Barking & Dagenham

Notice of Meeting

PENSIONS COMMITTEE

Wednesday, 15 June 2022 - 7:00pm
Council Chamber, Town Hall, Barking

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

Independent Advisor: John Raisin

Observers: Dean Curtis, Steve Davies and Susan Parkin

Date of publication: 7 June 2022

Fiona Taylor
Interim Chief Executive

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

AGENDA

1. Apologies for Absence

2. Declaration of Members' Interests

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

3. Minutes - To confirm as correct the minutes of the meeting held on 16 March 2022 (Pages 3 - 6)

4. Pensions Committee Training

This initial training forms part of the Member Induction programme and aims to introduce newly and reappointed Members to the role and function of the Pensions Committee and will include an introduction to the Local Government Pension Scheme (LGPS) by way of a presentation led by the Council's Investment Fund Manager and Independent Advisor to the Committee.

5. Pension Fund Quarterly Monitoring 2021/22 - 1 January to 31 March 2022 (Pages 7 - 36)

6. Administration and Governance (Pages 37 - 60)

7. Business Plan Update 2021 to 2023 (Pages 61 - 62)

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

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

Private Business

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

10. 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
INFORMAL PENSIONS COMMITTEE

Wednesday, 16 March 2022
(7:00 - 8:45 pm)

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

Observers Present: Susan Parkin

Advisors Present: John Raisin and Nicholas Jellema

Apologies: Cllr Amardeep Singh Jamu, Cllr Dave Miles, Cllr Tony Ramsay, Dean Curtis and Steve Davies

24. Declaration of Members' Interests

There were no declarations of interest.

25. Minutes (14 December 2021)

The minutes of the informal meeting held on 14 December 2021 were noted.

26. Independent Advisor Contract Renewal

The Investment Fund Manager introduced a report on the proposed renewal of the contract for the Council's Pension Fund's Independent Advisor (IA), which included a review of the current IA's work during the past year.

The Committee **recommended** extending the appointment of John Raisin Financial Services Limited as the IA for the Council's Pension Fund for a further one-year period based on the job description included as Appendix 1 to the report.

Given that John Raisin had been the Committee's IA for a number of years, it was noted that the Investment Fund Manager would carry out an in-depth review of the market prior to the Committee reconsidering the appointment of the IA next year.

(**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.)

27. Pension Fund Quarterly Monitoring - October to December 2021

A 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 4th quarter (1 October to 31 December 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 14 March 2022 which also reflected on the potential impact on the markets of the war in Ukraine .

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;

(iii) The purchase of £769k of BlackRock units at 31 December 2021; and

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

28. 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 (1 April 2021 - 31 March 2024) as well as updates on the London Collective Investment Vehicle (LCIV) as the Fund moves towards more pooled investments. The Fund's positive cash flow position was noted, as was the submission on 5 January 2022 of the Compliance Statement to the Competitions and Markets Authority.

The Committee also received an update since the last meeting from the Independent Advisor (IA) on a number of developments relating to the LGPS covering:

1. The creation of the Department for Levelling Up, Housing and Communities and the appointment of a new Minister responsible for the Scheme
2. Levelling Up White Paper and the LGPS in England and Wales
3. LGPS consultations and responses
4. Cost Control mechanism, and
5. Review of 2019 Actuarial Valuations - Section 13 report by the Government Actuary Department (GAD)

In respect to the latter, the IA outlined the decision by GAD to issue an amber flag warning in respect of the Barking & Dagenham Fund's Deficit Recovery Plan, specifically the decision to reduce employer contribution rates from the 2016 to 2019 valuation by an average of 1.5%, from 25% to 23.5%, which was taken to support the Council's budget position at that time.

The Investment Fund Manager explained the background and provided the context behind this decision in so far that the reduction coincided with the setting up and transfer of Council staff into a number of Council owned subsidiary companies each of whom were making significant contributions to the Fund to the extent that it effectively offset the 1.5% reduction.

