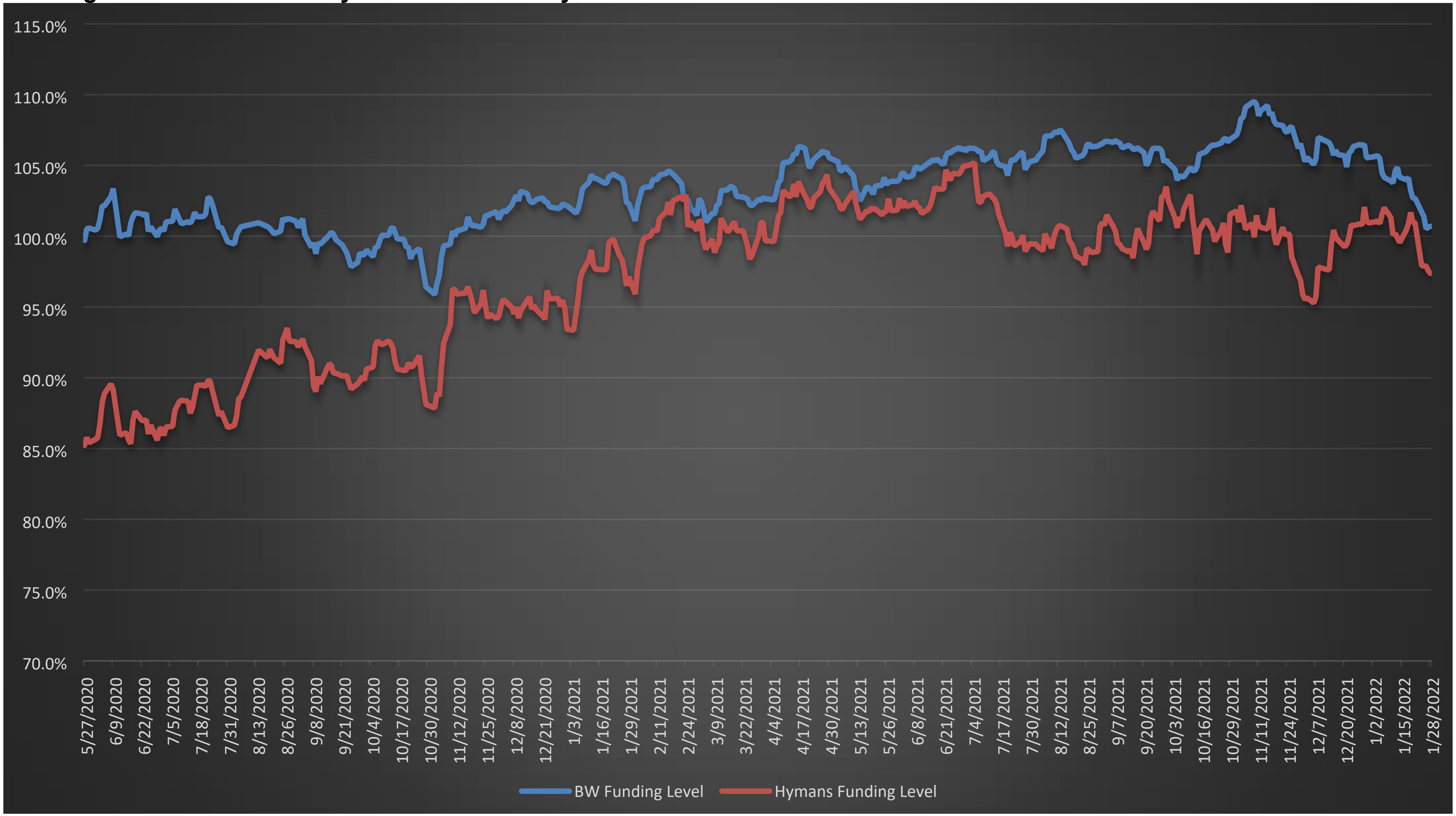
List of appendices:

Appendix 1 - Fund Asset and Liability Values 31 March 2013 to 31 December 2021
Appendix 2 - Definitions
Appendix 3 - Roles and Responsibilities

APPENDIX 1 - Fund Asset Values 27 May 2020 to 28 January 2022



Funding Level between 27 May 2020 to 28 January 2022



APPENDIX 2

A Definitions

A.1 Scheduled bodies

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

A.2 Admitted bodies

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

A.3 Schedule of Admitted and Scheduled bodies

A list of scheduled and Admitted Bodies is provided below

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

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

B Roles & Responsibilities

B.1 Administering Authority

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

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

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

B.2 Pensions Committee

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

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

Responsibilities

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

(i) To approve all policy statements required or prepared under the LGPS Regulations;

(ii) To be responsible for the overall investment policy, strategy and operation of the Fund and its overall performance, including taking into account the profile of Fund liabilities;

(iii) To appoint and terminate the appointments of the Fund Actuary, Custodian, professional advisors to, and external managers of, the Fund and agree the basis of their remuneration;

(iv) To monitor and review the performance of the Fund’s investments including receiving a quarterly report from the Chief Operating Officer;

(v) To receive actuarial valuations of the Fund;

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

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

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

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

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

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

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

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

B.3 Fund Administrator

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

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

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

B.4 Fund Actuary

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

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

- Undertaking an Actuarial Valuation of the Fund every three years. The next Valuation will be as at 31 March 2019 and the Actuary must complete his report by March 2020. The results of this Valuation will result in the setting of the Employer Contribution Rates for the three years 2020-2021, 2021-2022 and 2022-2023

- Undertaking more limited Valuations in respect of New Employers, Exiting Employers, Bulk Transfers and for Accounting purposes

B.5 Investment Advisor

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

- The Fund's Investment Strategy Statement including its asset allocation

- The selection of investment managers

- Monitoring and reviewing Investment Managers' performance

B.6 The Independent Advisor

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

B.7 Investment Managers

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

The Investment Managers' responsibilities include

- Investment of Pension Fund assets in compliance with legislation, the Fund's Investment Strategy Statement and the Investment Management Agreement between the Pension Fund and the Investment manager

- The selection of investments

- Providing regular reports on performance to the Fund Officers

- Attending the Pensions Committee if requested

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

B.8 Employers

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

Employers have a wide range of responsibilities which include

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

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

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

PENSIONS COMMITTEE

16 March 2022

Title: Administration and Governance Report	
Report of the Chief Operating Officer	
Public Report	**For Decision**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	

Summary

This report provides Members with an update on any administration and governance changes that have occurred and the potential impact that these changes may have on the Pension Fund. The report also provides an update on the Fund's one year and three-year cashflow forecast and on the London Collective Investment Vehicle (LCIV) as the Fund moves towards more pooled investments.

Recommendations

The Committee is recommended to note:

i. Pension Fund Prepayment Options
ii. Note that a Compliance Statement was submitted to the Competition and Markets Authority on 5 January 2021
iii. that the Fund is cash flow positive
iv. Independent Advisor LGPS Update, including Appendix 1
v. the Fund's three-year budget for the period 1 April 2021 to 31 March 2024; and
vi. the London CIV Update

The Committee is recommended to agree:

i. That a prepayment is made of £20m on 1 April 2022

1. Introduction

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

i. Pension Fund Prepayment Options
ii. Pension Fund Budget 1 April 2021 to 31 March 2024
iii. Cash flow to 31 December 2020
iv. Independent Advisor LGPS Update; and
v. London CIV update.

2. Pension Fund Prepayment Options

2.1 As part of the Council's savings options, it prepaid two years of pension contribution totalling £40m to the Pension Fund for 2021/22 and again for 2022/23. A prepayment of contributions is where a lump sum payment is made to the Pension Fund by the Council, and it is based on the likely employer contribution. During the year, the first-year prepayment is repaid in twelve equal amounts (i.e. £20m is repaid in twelve equal amounts), with the actual employer contributions paid each month to ensure that the correct contribution rates are paid.

2.2 For the prepayment, an amount is paid by the Pension Fund to the Council that equates to the discount rate. For 2021/22 to 2022/23 this equated to an effective interest rate of 4.0%. As at the 31 December 2021, this prepayment has increased in value by 12.0% and by 11.6% annualised over two years. The prepayment allowed the Fund to meet capital calls for Infrastructure and to fund Diversified Alternatives, without the need for the Fund to sell any assets to Fund these investments.

2.3 The table below shows the current asset allocation against the target and range. The Fund is currently fully invested and has a short-term borrowing position of approximately £19.2m with the Council.

Table 1: Current Asset Allocation

Asset Class	Current Position	Target	Variance	Range
Equities	57.7%	52%	5.7%	*50-60*
Diversified Growth	13.9%	15%	-1.1%	*14-18*
Infrastructure	6.6%	8%	-1.4%	*7-11*
Credit	4.8%	7%	-2.2%	*6-10*
Property	4.1%	5%	-0.9%	*4-7*
Diversified Alternatives	10.0%	9%	1.0%	*7-10*
Fixed Income	2.8%	4%	-1.2%	*3-5*
Cash	0.1%	0%	0.1%	*0-1*

2.4 If agreed, the £20m prepayment for 2022/23 will be used to reduce the overdrawn cash position of £20.0m.

2.5 It is recommended that a prepayment is made of £20m on 1 April 2022. This will take the total prepayment amount to £40m.