In noting the report, the Committee **recommended** that in order to allow the Fund to meet capital calls for infrastructure and fund Diversified Alternatives without the need for the Fund to sell any assets to fund the investments, a prepayment of pension contributions totalling £20m be made on 1 April 2022 in order to reduce the overdrawn cash position in 2022/23. This action mirrored a similar prepayment made last year.

(**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.

29. Training Policy

By Minute 23 (14 December 2021), 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, all of which would apply to Pensions Committee Members, Board Members and Fund officers. It was noted at that time that the Committee's Independent Advisor (IA) would, in consultation with Fund officers, prepare a Training Policy applicable for Members.

The IA presented the Policy, the format of which took account of the guidance in the 2021 CIPFA Knowledge and Skills Framework. He stated the Training Policy aims and objectives which would be delivered having regard to all the relevant legislation and guidance as it applied to the LGPS.

The IA detailed the competencies that would apply to the Committee Members, observers and senior Fund officers set down in the identified eight core technical areas, where appropriate knowledge and skills would need to be achieved and maintained on a regular basis. To measure this, the Policy had adopted knowledge matrices as set out in the CIPFA 2021 Framework which, when applied, would demonstrate that Members had an appropriate knowledge and skills relating to their LGPS duties and responsibilities.

The report detailed the training resources and delivery methods, including in-house training formed of various modules as part of the programmed meetings, regular updates to meetings and internal and external courses.

An Annual Training Plan would be developed for each Member of the Committee and Board. Regular monitoring would take place to ensure that Committee and Board Members and senior Fund officers had the required knowledge and skills to undertake their roles. To establish a baseline, an annual self-assessment against the competencies for each would be undertaken.

The reporting and compliance process was outlined which included the Fund Annual Report and Accounts detailing the training delivered and regular reports presented to both the Committee and Board on attendance levels and planned future training. In accordance with the Code, an individual must be named to be responsible for ensuring the Policy is implemented. For Barking and Dagenham, the nominated person will be the Investment Fund Manager.

The Committee **endorsed** the Training Policy as set out at Appendix 1 to the report, to be applicable to Committee Members, Observers, Local Board Members and senior Fund Officers, and noted that the Investment Fund Manager would be responsible for the implementation of the CIPFA Code of Practice on LGPS Knowledge & Skills 2021 and the Training Policy.

30. 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.

31. Pension Fund Annual Report 2020/21

The Committee **noted** the draft Pension Fund Annual Report for the year ended 31 March 2021, which included the draft 2020/21 Pension Fund Accounts.

32. Admitted Body Status

The Committee received a report from the Independent Fund Manager on applications from Aspens-Services Ltd (Aspens) and Medequip for Admitted Body status to the Council's Pension Fund.

It was **recommended** that both applications be approved as 'closed' agreements.

(**Note**: The 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.)

33. Strategy Update - BGGA Paris Aligned Strategy Paper

The Investment Fund Manager reported on the progress that had been made following the Strategy Review by Hymans in September and December 2020.

The Investment Fund Manager advised that further increases in the allocation to BlackRock had been completed totalling £1.269m, bringing the value of the BlackRock portfolio to £57.4m as at the end of February 2022. Arising from training sessions on Environmental, Social & Governance (ESG) and Alternative Assets investment matters, Members had indicated a desire for further integration of responsible investment and climate risk factors into the Fund's Investment Strategy. Stemming from that, Hymans Robertson's had carried out a high-level review and its report, set out at Appendix 1 to the report, assessed the benefits of the Fund transferring all of its existing Baillie Gifford equity holdings from the standard Global Alpha to the Paris-Aligned Fund, the strategy for which could be accessed through the London CIV. Hymans advised that the Paris-Aligned Fund focussed on companies that collectively had a lower carbon footprint, in keeping with Members' aims, and would be relatively cost effective to implement.

The Investment Fund Manager also advised on progress for the Alternative Asset Review together with a summary of the next steps of the Strategy Review over the course of the year, more detail on which would be presented to the Committee in June 2022.