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

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

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

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

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 to the various subsidiary companies. The Council contribution will increase from 22.0% in 2021/22 to 23.0% in 2022/23. Admitted body contribution will initially increase, but as the admitted bodies are closed to new entries, their contributions will decrease over time.

3.3 Pension payments are forecast to increase due to an increase in the number of pensioners as well as to reflect a pension increase of 0.5% for 2021/22. An increase in management expenses is being forecasted in 2021/22 as asset values have increased thus increasing the expenses. Overall, the Fund is expected to be cashflow positive, although relatively marginally, for net dealings with members and also cashflow positive if investment income and management expenses are included.

4. Independent Advisor LGPS Update

4.1 This paper informs the Committee of some developments relating to the Local Government Pension Scheme (LGPS) since the last Update. The issues covered are:

1. Creation of Department for Levelling Up, Housing and Communities (DLUHC) and appointment of new Minister responsible for the LGPS
2. Levelling Up White Paper and the LGPS in England & Wales
3. LGPS Consultations and responses
4. Cost Control mechanism
5. Review of 2019 Actuarial Valuations by the Government Actuary

The paper approaches the above issues in the context of the LGPS in England & Wales as a whole rather than in terms of the Barking and Dagenham Fund in particular.

1. Creation of DLUHC & appointment of new Minister responsible for the LGPS

In mid-September 2021, the Prime Minister reorganised Government. This reorganisation included the creation of the **DLUHC** to replace the Ministry of Housing Communities and Local Government (MHCLG). The Rt Hon Michael Gove MP was appointed Secretary of State at the DLUHC in succession to Rt Hon Robert Jenrick MP who had been Secretary of State at MHCLG since July 2019. Luke Hall MP who had been the Minister at the MHCLG directly responsible for the LGPS since September 2020 left the Government in the September 2021 reorganisation. Other Ministerial appointments within the DLUHC were also made in mid-September 2021 but details of Ministerial portfolios were not immediately announced.

On 6 October 2021, the LGPS Scheme Advisory Board for England and Wales (SAB) stated on its website that *"We understand that Kemi Badenoch MP will be the new minister for Local Government and will therefore take up responsibility for the LGPS. We would expect that the change of minister would lead to some delays in the current workstream…"*

The responsibilities of Kemi Badenoch MP whose official title is Minister of State (Minister Levelling Up Communities) are extensive and extend far beyond the LGPS. Ms Badenoch's role includes Local Government policy, finance, and improvement in England; Supporting Families programme; Integrated Communities (including Faith engagement, English Language); Elections policy (including leading on the Elections Bill in the House of Commons).

2. Levelling Up White Paper and the LGPS in England & Wales

On 2 February 2022, the DLUHC (Department for Levelling Up Housing and Communities) issued a White Paper ***"Levelling Up the United Kingdom."*** The White Paper sets out the Government's ambition and plans in terms of "levelling up." To quote from the Prime Minister's foreword *"…To take the radical steps needed to make us more prosperous and more united by tackling the regional and local inequalities that unfairly hold back communities…this White Paper describes... The practical steps this government will take in everything from education to art to investment that will make this a better, fairer country for us all."*

The White Paper is very detailed and lengthy (the main document is 332 pages cover to cover and the Technical Annexe 54 pages). The Government sets out twelve ***"Levelling up Missions"*** which are summarised on pages 120 and 121. The Policy Programme to achieve levelling up is set out in detail in Chapter 3 (pages 159-243). Associated with the Mission "*Living Standards"* there is reference to the LGPS on pages 162 and 163 of the White Paper.

One paragraph on pages 162/163 and three paragraphs on page 163 include reference to the LGPS. The paragraph on pages 162/163 *states "There is huge potential for institutional investment to support levelling up, across infrastructure, housing, regeneration and SME finance. Institutional investors currently hold UK pension assets of over £3.5tn. Within that, the Local Government Pension Scheme (LGPS) has total investments of over £330bn, making it the largest pension scheme in the UK. Only a tiny fraction of these funds are currently allocated to local projects. If all LGPS funds were to allocate 5% to local investing, this would unlock £16bn in new investment."*

Consequently, on page 163 the White Paper includes a paragraph which states *"Infrastructure investment by the LGPS has grown from under £1bn in 2016 to £21bn in 2021. To build on this established capacity and expertise, and ensure that all LGPS* *funds play their full part, the UK Government is asking LGPS funds, working with the LGPS asset pools, to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas."*

On 2 February 2022, the day the White Paper was issued, the SAB posted a statement on its website. Given both the SAB has close links/contacts to/with the DLUHC and the actual content of the statement it should be carefully noted. The full text reads: *"Today the government published the [Levelling Up whitepaper] which includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas. We understand that in this context local refers to UK rather than local to a particular fund and that there will be no mandation beyond the requirement to have a plan. Further details will emerge over the period up to an expected summer consultation which we understand will also include the outstanding climate risk and reporting regulations and the pooling guidance."*

Therefore, in essence the White Paper merely contains an exhortation to the LGPS to invest in UK infrastructure including housing. The wording of the Whitepaper makes no suggestion of actually requiring LGPS Funds to increase *"local investment."* Rather the Whitepaper merely states *"… UK Government is asking **LGPS funds, working with the LGPS asset pools, to publish plans for increasing local investment**, including setting an ambition of up to 5% of assets invested in projects which support local areas."* This approach which requires only a plan which relates to the UK as a whole is in reality the only practical approach Government can take. Any attempt to direct mandatory investment would likely be contrary to Fiduciary Duty and public law duties and would, almost certainly, result in legal challenge(s) potentially including an application for Judicial review.

The wording of the White Paper is merely stating that LGPS Funds be asked to publish plans to increase investment in infrastructure and housing across the UK. LGPS Strategic Asset Allocations are, however, not driven by government exhortations but by LGPS funding/investment requirements influenced by factors such as funding levels, actuarial assumptions, risk/diversification, inflation and cashflow, existing allocations etc.

Recent years have, however, seen a trend towards greater LGPS investment in infrastructure (but not necessarily/always UK infrastructure) and housing. This will likely continue for strategic investment reasons rather than because of Government exhortation. In summary the White Paper, in itself, may therefore have little overall impact on the LGPS in England & Wales.

3. LGPS Consultations and Government responses

There has been a lack of Consultations and Government responses relating to the LGPS since the Update presented to the September 2021 meeting of the Pensions Committee. Not only has there been no statement from Government in relation to Consultations in respect of the major investment issues of TCFD (Task Force on Climate Related Financial Disclosures) reporting by the LGPS, and Investment Pooling but there has been silence on other significant outstanding issues.

These include the Good Governance in the LGPS project proposals which were submitted to Government by the Scheme Advisory Board in early 2021; the response on some matters (proposed lengthening of the Actuarial Valuation cycle from 3 to 4 years and no longer requiring some education employers to offer LGPS membership to employees) in the Consultation “Changes to the local valuation cycle and the management of employer risk” which closed on 31 July 2019; and the Consultation on “Fair Deal – Strengthening pension protection” which closed on 4 April 2019 and in respect of which a response has still not been published.

The expected Consultation to amend the LGPS Regulations to apply TCFD reporting to the LGPS is still awaited. As was stated in the September 2021 Update the Department for Work and Pensions (DWP) has consulted upon and issued final Regulations on TCFD reporting by private sector pension schemes. These do not apply to the LGPS and therefore it was expected that before the end of 2021 the DLUHC would issue a Consultation to amend the LGPS Regulations to apply TCFD reporting to individual LGPS Funds.

The Consultation on an updated framework for LGPS Investment Pooling remains outstanding. The (then) MHCLG issued a Consultation in January 2019 but subsequently withdrew this. In November 2020, the Government stated in writing (in “The Balance Sheet Review Report” issued by HM Treasury) that it would *“consult”* in 2021 *“on next steps”* to implement *“a strengthened framework for LGPS investment and pooling”* but this did not occur. Therefore, the mandate for Investment Pooling within the actual LGPS Regulations remains limited to one statement in the LGPS (Management and Investment of Funds) Regulations 2016. This is, that the Investment Strategy of an LGPS Fund must include *“the authority’s approach to pooling investments, including the use of collective investment vehicles and shared services.”* In reality the present position with Investment Pooling is therefore that while LGPS Funds need to demonstrate commitment to the principle, the actual pooling of particular assets is in essence ultimately voluntary.

The latest available indication, with any real provenance, as to when there may be progress in relation to a Consultation relating to any of the issues discussed above is contained in the SAB statement of 2 February 2022. This refers to “…*an expected summer consultation…”* covering Pooling, TCFD (climate risk and reporting regulations) and the LGPS issues in the Levelling Up White Paper.