Taking into account the advice received, it was **recommended** that officers liaise with the London CIV to arrange the efficient transfer of the Fund's current allocation from the Baillie Gifford Global Alpha Fund to the Paris Aligned Fund.

(**Note**: The 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.)

PENSIONS COMMITTEE

15 June 2022

Title: Pension Fund Quarterly Monitoring 2021/22 – 1 January to 31 March 2022	
Report of the Chief Financial Officer	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Interim Chief Executive	

Summary

This report provides information for employers, members of London Borough of Barking and Dagenham Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 January to 31 March 2022.

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

Recommendation(s)

The Pension Committee is recommended to note:

(i) the progress on the strategy development within the Fund;

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

(iii) the quarterly performance of the fund collectively and the performance of the fund managers individually.

Reason(s)

1. Introduction and Background

1.1 This report provides information for employers, members of the LBBD Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 January to 31 March 2022 ("Q1"). The report updates the Committee on the Fund's investment strategy and performance. Appendix 2 provides a definition of terms used in this report. Appendix 3 sets out roles and responsibilities of the parties referred to in this report. A verbal update on the unaudited performance of the Fund for the period to 14 March 2022 will be provided to Members at the Pension Committee.

2. Market Background (Q1 2022)

World Equity and Bond markets both declined during the January to March 2022 Quarter. World Equity markets, as measured by the MSCI World Index, declined by over 5% (in $ terms). Although markets were adversely affected by the threat of and then the appalling invasion of Ukraine by Russia this was not the primary reason for market declines, although it was likely a prime factor contributing to market volatility. Rather the primarily reasons for decline were ongoing concerns regarding high inflation together with the likely/actual tightening of monetary policy by the major central banks. In China and Asia generally economic activity and equity prices were also clearly adversely affected by levels of Covid-19 cases and in China in particular government-imposed lockdowns. Bond markets also weakened during the Quarter in the context of inflation/ongoing inflation concerns and central bank statements and announcements.

World Equity markets suffered a poor January with the MSCI World Index falling by over 5% (in $ terms). This was in the context of increasing worldwide market concerns regarding likely interest rate rises and less than positive news from some major US corporates. World markets fell another 2.5% in February in the context of the increasing Ukraine crisis and actual Russian invasion on 24 February adversely affecting markets and in particular Europe. March saw something of a bounce back with the MSCI World index increasing by 2.8% in March thus recovering its February loss.

January was a poor month for US markets with the S&P index closing down over 5% at 4,516 on 31 January 2022 compared to 4,766 on 31 December 2021. This was in the context of market concerns regarding inflation and likely interest rate rises (which were heightened by the contents of the Minutes of the December 2021 Federal Open Markets Committee released on 5 January 2022 and comments by Federal Reserve Chair Jay Powell to the Senate Committee on Banking, Housing and Urban Affairs on 11 January 2022), and increasing questions over the prospects for US growth stocks as exemplified by statements from Netflix and Peloton. February saw a further fall in the S&P 500 to 4,374 on 28 February before a rally in the second half of March saw the index close at 4,530 on 31 March 2022 a fall of 5% over the Quarter. Information Technology and other growth orientated stocks had a poor Quarter as higher interest rate expectations compressed valuations.

The January 2022 meeting of the US Federal Reserve's Federal Open Markets Committee (FOMC) did not raise interest rates but clearly signalled a forthcoming increase with the Press Release issued after the meeting including the statement *"With inflation well above 2 percent and a strong labor market, the Committee expects it will soon be appropriate to raise the target range for the federal funds rate."* On 16 March 2022, the FOMC increased its benchmark interest rate, the Federal Funds Rate by

0.25%, the first increase since 2018. The accompanying press release stated *"…the Committee decided to raise the target range for the federal funds rate to ¼ to ½ percent and anticipates that ongoing increases in the target range will be appropriate…"*

The Summary of Economic Projections issued after the March 2022 FOMC meeting indicated a dramatic increase in expectations regarding further interest rate rises. The projections issued after the December 2021 meeting indicated that Federal Reserve Officials expected three interest rate rises in 2022. The projections released after the March 2022 meeting indicated expectations of six increases in 2022 in addition to the one agreed at the meeting. Inflation expectations were significantly increased with the median projection for Core CPE inflation (the Federal Reserves preferred inflation measure) in 2022 at 4.1% compared to 2.7% in the December projection.

Actual US inflation remained significantly above the Federal Reserve policy target of 2%. The Core CPE index (the Federal Reserves' favoured index) was 5.2% in March 2022 compared to 4.9% in December 2021. US unemployment fell further to 3.8% in February 2022 and 3.6% in March 2022 compared to 3.9% in December 2021 thereby returning to the levels of the year before the outbreak of COVID-19 in March 2022.

The US economy contracted in the first Quarter of 2022. The US Bureau of Economic Analysis *"Advance Estimate"* issued on 28 April 2022 stated that GDP *"decreased at an annual rate of 1.4 percent in the first quarter of 2022, following an increase of 6.9 percent in the fourth quarter of 2021."* This equates to a decline of approximately 0.3% during the January to March 2022 Quarter. The poor GDP figures were however primarily the result of a growing trade deficit and indeed US business investment increased significantly during the Quarter. The University of Michigan survey of consumers saw consumer sentiment fall to the lowest levels in a decade with the March 2022 survey stating *"Inflation has been the primary cause of rising pessimism…"*

Eurozone Equities had a poor quarter in both real and absolute terms. The MSCI EMU index declined by 11.1% (in $ terms) compared to the decline of 5.2% (in $ terms) of the MSCI World index. The MSCI EMU index declined by 9.2% in Euro terms. In addition to the adverse effects of concerns regarding inflation and interest rates European markets were unsurprisingly particularly affected by the increasing hostility of Russia to Ukraine and ultimately the Russian invasion. The Press Release issued after the March 2022 meeting of the European Central Bank Governing Council included the statement "*The Russian invasion of Ukraine is a watershed for Europe."* In February European markets sold off significantly more than World markets and recovered less in March. The only sector of the equity market to record positive performance was Energy.

The February 2022 policy meeting of the ECB left monetary policy unchanged from the December meeting. However, comments (in the context of increasing inflation) by Christine Lagarde the ECB President at her press conference following the meeting increased market expectations that the ECB would more quickly end its asset purchases and indeed increase interest rates during 2022. The March meeting of the ECB Governing Council while again leaving interest rates unchanged resulted in an acceleration of the pace of withdrawal of its asset purchase programme. Interestingly and specifically in the context of the uncertain environment following the "*Russian invasion of Ukraine"* the ECB the press release issued after the March 2022 meeting included the statement that *"The Governing Council will take whatever action is needed to fulfil the ECB's mandate to pursue price stability and to safeguard financial stability."*

Eurozone inflation remained clearly above the ECB target of 2% and rose significantly further above target during the Quarter. The Harmonised Index of Consumer Prices (HICP) as reported by Eurostat which had been 3.4% in September 2021 and 5.0% in December 2021 was 5.9% in February 2022 and 7.4% in March 2022. Perhaps, unsurprisingly, the largest contributor to the rate of inflation in March 2022 was increasing energy costs. In contrast HICP inflation had been only 1.3% in March 2021.

Eurozone economic growth was only 0.3% during the first Quarter of 2022 according to the *"flash estimates"* issued by Eurostat on 17 May 2022. The first Quarter of 2021 had seen Eura area GDP grow by 2.2%.

In contrast to other major equity markets the UK as defined by the FTSE All Share index ended the Quarter almost exactly where it began. This was driven by the FTSE 100 index of the largest companies listed in the UK. These have a global focus and a significant weighting to energy, utilities, mining, and large banks which prospered (to a greater or lesser extent) in the context of rising inflation, interest rate expectations, pressures in the energy market, and the Ukraine conflict. The FTSE 100 advanced by around 2% during the Quarter. In contrast the FTSE 250 index whose constituent companies are more focussed on the UK domestic economy declined by over 9%.