An LGPS Consultation incorporating TCFD, Pooling and the White Paper proposals will be a major undertaking particularly given the potential legal issues around any attempt to make Pooling genuinely mandatory. Therefore, for the DLUHC to issue such a Consultation by summer 2022 would be an achievement in itself. Even if a Consultation were issued in the summer a period of at least 6 months for the implementation of any proposals could reasonably be anticipated. Therefore, 1 April 2023 or thereabouts would appear the likely earliest that any new Regulations and/or Guidance relating to Investment Pooling and TCFD reporting by LGPS Funds might become effective.

As stated in the LGPS Update to the September 2021 Committee meeting the Government confirmed, in May 2021, that the LGPS Regulations will be amended to remedy the existing Age Discrimination in the LGPS once primary legislation had been passed by Parliament. The Public Service Pensions and Judicial Offices Bill has now completed most of the stages in the Parliamentary process. The Bill has now passed the First Reading, Second Reading, Committee, Report, and Third Reading Stages in both the House of Lords and House of Commons. The Bill completed the Report and Third Reading Stage in the House of Commons on 22 February 2022 and given it originated in the House of Lords will now return there for consideration of amendments made by the Commons.

4. Cost Control Mechanism

On 4 October 2021, the Treasury announced its intention to amend the Cost Control mechanism of the major public service pension schemes, including the LGPS. This followed the publication of a report by the Government Actuary on 15 June 2021 and a consequent Treasury Consultation of 24 June to 19 August 2021. The Public Service Pensions Act 2013 introduced into the seven public service pension schemes, including the LGPS, a Cost Control mechanism to seek to ensure the cost of providing pensions is kept within a range of costs. This seeks to ensure a "fair" balance with regard to the cost of providing defined benefit public service pensions between scheme members and the taxpayer.

The objectives of the Cost Control mechanism were – to protect taxpayers from unforeseen risks, to maintain the value of pension schemes to the members, to provide stability to benefit levels in that the operation of the mechanism should only be triggered by *"extraordinary, unpredictable events."* The Cost control mechanism is primarily concerned with calculating the cost of providing benefits to employees of each of the major public service pension schemes.

The cost control mechanism is a form of risk sharing arrangement that assesses certain elements of the costs of the schemes. If the assessed cost has decreased/increased by more than 2% of pensionable pay compared to their original level, then member benefits/contributions are increased/reduced to bring the assessed costs back to the original level.

For the LGPS in England and Wales there are two cost control mechanisms: The employer cost cap (ECC) operated by HM Treasury, and the future service cost (FSC) as operated by the LGPS Scheme Advisory Board (SAB). Either process can result in changes to the Scheme design and/or employee contribution rates if the costs of the LGPS move sufficiently from a "target cost." In view of Government concerns that the ECC Cost Control mechanism was not operating in line with its original objectives and in particular, the intention that it would only be triggered by *"extraordinary, unpredictable events,"* the Chief Secretary to the Treasury requested the Government Actuary to conduct a review of this Cost Control mechanism.

On 15 June 2021, the final report of the Government Actuary's review of the cost control mechanism across the seven major public service pension schemes, including the LGPS, operated by HM Treasury, was published ("Cost control mechanism Government Actuary's review," Final report, 27 May 2021). Paragraph 1.17, on page 11, of the report confirmed that the review did not consider the separate cost control mechanism for the LGPS which is operated by the Scheme Advisory Board.

Following the publication of the Government Actuary's review the Treasury launched a Consultation on 24 June 2021 (which closed on 19 August 2021) entitled "Cost control mechanism consultation: Proposal to reform the mechanism." This Treasury Consultation included the statement (paragraph 5.1, page 16) *"The Government has carefully considered the analysis and recommendations contained in the GA's final report. Having reflected on this, the Government proposes making three changes to the cost control mechanism, all of which are in line with the GA's recommendations:"*

The three proposals may be summarised as:

- that the cost control mechanism only considers past and future service in the reformed (present) schemes and exclude consideration of legacy schemes

- widening the cost corridor from 2% to 3% to *"improve the stability of the mechanism"*

- *"introducing an 'economic check'"* where there is a breach of the cost control mechanism to ensure broader long term economic conditions are considered before any breach is implemented

The LGPS Scheme Advisory Board for England and Wales (SAB) responded to this Consultation on 19 August 2021. This response expressed, in the specific context of the LGPS, concerns regarding all three proposals. Seven individual LGPS Funds also responded to the Consultation.

On 4 October 2021, the Treasury issued its response to the Consultation of 24 June to 19 August entitled "Public service pensions: Cost control mechanism consultation response." This confirmed the Government's intention to amend the Cost Control mechanism to consider only reformed schemes, introduce a 3% cost corridor, and introduce an "economic check." The News section of the SAB website states (4 October 2021) *"Although not directly addressing the concerns of the LGPS the response does acknowledge them and commits to discussing with stakeholders appropriate ways to introduce these changes, how the E&W SAB cost management process can be adapted and how the principle of that process could be extended to the Scotland and NI schemes."*

5. Review of 2019 Actuarial Valuations – Section 13 Report by the Government Actuary's Department (GAD)

On 16 December 2021, the DLUHC published GAD report on the 2019 LGPS Actuarial Valuations. The main report is sixty pages long. There is also an Appendices paper of 62 pages and a 22-page Funding Analysis paper.

The GAD was appointed by the (then) MHCLG to report under Section 13 of the Public Service Pensions Act 2013 in respect of the 2019 Actuarial Valuations of the Funds in the Local Government Pension Scheme in England and Wales (LGPS). The 'Overall Comments' made by GAD on page 4 of the main report state, *"In aggregate the funding position of the LGPS has improved since 31 March 2016; and the scheme appears to be in a strong financial position…"* and specifically that since the 2016 Valuation across the LGPS in England and Wales as a whole *"The aggregate funding level on prudent local bases has improved from 85% to 98% (at 2019)"*

Section 13 requires GAD to report on whether the following aims were achieved:

- **Compliance:** whether a Fund's Valuation is in accordance with the Scheme Regulations

- **Consistency:** whether the Fund's Valuation has been carried out in a way which is not inconsistent with other Fund Valuations within the LGPS

- **Solvency:** whether the rate of Employer Contributions is set at an appropriate level to ensure the solvency of the Fund

- **Long term cost efficiency:** whether the rate of Employer Contributions is set at an appropriate level to ensure the long-term cost efficiency of the Scheme, as measured on an individual Fund basis

The first two issues are concerned primarily with the methods of the four Actuarial firms (Aon, Barnett Waddingham, Hymans Robertson, and Mercer) who undertake Actuarial Valuations for LGPS Funds.

The issues of Solvency and Long Term Cost Efficiency are Fund specific. In respect of **Solvency** and **Long term cost efficiency** GAD looked at a range of metrics (10 in all, with 5 each for Solvency and Long term cost efficiency) and then assigned a *"colour coded flag"* to each LGPS Fund in England and Wales for each metric. These range from Red to Amber to White to Green and are explained on page 12 of the main report. A Red flat indicated *"a material issue that may result in the aims of section 13 not being met."* It is extremely pleasing to note that there were no red flags assigned to any LGPS Fund in England and Wales. An Amber flag indicates *"a potential material issue…In isolation this would not usually contribute to a recommendation for remedial action in order to ensure solvency or long term cost efficiency."* Only four Funds across England and Wales (one English County and three in London) were Amber flagged. A White flag *"is an advisory flag that highlights a general issue but one which does not require an action in isolation."* A Green flag indicates *"that there are no material issues…"* The total lack of red flags and the fact that out of over 80 Funds examined only four were Amber flagged clearly indicates the overall robustness, based on the GAD analysis, of the approach to funding issues of the LGPS across England and Wales. Based on GAD analysis all LGPS Funds in England and Wales met the aims of **Solvency** and **Long term cost efficiency.**

The report on the 2019 Actuarial Valuations has been, overall, not unfavorably received by the Actuarial firms who support the LGPS. This is in contrast to their response to the report on the 2016 Actuarial Valuations which resulted in a joint letter which raised *"some material concerns"* regarding the detail of that report.

Briefly, the main findings of the GAD report on the 2019 Valuations were:

- **Compliance -** Fund valuations were compliant with relevant regulations.

- **Consistency –** Funds/Actuaries had adopted a consistent dashboard to aid stakeholders when comparing results for different Funds as recommended in GAD's report on the 2016 Valuations. However, differences in methodology and assumptions do not allow like for like comparisons. GAD were also concerned about what they consider to be *"particular inconsistencies in the way Academy conversions are carried out in different funds, which derive from different valuation approaches"* (Page 5 of the main report).