At its February 2022 meeting the Monetary Policy Committee (MPC) of the Bank of England increased Base Rate from 0.25% to 0.5% in the context of concerns regarding inflation (which the Committee noted was 5.4% in December and which it expected to increase further) and low unemployment. The Monetary Policy Summary issued after the meeting included the statement "*Given the current tightness of the labour market and continuing signs of greater persistence in domestic cost and price pressures, the Committee judges that an increase in Bank Rate of 0.25 percentage points is warranted at this meeting."* In a further move to increase borrowing costs the MPC also announced that it would *"cease to reinvest any future maturities falling due from its stock of UK government bond purchases."* This refers to not reinvesting any of the government bonds it had previously purchased under its quantitative easing programme when these mature. This decision was in accordance with the MPC decision of August 2021 *"to reduce the stock of purchased assets when Bank Rate has reached 0.5%, if appropriate given the economic circumstances"* (Minutes of the MPC, August 2021). The March 2022 meeting of the MPC saw a further 0.25% increase in Bank Rate from 0.5% to 0.75%. The Summary issued after the meeting included the statement *"Developments since the February Report are likely to accentuate both the peak in inflation and the adverse impact on activity by intensifying the squeeze on household incomes."*

The UK unemployment rate continued to fall, as reported by the Office for National Statistics (ONS), from 4.1 % in the October to December Quarter to 3.7% in the January to March 2022 Quarter. Inflation, however, rose further above the Bank of England policy target of 2%. CPI inflation which had been 5.4% in December 2021 was 7.0% in March 2022 and expected to rise further with the Bank of England Monetary Policy summary of March 2022 including the statement *"Inflation is expected to increase further in coming months."* GDP (as reported by the ONS on 12 May 2022) *"grew by 0.8% in the three months to March 2022."* However, this was as a result of January activity with February seeing no growth and March a fall of 0.1%. This combination of high inflation and low growth if continued would represent the reemergence of “stagflation” (stagnant or low economic growth alongside high levels of inflation).

Japanese equities (as measured by the Nikkei 225 index) declined by approximately 3.5% over the Quarter. As in the final Quarter of 2021 Japan saw low inflation rather than deflation. CPI inflation which was 0.9% in February 2022 and 1.2% in March remained, however, clearly below the Bank of Japan’s 2% target. Therefore, it is no surprise that both the January and March 2022 Monetary Policy meetings of the Bank of Japan resulted in a continued commitment to its asset purchase (quantitative easing) programme as well as a continuation of its negative interest rate policy. This is in clear contrast to the approaches now been (understandably) followed by the Federal Reserve and Bank of England.

As in the three previous Quarters Asia and Emerging Markets, overall performed less well than developed western markets. The MSCI AC Asia (excluding Japan) index fell by 8% (in $ terms) and the MSCI Emerging Markets index by 7% (in $ terms) on a total returns net basis. Asian and EM markets in general were adversely affected by expectations of significant tightening of US monetary policy. Rising US interest rates tends to both lead to increased costs of financing in Asian/Emerging markets and investors removing money from these markets. The Russian Ukrainian conflict affected Asian/Emerging markets in particular. The majority (Asia, European developing, Africa) were adversely affected by resulting higher commodity prices and consequent concerns for inflation and economic growth. In contrast, however Latin American (Emerging Market) equities had a bumper Quarter given the role of South America (for example Brazil, Chile, and Peru) as a major commodity exporting region. Chinese equities again performed poorly with the imposition of COVID-19 lockdowns in several cities acting as a detractor.

Benchmark Government bonds, unsurprisingly, experienced a poor Quarter with yields rising sharply (and prices therefore falling). This was in the context of increasing market concerns regarding inflation and additional anticipated increases in interest rates by Central Banks. The appeal of benchmark government bonds as a “safe haven” was doubtlessly heightened by the Russia/Ukraine situation but this was (far) more than offset by concerns regarding inflation and the direction of major Central Bank policy. The 10 Year Treasury yield increased from 1.51% to 2.34%. The 10 Year Gilt yield rose from 0.97% to 1.61% while the 10 Year German Bund which had been -0.18% at the end of December turned positive, on 19 January 2022, for the first time since 2019 and ended the Quarter at 0.55%. The more policy sensitive 2-year yields also saw significant increases particularly in the case of the 2 Year Treasury which increased from 0.73% to 2.33% over the Quarter. Corporate bonds also suffered and, indeed, overall underperformed benchmark Government bonds.

3. Overall Fund Performance

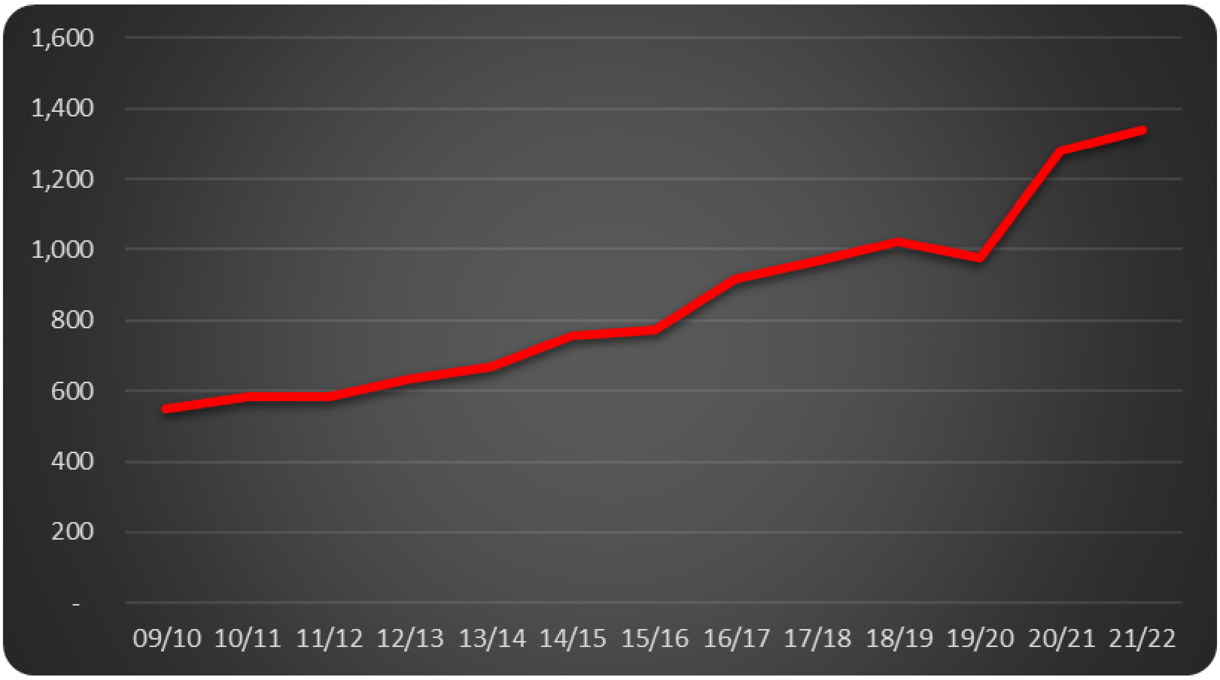
3.1 The Fund's closed Q1 valued at £1,384.7m, an decrease of £39.6m from its value of £1,424.4m at 31 December 2021. Cash held by the Fund was £66.7k, giving a total Fund value of £1,384.8m. The gross value includes a prepayment of £20.0m and a short-term loan of £24.2m from the Council. Adjusting for this reduces the Q1 value to £1,340.7m, a decrease of £41.2m from the 31 December figure of £1,381.8m, which is a similar value to the as at 30 September 2021 position.