- **Solvency –** The size of Pension Funds has grown considerably more than local authority budgets over the three years to 31 March 2019. This, therefore, in GAD's view, presents greater risk going forward, despite the general improvement in Funding levels. Page 7 of the main report includes the statement *"Given that pension funding levels change it is not unlikely that a period of increased pension contributions may be required at some point in the future. If additional spending is required for pension contributions this may lead to a strain on local authority budgets…"*

- **Long term cost efficiency –** At page 51 of the main report GAD state *"Long term cost efficiency (LTCE) relates to not deferring payments too far into the future so that they affect future generations of taxpayers disproportionately."* GAD is clear in its report regarding its view of the need to consider the balance of cost between current and future taxpayers. GAD highlighted four individual Funds (three in London and the Royal County of Berkshire Fund) as raising potential concern in relation to long term cost efficiency; this is two less than in 2016. GAD also raises (pages 59 and 60 of the main report) the issue of the use by some Funds of Asset Transfers and Contingent Property Transfers from the Council (Administering Authority) to the Pension Fund. Whilst *"not commenting on the actions of any fund that holds such an asset"* the report raises a number of *"potential concerns"* regarding such arrangements and recommends *"the Scheme Advisory Board review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to ensure long term cost efficiency"*

The Appendices document includes detailed results and GAD analysis covering all LGPS Funds in England and Wales. The main report included 4 Recommendations which seek to promote:

1. Improved consistency in the approach to assessing emerging and existing key issues including Academy conversions and "McCloud" (Pg 5).

2. Ensuring deficit recovery plans can be demonstrated to be a continuation of the previous plan (Pg 8).

3. Continuing improvements in transparency through an expanded Valuation dashboard with additional information, provided by the Fund Actuaries (Pg 8).

4. Appropriate governance arrangements around asset transfer arrangements from local authorities to Pension Funds *"to achieve long term cost efficiency."* (Pg 60).

The GAD Section 13 Report for 2019 may be accessed at
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040197/S13_final_report.pdf

The Appendices to the GAD Section 13 Report may be accessed at
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040200/S13_Appendices.pdf

The Funding Analysis document to The GAD Section 13 Report for 2019 may be accessed at
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040198/FAPaper2019_Final.pdf

5. Cash flow to 31 December 2021

5.1 Table 2 below provides Members with the Fund's Cash flow to 31 December 2021.

Table 2: Actual Pension Fund Cash Flow to 31 December 2021

	2021/22 Budget	2021/22 Forecast	Over / Under

	£000's	£000's	£000's
Contributions			
Employee Contributions			
Council	7,700	8,209	509
Admitted bodies	640	493	-147
Scheduled bodies	1,950	1,860	-90
Employer Contributions			
Council	25,000	26,695	1,695
Admitted bodies	2,600	2,090	-510
Scheduled bodies	7,700	7,392	-308
Pension Strain	1,000	800	-200
Transfers In	3,500	3,400	-100
Total Member Income	**50,090**	**50,939**	**849**
Expenditure			
Pensions	-36,500	-36,300	200
Lump Sums and Death Grants	-6,500	-6,700	-200
Payments to and on account of leavers	-3,500	-3,850	-350
Administrative expenses	-700	-700	0
Total Expenditure on members	**-47,200**	**-47,550**	**-350**
Net additions for dealings with members	**2,890**	**3,389**	**499**
Returns on Investments			
Investment Income	11,000	11,000	0
Profit (losses)	50,000	55,000	5,000
Investment management expenses	-4,500	-4,500	0
Net returns on investments	**56,500**	**61,500**	**5,000**
Net increase (decrease) in the net assets	**59,390**	**64,889**	**5,499**
Asset Values	**1,341,280**	**1,357,333**	**16,053**
Liabilities	**1,292,444**	**1,350,000**	**57,556**
Funding Level	**103.78%**	**100.54%**	**-3.24%**

5.2 The contributions into the Fund are £849k higher than the budget, although the expenditure is also £499k higher, mainly due to higher transfers out.

5.3 Most investment costs are incurred within the various pools the Fund invests in, as is the investment income, with little distributed directly to the Fund. The assets and liabilities are currently moving around significantly due to the uncertainty caused by the Covid and more recently the war in Ukraine. The approach taken by Barnett Waddingham does smooth out some of this volatility but it is likely that the Fund will end the year less than 100% funded (although the current forecast is 100.54% funded).

6. London Collective Investment Vehicle (LCIV) Update

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

6.2 Update from the London CIV

In terms of assets under management, the value of LCIV's public market funds offered via the London CIV's Authorised Contractual Scheme (ACS) rose by 26%, from £10.8 billion to £13.9 billion, and the cumulative commitments raised into our private market funds increased by 74%, from £606 million to £2.0 billion by the end of 2021.

	30/09/2021	Market Move	31/12/2021
Active Investments	**£**	**£**	**£**
LCIV Global Alpha Growth Fund	332,756,931	207,681	332,964,612
LCIV Global Total Return Fund	111,241,951	1,430,410	112,672,361
LCIV Real Return Fund	82,595,244	3,085,052	85,680,296
Total	**526,594,126**	**4,723,143**	**531,317,269**

In their annual submission to the Department of Levelling Up, Housing and Communities (DLUHC) LCIV reported cumulative net savings of £33 million to LCIV's Client Funds for the first four years of operation to March 2021. As the value of pooled assets grow, LCIV expect the level of savings to increase.

Whilst LCIV continued to make progress in 2021, one of their ongoing challenges is to gain greater commitment/demand from seed investors at an early stage to overcome the difficulties LCIV face in securing attractive deals from investment managers. The Fund's contribution as seed investors is vital in enabling LCIV to attain greater negotiation leverage with the investment managers to secure better fee outcomes.

6.3 Q4 2021 Activity in Brief

During LCIV's Annual Strategy and Responsible Investment Conference in October 2021, Chief Executive Officer Mike O'Donnell, reflected on the progress made with the existing product range and the demand seen for the new funds LCIV launched in 2021, each of which were developed in partnership with Seed Investor Groups (SIGs). Chief Investment Officer (CIO), Jason Fletcher, presented at high-level strategic product roadmap, and Chief Operating Officer (COO), Brian Lee, presented LCIV's medium-term pooling plan based on responses to LCIV's annual survey.

LCIV have made significant strides towards the 6 priorities of Responsible Investment & Engagement Programme. LCIV were the first LGPS pool to announce a net zero strategy. LCIV's ambitious target to achieve net zero by 2040 is intended to reflect the ambitions of client Funds, recognising the fact that each will set targets with different timescales. By announcing LCIV's target, LCIV are not aiming to determine the net zero target for any of LCIV's Client Funds.

While setting the net zero target may prove to be the easier step, the challenge ahead will lie on creating an appropriate road map that will enable us to hit these targets. LCIV recognise that the decisions each Client Fund will take in respect to their strategic asset allocation will play a significant role on their ability to achieve this. As LCIV keep on developing its existing fund range in response to climate change commitments, LCIV consider the financial implications of climate related risks.

During Q4 2021, LCIV advanced in the process of further integrating Environmental, Social and Governance (ESG) factors to the strategy used by LCIV Global Bond Fund. Effective 1 November 2021, Hermes EOS became LCIV's partner in respect to stewardship and engagement activities effective as part of LCIV's engagement step. The role of Hermes EOS is to sit alongside the voting guidance LCIV receive as members of the Local Authority Pension Fund Forum (LAPFF). In terms of reporting, LCIV have been conducting a trial with one of LCIV's Client Funds to assess the carbon footprint in line with the Task Force on Climate Financial Disclosures (TCFD) for its entire investment portfolio, irrespective of those assets being pooled or not. Going forward LCIV are confident that LCIV will be able to offer this service to all LCIV's Client Funds, which will present an aggregate assessment of the entire investment portfolio, show relevant metrics, and enable each of the Pension Committees to work towards their net zero targets.

LCIV's primary focus remains on financial returns; therefore, conversations with investment managers to improve the sustainability credentials of LCIV's products need to sit alongside the appropriate level of financial return LCIV's Client Funds depend on to generate the acceptable funding level to pay pensions without further recourse to the taxpayer. LCIV's aim is to safeguard that LCIV's collective voice is heard in Responsible Investment debates whilst supporting LCIV's Client Funds to pool in line with their respective investment strategies.

LCIV were also pleased to be approved as an asset owner to the first list of signatories to the 2020 UK Stewardship Code over the last quarter, which is an achievement to be celebrated. In December, Jeff Houston of the Local Government Pension Scheme Advisory Board (SAB) was LCIV's guest at LCIV's Business Update, and he provided us with an update on LGPS pooling and discussed the role pools can play to invest in social capital and support the challenges of the financial impact climate change can cause. A recording of this session is available to you in LCIV's Client Portal. LCIV's fourth quarter Meet the Manager webinar was chaired by LCIV's Responsible Investment Manager Alison Lee and featured a discussion with Hermes EOS and their engagement capabilities.

6.4 Current Position

On 31 December 2021, the total assets deemed pooled by LCIV's Client Funds were £29.6 billion, of which £15.9 billion are in funds managed by the London CIV, being the ACS plus amounts committed to private market funds. Assets under management in LCIV's ACS stood at £13.9 billion. Over the fourth quarter, LCIV had £250 million of additional commitments from four new investors to the LCIV Private Debt Fund, bringing total commitments raised by LCIV's private market funds as of 31 December 2021 to £2.0 billion of which £744m had been drawn. The value of 'pooled' passive assets was £12.8 billion, with £9.5 billion managed by Legal and General Investment Management and £3.3 billion managed by BlackRock.

6.5 Fund Activity - ACS

During Q4 2021 LCIV had net flows of £1 million into the London CIV's ACS funds. Transactions included two investors seeding the Passive Equity Progressive Paris Aligned (PEPPA) Fund in early December with a total contribution of £540 million, new investors into the LCIV Global Bond Fund, LCIV Sustainable Equity Fund, and LCIV MAC Fund, positive net flows into the multi-asset LCIV Diversified Growth Fund and LCIV Absolute Return Fund due to rebalancing activity, and smaller negative net flows recorded for the LCIV Global Total Return Fund, LCIV Global Equity Fund, and LCIV Global Alpha Growth Fund.

Feedback from LCIV's regular catch-up calls with Pension Officers suggests that there are further opportunities for Client Funds to invest in LCIV's existing funds to meet their strategic asset allocation requirements. Looking ahead, LCIV are working towards the launch the LCIV Alternative Credit Fund at the end of January 2022, which will in turn allow us to introduce PIMCO's Diversified Income Strategy to the LCIV MAC Fund which is anticipated to be incorporated from February 2022.

6.6 Fund Activity - Private Market Funds

LCIV had a total of £420.5 million in drawdowns across all LCIV's private market funds over the quarter. The largest drawdowns were attributed to the LCIV Inflation Plus Fund and the LCIV Renewable Infrastructure Fund, which were respectively £132.4 million and £128.0 million.

On 30 September 2021, the LCIV Inflation Plus Fund held three assets in the education sector with total fund value of £35.4 million. During Q4 2021, LCIV have agreed terms to acquire a £158 million portfolio (net of tax and transaction costs) of real estate long income assets. The portfolio consists of 11 assets across a range of sectors including hotels, student accommodation and supermarkets. By year-end, eight properties transaction have been completed with an acquisition price of £97 million (net of transaction costs) and the remainder is anticipated to be completed by end of March 2022.

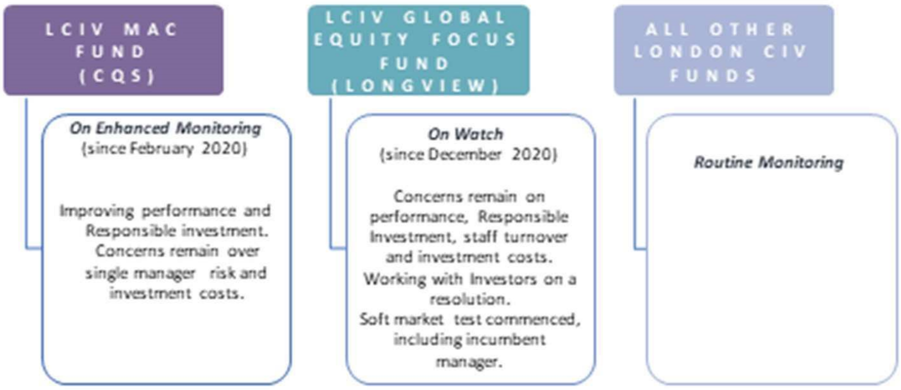
Separately, the Fund is also under offer on another student accommodation transaction of £22 million. LCIV are targeting to complete both transactions, totalling £189m (including costs), by the end of March 2022. This portfolio acquisition represents a unique opportunity for the Fund to deploy all the existing investor queue quickly and efficiently into a diverse portfolio of high quality, inflation linked long income assets, providing a platform for the continued strong performance and growth of the Fund. These acquisitions will create a diverse c.£217m portfolio of assets across 6 sectors and with an average investment grade credit rating of BBB+.

In October 2021, the LCIV Renewable Infrastructure Fund bought a single position in the BlackRock Renewable Income UK Fund that invests in a portfolio of 48 wind and solar projects across the UK. This investment allowed us to immediately deploy capital into a mature portfolio of renewable energy assets which is already generating cash, and therefore it is offering LCIV's Client Funds an immediate return on their investment.

For 2022, LCIV will focus on developing a property fund offering, recognising this could be a complex process and individual Client Funds will have different starting points and different requirements in terms of their strategic asset allocation.

6.7 Investment Manager Monitoring

Below is a summary of the status of the London CIV investment manager monitoring programme as of 31 December 2021:



Cost Transparency Initiative templates for all funds ran by the London CIV as at 31 March 2021 were shared on the Byhiras Portal.

6.8 Group Engagement

LCIV hosted seven group meetings over the quarter. The table below shows the types of meetings held:

Meeting Types	Quantity
Specific Pooling Opportunities	13
Catch-up Calls	12
Pension Committee Meetings	12
Preparation Meetings	7
Induction to the London CIV	1
Pooling Progression Strategy (PPS)	1
Total	46

Participation to LCIV's monthly Business Update and quarterly Meet the Manager webinars has improved significantly over last year, and LCIV note a greater attendance from Pension Chairs and Pension Committee Members. In December LCIV had representation from 75% of LCIV's Client Funds in addition to investment consultants and independent advisors.

LCIV will continue to host LCIV's monthly Business Update webinars via Microsoft Teams at 10am every third Thursday of the month. LCIV will be hosting a Workshop on Property Investments on 31 January 2021 and the next Seed Investor Group (SIG) discussion on Sterling Credit will be held on 1 February 2022. This SIG group will determine demand for us to move to Stage 2: Mandate Development of LCIV's Fund Launch Framework as LCIV work with interested investors to determine sufficient appetite to launch this product. If you wish to join us at any of these meetings, please contact your designated Client Relations Manager at clientservice@londonciv.og.uk.

6.9 Client Fund Meetings

Over Q4 2021 LCIV have recorded over 46 meetings/calls with LCIV's Client Funds. The table below shows the types of meetings held during Q4 2021:

Meeting Type	Quantity
Seed Investment Group (SIG)	2
Business Update (BU)	2
Investment Consultant Update	1
Independent Advisors Update	1
Meet the Manager (MTM)	1
Total	**7**

6.10 Pooling Strategy

Following approval by the London CIV Board during Q4 2021, LCIV are now working on the basis that a realistic pooling target is to achieve 71% pooled by 2025 instead of 75% by 2023. This figure is based on one-to-one pooling strategy meetings with LCIV's Client Funds and the responses to the annual survey submitted to the DLUHC). This new target also forms part of the basis for LCIV's Medium-Term Financial Strategy (MTFS) and Budget for 2022/23 on which LCIV are now monitoring progress and forecasting for the financial year ending in March 2022.

7. Consultation

7.1 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.

7.2 With regard to the Investment Consultants Strategic Objectives Review, the Independent Advisor has been closely and specifically consulted. The closed Appendix to this report has been prepared based on a self-assessment prepared by the Funds Investment Consultant Hymans Robertson which was reviewed and scrutinised by the Independent Advisor as well as Fund Officers.

8. Financial Implications

Implications completed by: Philip Gregory, Finance Director

8.1 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.

9. Legal Implications

Implications completed by: Dr. Paul Feild Senior Governance Solicitor

9.1 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.

10. Other Implications

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

Background Papers Used in the Preparation of the Report:

Appendix 1: Section 13 Report re 2019 Actuarial Valuation Independent Advisors paper

Appendix 1: Review of 2019 Actuarial Valuations – Section 13 Report by the Government Actuary's Department as it relates to the Barking and Dagenham Pension Fund

Introduction

This note is concerned with the findings of the Government Actuary's Department (GAD) report on the 2019 LGPS Actuarial Valuations across England and Wales as it specifically relates to the Barking and Dagenham Pension Fund. An overview of the GAD report and its attachments is contained in Section 5 of the Independent Advisor's LGPS Update report elsewhere on this Agenda. Members are encouraged to read the overview of the GAD report before reading this Note.

Analysis relating to individual LGPS Funds

Under Section 13 of the Public Service Pensions Act 2013 GAD is required to report on whether the following aims were achieved:

- **Compliance**
- **Consistency**
- **Solvency**
- **Long term cost efficiency**

The first two issues issues are concerned primarily with the methods of the four Actuarial firms (Aon, Barnett Waddingham, Hymans Robertson, and Mercer) who undertake Actuarial Valuations for LGPS Funds.

The issues of **Solvency** and **Long term cost efficiency** are Fund specific. In respect of these **GAD** looked at a range of metrics. GAD rated individual Funds against 10 metrics – 5 in relation to Solvency and 5 in relation to Long term cost efficiency. GAD then assigned a *"colour coded flag"* to each LGPS Fund in England and Wales for each metric as follows:

- **Red:** *indicates a material issue that may result in the aims of section 13 not being met. In such circumstances remedial action to ensure solvency and/or long term cost efficiency may be considered.*

- **Amber:** *indicates a potential material issue that we would expect funds' to be aware of. In isolation this would not usually contribute to a recommendation for remedial action in order to ensure solvency and/or long term cost efficiency.*

- **White:** *is an advisory flag that highlights a general issue but one which does not require an action in isolation. It may have been an amber flag if we had broader concerns.*

- **Green:** *indicates that there are no material issues that may contribute to a recommendation for remedial action in order to ensure solvency or long term cost efficiency.*

<u>Solvency Analysis in the context of Barking and Dagenham</u>

The Barking and Dagenham Fund received a Green Flag in respect of all five Solvency metrics (as detailed in the Appendices to the main GAD report). This is clearly positive.

The most well known/prominent of these metrics is the ***"SAB funding level"*** On this measure the Barking and Dagenham Fund was 100% funded at 31 March 2019 compared to 91% at 31 March 2016. This is very pleasing. However it must be stated that the SAB funding level is merely a methodology applied by GAD which uses a single set of assumptions to calculate and compare funding levels across the 88 (as at 2019) LGPS Funds in England and Wales.

It should be further noted that the SAB funding level is merely a comparative measure and is not a Valuation as required and undertaken under the LGPS Regulations 2013 (As amended). The SAB funding level Valuation has no effect on either Employer contribution rates for the Barking and Dagenham Fund or the Investment Strategy of the Fund which are determined/influenced by the Triennial Valuation carried out by the Fund Actuary (Hymans Robertson at 2019 and Barnett Waddingham for 2022) in accordance with Regulation 62 of the LGPS Regulations 2013 (As amended). The assumptions used in the Triennial Valuation as undertaken by the Fund Actuary take some account of the specific circumstances/requirements of the Barking and Dagenham Fund, unlike the SAB funding level methodology.

Although the improvement relating to the Barking and Dagenham Fund as indicated by the SAB funding level is clearly positive and encouraging the primary and indeed official, from a LGPS regulatory viewpoint, funding measure is that which the Fund Actuary declares at the end of each Triennial Valuation of the Barking and Dagenham Pension Fund. On the basis of the last three statutory Actuarial Valuations carried out in accordance with the requirements of the LGPS Regulations (by Hymans Robertson) the Barking and Dagenham Fund has, at each Valuation, clearly and significantly improved its Funding Level. At the 2013 Valuation Hymans Robertson determined that the Fund was 71% funded. At 2016 this had improved to 77% funded and at 2019 to 90% funded.

<u>Long term cost efficiency Analysis in the context of Barking and Dagenham</u>

The Barking and Dagenham Fund received a Green flag in respect of four of the five Long term cost efficiency metrics (as detailed in the Appendices to the main GAD report). In respect of one metric **"Deficit recovery plan"** Barking and

Dagenham along with three other Funds were Amber flagged. In considering the meaning of this attention must be paid to the definition of an Amber Flag (page 12 of the GAD report) which *"indicates a potential material issue that we would expect funds to be aware of. In isolation this would not usually contribute to a recommendation for remedial action in order to ensure solvency and/or long term cost efficiency."*

On page 57 of their report GAD explain their approach to the level of Employer contribution rates when coupled with the period over which it is planned, by a Fund, to recover any deficit in the Fund. GAD *state "We would not normally expect to see employer contribution rates decreasing (reducing the burden on current taxpayers) at the same time as the deficit recovery end point is being extended further into the future (increasing the burden on future taxpayers). This expectation considers the desire for intergenerational fairness which is required for LTCE"* (Long Term Cost Efficiency).

The primary reason that the Barking and Dagenham Fund received an Amber flag for **"Deficit recovery plan"** was because Employer contribution rates had decreased from the 2016 to 2019 Valuation (by an average of -1.5% from 25.0% to 23.5%) and at the same time the deficit recovery period had increased by three years. To quote from page 51 of the GAD report in respect of the Barking and Dagenham Pension Fund *"we are concerned that employer contribution rates are decreasing (reducing the burden on current taxpayers) at the same time as the deficit recovery end point is being extended further into the future (increasing the burden on future taxpayers). This led to…raising a flag in relation to their deficit recovery period."* However it should also be noted that the GAD report did acknowledge (at page 58 of their report) that the Barking and Dagenham Fund utilises a shorter deficit recovery period than some other LGPS Funds stating that Barking and Dagenham applied *"a 17 rather than 20 year projection period, which itself is shorter (hence more prudent) than that used for a number of other funds."*

In conclusion, it should be noted that the Barking and Dagenham Fund was not subject to a specific recommendation from GAD in respect of Long term cost efficiency and that the Fund achieved, in the view of GAD, both the aims of

Solvency and **Long term cost efficiency** at the 2019 Actuarial Valuation. However the Fund was Amber flagged by GAD in relation to its Deficit Recovery plan thereby indicating "*a potential material issue*." Therefore the Fund should, in the view of the Independent Advisor, engage specifically with the new Fund Actuary, Barnett Waddingham, with a view to seeking to mitigate the possibility of Amber flagging in respect of Long term cost efficiency at the 2022 Actuarial Valuation.

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PENSIONS COMMITTEE

16 March 2022

Title: Training Policy for Pensions Committee, Pension Board, and Senior Fund Officers	
Report of the Chief Operating Officer	
Public Report	**For Decision**
Wards Affected: None	
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	
Summary: Appendix 1 to this report is the proposed Training Policy for Pensions Committee members (including Observers), Pension Board members, and Senior Fund Officers. This has been prepared by the Independent Advisor, in consultation with Fund Officers, in accordance with the decision of the Pensions Committee on 14 December 2021.	
Recommendations The Pensions Committee is recommended to: 1. Approve the Training Policy (as at Appendix 1) to be applicable to members of the Pensions Committee (including Observers), members of the Local Pension Board, and Senior Fund Officers. 2. Approve the delegation of responsibility for the implementation of the CIPFA Code of Practice on LGPS Knowledge and Skills 2021 including the London Borough of Barking and Dagenham Pension Fund Training Policy to the Investment Fund Manager.	

1. Introduction and Background

In December 2021 the Pensions Committee approved the preparation of a Training Policy taking account of guidance in the June 2021 CIPFA Knowledge and Skills Framework for Committee Members and LGPS Officers. This resulted from the decision of the Committee, also at the December 2021 meeting, to approve the adoption of the CIPFA June 2021 Code of Practice on LGPS Knowledge and Skills.

A Training Policy (Appendix 1 to this report) has therefore been prepared by the Independent Advisor, in consultation with Fund Officers and is presented to the Committee for its consideration.

This sets out the policy of the Fund regarding LGPS knowledge and skills in respect of Members of the Pension Committee, Observers of the Pension Committee, Members of the Local Pension Board, and Senior Officers of the Fund.

The Training Policy takes particular account of the CIPFA Code of Practice on LGPS Knowledge and Skills 2021. Particular account has also been taken of the CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers 2021, and appropriate account of the CIPFA Local Pension Boards: A Technical Knowledge and Skills Framework 2015.

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 – Training Policy

Appendix 1

Training Policy for Committee Members (including Observers), Pension Board Members, and Senior Fund Officers

Introduction and Applicability

This Training Policy approved by the London Borough of Barking and Dagenham Pensions Committee on 16 March 2022 sets out the policy regarding Local Government Pension Scheme (LGPS) knowledge and skills in respect of:

- Members of the Pensions Committee.
- Observers of the Pensions Committee.
- Senior Officers of the Fund.
- Members of the Local Pensions Board.

This Policy has been prepared taking particular account of the CIPFA Code of Practice on LGPS Knowledge and Skills 2021, which was adopted by the Pensions Committee on 14 December 2021. Particular account has also been taken of the CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers 2021, and appropriate account of the CIPFA Local Pension Boards: A Technical Knowledge and Skills Framework 2015.

The format of this Training Policy takes account of the guidance in the 2021 CIPFA Knowledge and Skills Framework that it should include the following statements from the 2021 CIPFA Code of Practice:

CIPFA Code of Practice on LGPS Knowledge and Skills Statements

1. This LGPS administering authority adopts the key principles of the Code of Practice on LGPS Knowledge and Skills.

2. This LGPS administering authority recognises that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.

3. This administering authority has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of LGPS knowledge and skills for those responsible for the management, delivery, governance, and decision making of the LGPS.
4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as those set down in the CIPFA LGPS Knowledge and Skills Framework.

5. This administering authority will ensure that it has adequate resources in place to ensure all staff, members, or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS acquire and retain the necessary LGPS knowledge and skills.

6. This administering authority will report annually on how its knowledge and skills policy has been put into practice throughout the financial year in the fund's annual report.

7. This administering authority has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the appropriate officer, who will act in accordance with the administering authority's knowledge and skills policy statement, and, where they are a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

The above seven Statements were specifically adopted by the Pensions Committee at its meeting on 14 December 2021.

<u>Policy Aims and Objectives</u>

1. Pension Fund decision making, management, delivery and monitoring is undertaken by people who have the appropriate Knowledge and Skills.

2. Those persons responsible for decision making, management, delivery and monitoring have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

3. Knowledge and Skills are obtained, maintained, and updated in the light of the requirements of and developments in legislation, regulation, guidance, governance, investment and administration relating to the LGPS.

4. The collective expertise, experience, and knowledge of Committee Members (taking into particular account of any assistance from the Fund's appointed Investment Consultant, and also, as appropriate, input from Fund Officers and other external advisors) be such that each of the Fund's Investment Managers, can with confidence, gain reasonable assurance that the Fund as the client is capable of making investment decisions and understanding the nature of risks involved in the context of the transactions or services envisioned. This is required to maintain the Funds status as an Elective Professional Client under MiFID II (Markets in Financial Instruments Directive) which came into effect from 3 January 2018.

5. In making decisions Pension Committee Members understand why they should put aside political considerations, act in the interests of all Employers and individual Fund members and act within the regulatory framework.

Adherence to relevant Legislation and Guidance

In delivering the Policy Aims and Objectives the Fund will have regard to all relevant legislation and guidance as it applies to the LGPS. This includes the following:

- Public Service Pensions Act 2013.
- LGPS Regulations and LGPS Statutory Guidance.
- Local Authorities (Functions and Responsibilities) (England) Regulations 2000.
- Fiduciary and public law duties relevant to the management of the LGPS (with particular reference to the Legal Opinions and Summaries section of the LGPS Scheme Advisory Board for England & Wales website).
- General Pensions Legislation and Regulations applicable to the LGPS including elements of the Pensions Acts (as amended) 1995, 2004, 2008 and Pensions Scheme Act 2021.
- MiFID II (Markets in Financial Instruments Directive) and Scheme Advisory Board for England and Wales guidance/process.
- The Pensions Regulator Code of Practice No 14.
- The CIPFA Code of Practice on LGPS Knowledge and Skills, 2021.
- The CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers, 2021.
- The CIPFA Local Pension Boards: A Technical Knowledge and Skills Framework, 2015.
- Any document recording policy about the Governance, Funding, Investment, Administration, or Communications of the London Borough of Barking and Dagenham Pension Fund which is for the time being adopted in relation to the scheme.
- The proposals in the Good Governance: Phase 3 Report to SAB (Hymans Robertson) and the SAB (Scheme Advisory Board for England & Wales) Action Plan to implement these of February 2021.

Competencies

Pension Committee Members (and Observers) and Senior Officers

CIPFA (Knowledge and Skills Framework 2021) has identified eight core technical areas where appropriate knowledge and skills should be achieved and maintained by Pension Committee Members (including Observers) and Officers. These are:

- pensions legislation and guidance
- pensions governance
- funding strategy and actuarial methods
- pensions administration and communications
- pensions financial strategy, management, accounting, reporting and audit standards
- investment strategy, asset allocation, pooling, performance, and risk management
- financial markets and products
- pension services procurement, contract management and relationship management.

The CIPFA Knowledge and Skills Framework 2021 includes separate detailed knowledge matrices for Pension Committee Members (and Observers) on pages 32 to 36 and Senior Officers on pages 37 to 44 which are based on the core areas of knowledge listed above. This Policy adopts the knowledge matrices as set out in the CIPFA 2021 Framework. For each subject matter within each core area the CIPFA Framework (page 36) sets out the levels of knowledge required (in ascending order of the level of knowledge required)

For Committee Members (and Observers):

- an awareness, ie recognition that the subject matter exists
- a general understanding, ie understanding the basics in relation to the subject matter
- a strong understanding, ie a good level of knowledge in relation to the subject matter (but not necessary at a detailed level).

For Senior Officers:

- a strong understanding, ie a good level of knowledge in relation to the subject matter (but not necessary at a detailed level)
- a detailed level of knowledge in relation to the subject matter
- an expert level of knowledge in relation to the subject matter

The CIPFA Knowledge and Skills Framework 2021 states (page 17) "*All members of a pension committee are expected to have appropriate knowledge and skills relating to their LGPS duties. However, it is considered appropriate to* *consider the knowledge and skills of a committee as a collective, ie ensuring that the collective degree of knowledge and understanding is appropriate for the purposes of enabling the committee as a whole to properly exercise their delegated responsibility on behalf of the administering authority. Accordingly, although desirable, it is not necessary for every member of the committee to be able to demonstrate individually that they meet all the expected knowledge and skills competencies…Administering authorities must be able to demonstrate and explain that the combined knowledge and understanding of the pension committee (or sub-committee), together with the advice available to the committee, enable them to properly exercise their delegated functions. The administering authority must maintain an effective plan for the ongoing maintenance and development of the committee's knowledge. They must also be able to demonstrate how competency will be maintained, including how they will identify and address skills gaps and seek to increase knowledge."*

Members of the Local Pensions Board

CIPFA (Local Pension Boards A Technical Knowledge and Skills Framework 2015) has identified eight core technical areas where appropriate knowledge and skills should be achieved and maintained by Local Pension Board Members. These are:

- Pensions Legislation
- Public Sector Pensions Governance
- Pensions Administration
- Pensions Accounting and Auditing Standards
- Financial Services Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Actuarial Methods, Standards and Practices

For each core area the CIPFA Local Pension Boards A Technical Knowledge and Skills Framework 2015 provides (pages 11 to 13) a framework which sets out subject areas to be covered and the level of understanding/knowledge/awareness required. This 2015 CIPFA Framework also includes (pages 21 to 23) details of Pension Board Members Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14. This Policy adopts pages 11 to 13 and 21 to 23 of the CIPFA Local Pension Boards A Technical Knowledge and Skills Framework 2015.

Delivery of Training

In delivering Training consideration will to various training resources and methods. This may include but are not restricted to:

- In house Training events at Council Offices or virtually

- Training as part of Committee or Board meetings or immediately before or after such meetings
- Regular updates to Committee and/or Board from Officers or advisors
- External courses, seminars, and conferences
- External online training including webinars
- Self directed training including the Hymans Robertson Online Learning Academy and the TPR Public Service Toolkit
- Reading material/documentation/information
- Qualifications, particularly those relevant to senior officers

To ensure that training includes sufficient specific focus on the Barking and Dagenham Pension Fund the Fund Officers will, as appropriate commission Training from the Independent Advisor, Investment Consultant, Fund Actuary, Investment Managers, other suppliers.

Induction Training will be offered to anyone joining the Pensions Committee, Local Pensions Board or becoming a senior officer. This will be in a format determined by the Investment Fund Manager. They will also be immediately provided with documentation that provides a basic understanding of the Fund and copies of or links to the Fund Strategies and Policies including the latest Annual Report & Accounts, and the latest Actuarial Valuation Report.

In addition, they must successfully complete (and provide evidence of this to Fund Officers) both all the modules of the Hymans Robertson LGPS Online Learning Academy and The Pensions Regulator (online) Public Service Toolkit. Both courses must be completed within 6 months of appointment.

An Annual Training Plan will be developed for each of the Committee and the Local Pension Board. Each will be presented at the first meeting of the Financial Year. The Plan will include reference to the Core Technical Areas identified in the relevant CIPFA Knowledge and Skills Framework. The Annual Training Plan will include key training sessions to be delivered internally (by Officers, Fund Advisors, or suppliers).

Monitoring and Review

The Fund will assess on an ongoing basis whether Committee Members, Board Members and Senior Officers have the required Knowledge and Skills to undertake their role. Therefore, the Fund will:

- Require Committee Members (including Observers), Pension Board Members and Senior Officers to undertake a self assessment against the competencies as set out in the CIPFA Framework 2021 or 2015, as appropriate. This will be required following appointment and then annually

- Prepare tailored Training Plans for Committee Members (including Observers), Pension Board Members and Senior Officers

- Record attendance and ensure appropriate action is taken where poor attendance or non completion of required learning is identified

- Make available a record of training attended by Committee Members, Pension Board Members and Senior Officers in the Fund Annual Report and Accounts

- Regularly communicate with Committee Members, Board Members and Senior Officers to encourage them to highlight training needs on a regular basis

The responsibility for informing the Fund of actual attendance at any training event and that their Training Record is accurate and up to date lies with the participant.

Reporting and Compliance

The Fund Annual Report and Accounts will include details of all training delivered/facilitated by the Fund to Committee Members, Pension Board Members and Senior Officers and details of actual attendance. Details of external training attended/completed will also be included provided the participant has informed the Investment Fund Manager in writing/by email.

There will be regular reports (at least two annually) to both the Pensions Committee and the Board on training undertaken by Committee Members, Board Member and Senior Officers; actual attendance levels; and planned future Fund provided/facilitated training.

In accordance with the CIPFA Code of Practice on LGPS Knowledge and Skills 2021, the London Borough of Barking and Dagenham has nominated an individual to be responsible for ensuring that this Policy is implemented. The nominated individual is the Investment Fund Manager.

In accordance with the CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers 2021, the Investment Fund Manager (nominated individual) will take action where anyone covered by this Policy is not adhering to the requirements of the policy - for example not completing a self assessment of training needs or satisfactorily participating in training. This action will include reporting noncompliance in the regular reports on Training to the Pensions Committee and the Board.

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PENSIONS COMMITTEE

16 March 2022

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

1. Introduction and Background

1.1 The purpose of this report is to update the Pension Committee on the progress of the Pension Fund's 2021/22 business plan.

1.2 Appendix 1 provides a summary of the Business Plan actions from 1 April 2021 to 16 March 2022.

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

2. Financial Implications

Implications completed by: Philip Gregory, Finance Director

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

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

3. Legal Implications

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

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

List of appendices:

Appendix 1 - Business Plan Update

Appendix 1

Business Plan Update

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

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

Month	**Action Scheduled**	**By**	**Actual Activity**

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

	• Hymans	Officers	Meeting held with Hymans on 21st
Oct 21	Fund Manager Meetings:		
	• Insight (Mellon Corp)	Officers	Meeting held with Insight on 5th
Nov 21	Advisor Meetings	Officer	Meeting held with Insight on 5th
Dec 21	Quarterly Pension Committee	All	Held on 14th
	Business Plan to be agreed in December Committee	Members	Held on 14th
	Member Training – ESG	All	Held on 14th
Jan 22	Fund Manager Meetings:		
	Equities: Kempen	Officers	Held on 13th
Feb 22	Quarterly Pension Committee	All	
	Business Plan to be agreed in December Committee	Members	Held on 10th
	Triennial Valuation Data Prep		
	• Infrastructure	Officers	Held on 10th
	• Credit: Insight	Officers	Held on 1st
Mar 22	Quarterly Pension Committee Meeting	All	Held on 16th
	• Bi-annual Pension Board	Officers	Held on 16th
	• Closure of Accounts	Officers	On-going
	• Pension Internal Audit	Officers	On-going

PENSIONS COMMITTEE

16 March 2022

Title: Pension Fund Annual Report 2020/21	
Report of the Chief Operating Officer	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	
Summary: This report presents the Pensions Committee with the draft Annual Report for the year ended 31 March 2021 and includes the draft 2020/21 Audited Pension Fund Accounts. The Annual Report is available on the Council's website at: https://www.lbbdpensionfund.org/resources/pension-fund-annual-report-2020-21/	
Recommendations The Committee is asked to consider and note the draft Pension Fund Annual Report for 2020/21.	

1. Introduction and Background

1.1 Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires each administering authority to prepare an annual report for the pension fund. The regulations prescribe that the following should be included in the annual report:

- a report on the management and financial performance of the fund during the year;
- an explanation of the investment policy;
- a report on the administrative arrangements for the fund;
- a statement from the actuary on the latest funding level;

- the current version of the governance compliance statement;
- the fund account and net asset statement with supporting notes and disclosures;
- the extent to which the fund has achieved its required performance levels set out in its pension administration strategy; and
- the current version of the funding strategy statement, investment strategy statement and communications policy and any other information the authority considers appropriate.

1.2 The Annual Report of the Pension Fund has been prepared and subjected to audit by BDO prior to being released for publication. Several additional disclosures are now required to assist with the production of the LGPS annual report. The additional reporting includes:

i. Fund Age Distribution as at 31 March 2021;
ii. Pension Fund Three Year Budget;
iii. An analysis of fund assets as at 31 March 2021;
iv. An analysis of investment income as at 31 March 2021; and
v. A separately reported Pension Board section.

1.3 The Committee is recommended to note the Pension Fund Annual Report for 2020/21.

2. Consultation

2.1 Council's Pension Fund governance arrangements involve continuous dialogue and consultation between finance staff and external advisers.

The S151 Officer and the Fund's Chair have been informed of the commentary in this report.

3. Financial Implications

Implications completed by: Philip Gregory, Chief Financial Officer

3.1 The Pension Fund is a statutory requirement to provide a defined benefit pension to scheme members. The Pensions Committee is responsible for agreeing and monitoring the investment strategy and formally reviewing the Fund's governance and administration of the Fund. This paper forms part of the strategy and governance reviewing process.

4. Legal Implications

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

4.1 As observed in the main body of the report Regulation 57 of the Local Government Pension Scheme Regulations 2013 requires each administering authority to prepare an annual report for the pension fund. This report serves that purpose.

5. Other Implications

5.1 There are no other immediate implications arising from this report.

Public Background Papers Used in the Preparation of the Report:

The Local Government Pension Scheme Regulations 2013 (as Amended)

List of appendices:

None

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PENSIONS COMMITTEE

16 March 2022

Title: Application for Admitted Body Status – Aspens-Services Limited (3) and Medequip	
Report of the Managing Director	
Open Report	**For Decision**
Wards Affected: None	
Report Author: David Dickinson, Investment Fund Manager	
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Claire Symonds, Acting Chief Executive	
Summary: To consider the application for Admitted Body status from Aspens-Services Limited (Aspens) and Medequip to the Local Government Scheme (LGPS).	
The Committee is asked to agree: • the application for Admitted Body Status by ASPENS, as a 'closed' agreement.; and • the application for Admitted Body Status by Medequip, as a 'closed' agreement.	

1 Introduction and Background

1.1 At present, the Pension Fund has a number of Admitted Bodies, some of which have been members of the London Borough of Baking and Dagenham Pension Fund ("the Fund") for a number of years.

1.2 As Administering Authority, the Council cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the Local Government Pension Scheme (LGPS) regulations. In cases where the requirement of the LGPS regulations have been met, the Pension Committee can agree to retrospectively agree an admission agreement.

2 Aspens-Services Limited Admission Agreement

2.1 BDTP, an admitted body and a subsidiary of the Council, has awarded a contract to ASPENS. ASPENS is already an admitted body in the Fund and has two other contracts and therefore this would be the third admissions agreement.

2.2 BDTP appointed Aspens on a 3-year contract, with options to extend the contract by a further 2 years. The previous catering contractor was the London Borough of Barking and Dagenham. The start date of the transfer was 1 August 2021.

2.3 ASPENS will be a Transferee Admission Bodies (TAB) within the LGPS. These are typically private sector companies or charities. They take on staff from a scheduled body as a result of an outsourcing of services and the transferring employees had a right to remain in the LGPS or a “broadly equivalent” scheme.

2.4 Aspens will be responsible for the risks, including investment risk, bond yield risk, inflation risk, pay award risk, longevity and regulatory risk. BDTP have agreed to act guarantor for Aspens, which is allowed by the LGPS regulations. This means that were Aspens to fail to pay any sum due to the Administering Authority, BDTP shall be liable for any shortfall in contribution and any funding shortfall.

2.5 The transfer of the staff from the Council to BDTP and then to Aspens was completed on a fully funded basis, with the pension deficit remaining with the Council. The contribution rate calculated by the actuary for Aspens is still to be confirmed but will be included in the Admissions Agreement.

2.6 This Admission Agreement is a ‘closed’ agreement covering those employees currently working on the contract and will not include new staff. A total of 3 employees will be TUPE transfer to Aspens. Of the 3 staff, 2 are currently members of the Fund.

3. Medequip

3.1 The Council has awarded a contract to Medequip as an Innovation Partner for the management and delivery of an all-age Care Technology solution to the residents of Barking and Dagenham.

3.2 The Council appointed Medequip with the start date of the transfer planned to be 1 April 2022.

3.3 MEDEQUIP will be a Transferee Admission Bodies (TAB) within the LGPS. These are typically private sector companies or charities. They take on staff from a scheduled body as a result of an outsourcing of services and the transferring employees had a right to remain in the LGPS or a “broadly equivalent” scheme.

3.4 The Council has agreed to indemnify and to fund any costs incurred by the Fund. Medequip will have a fixed employer contribution of 3%, with the additional contribution funded by the Council. The Council will be responsible for the risks, including investment risk, bond yield risk, inflation risk, pay award risk, longevity and regulatory risk. The Council will act as a guarantor for Medequip, which is allowed by the LGPS regulations.

This means that were Medequip to fail to pay any sum due to the Administering Authority, The Council shall be liable for any shortfall in contribution and any funding shortfall.

3.5 The transfer of the staff from the Council to Medequip was completed on a fully funded basis, with the pension deficit remaining with the Council. The contribution rate calculated by the actuary for Medequip is 23.7%. The date of admission is 1 April 2022 and our calculations are based on market conditions as at 25 February 2022. Therefore the Council will contribute 20.7% and Medequip 3%. This arrangement is unusual but has been agreed by the Council and will reduce the risk exposure for the Fund as the Council has a much less risky employer than even a large private sector employer.

3.6 This Admission Agreement is a ‘closed’ agreement covering those employees currently working on the contract and will not include new staff. A total of 1 employees will be TUPE transfer to Medequip. All staff currently members of the Fund.

4. Financial Implications

Implications completed by: Philip Gregory, Finance Director

4.1 It is now usual when considering requests for Admitted Body status to consider the financial risks that can fall upon the fund should the Admitted Body fall into financial difficulties. In order to mitigate these risks a form of financial guarantee or an indemnity bond is required.

5. Legal Implications

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

5.1 As outlined in the report, there is the potential for the fund to carry a risk if the organisation which seeks admission defaults in its obligation. As a result, additional measures need to be taken in the form of an agreement back by a guarantor or a bond to cover possible losses if the organisation cannot meet its liabilities so as to ensure that the admission of the body does not present additional risks to the fund.

5.2 In the matter of Aspens Services Limited, Barking and Dagenham Trading Partnership are to be guarantor, and in the matter of Medequip the Council will act as a guarantor for these arrangements are allowed by the LGPS regulations.

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