3.2 For Q1 the Fund returned -2.8%, net of fees, underperforming its benchmark of -0.6% by -2.2%. Over one year the Fund underperformed its benchmark by 5.66%, returning 5.08% and underperformed the benchmark by 1.28% over three years, returning 8.79%. The Fund has also underperformed its benchmark over five years by 1.24%, returning 8.8%. Compared to the LGPS universe of Funds, represented below by the PIRC Universe, the Fund has underperformed by 3.1% over one year but outperformed over two years by 1.1%. The Fund's returns are below:

Table 1: Fund's Quarterly and Yearly Returns

Year	2022	2021				2020			One	Two	Three	Five	Ten
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Yr	Yrs	Yrs	Yrs	Yrs
Actual Return	(2.8)	2.6	1.1	4.2	3.6	8.0	2.8	12.3	5.1	15.9	8.8	7.4	8.3
Benchmark	(0.6)	4.8	1.7	4.6	2.5	5.1	2.5	9.6	10.5	15.1	10.1	8.6	9.2
Difference	(2.2)	(2.2)	(0.6)	(0.4)	1.1	2.9	0.3	2.7	(5.4)	0.8	(1.3)	(1.2)	(0.9)
PIRC	(3.2)	4.4	1.4	5.6	2.4	5.8	1.8	11.3	8.2	14.8			
Difference	0.4	(1.8)	(0.3)	(1.4)	1.2	2.2	1.0	1.0	(3.1)	1.1			

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



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

	RED- Fund underperformed by more than 3% against the benchmark
∆	**A**MBER- Fund underperformed by less than 3% against the benchmark
O	**G**REEN- Fund is achieving the benchmark return or better

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

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

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	3.7	1.6	2.1	O
Baillie Gifford	(12.4)	(2.5)	(9.9)	
BlackRock	6.8	5.6	1.2	O
Hermes GPE	10.5	1.5	9.0	O
Kempen	0.1	(2.4)	2.5	O
Newton	(4.4)	0.8	(5.2)	
Pyrford	1.5	3.1	(1.6)	∆
Insight	(2.6)	1.0	(3.6)	
UBS Bonds	(7.2)	(7.2)	0.0	O
UBS Equities	(4.0)	(4.0)	0.0	O

Table 2 highlights the Q1 2022 returns with a split of mainly green and reds, indicating a wide variety of returns. There were good positive returns from Hermes, Abrdnn and BlackRock and small positive returns from Kempen and Pyrford, which helped the fund during a difficult quarter. Baillie Gifford continued to significantly underperform its benchmark as returns from growth stocks plummeted. Newton's performance was disappointing as it should provide protection in these market conditions. Passive equities and bonds both provided large losses for the quarter.

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

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	14.5	4.6	10.0	O
Baillie Gifford	(5.8)	12.6	(18.4)	
BlackRock	20.7	21.4	(0.7)	∆
Hermes GPE	10.7	5.7	4.9	O
Kempen	8.9	14.9	(6.1)	O
Newton	1.6	3.8	(2.2)	O
Pyrford	4.2	13.3	(9.1)	
Insight	(3.1)	4.0	(7.1)	
UBS Bonds	(4.9)	(4.9)	0.0	O
UBS Equities	11.9	11.9	0.0	O

Over one-year there are even greater variations between managers, with Baillie Gifford providing a negative return of 5.8% but underperforming its benchmark by a massive 18.4%, while BlackRock, Abrdn, Hermes and passive equities provided double digit positive returns.

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

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	17.4	4.4	12.9	O
Baillie Gifford	21.5	24.1	(2.6)	Δ
BlackRock	11.4	12.0	(0.5)	Δ
Hermes GPE	5.4	5.8	(0.4)	Δ
Kempen	24.0	24.8	(0.8)	Δ
Newton	9.9	3.9	5.9	O
Pyrford	6.4	9.8	(3.4)	
Insight	2.6	4.2	(1.6)	Δ
UBS Bonds	(5.1)	(5.1)	0.0	O
UBS Equities	26.6	26.6	0.0	O

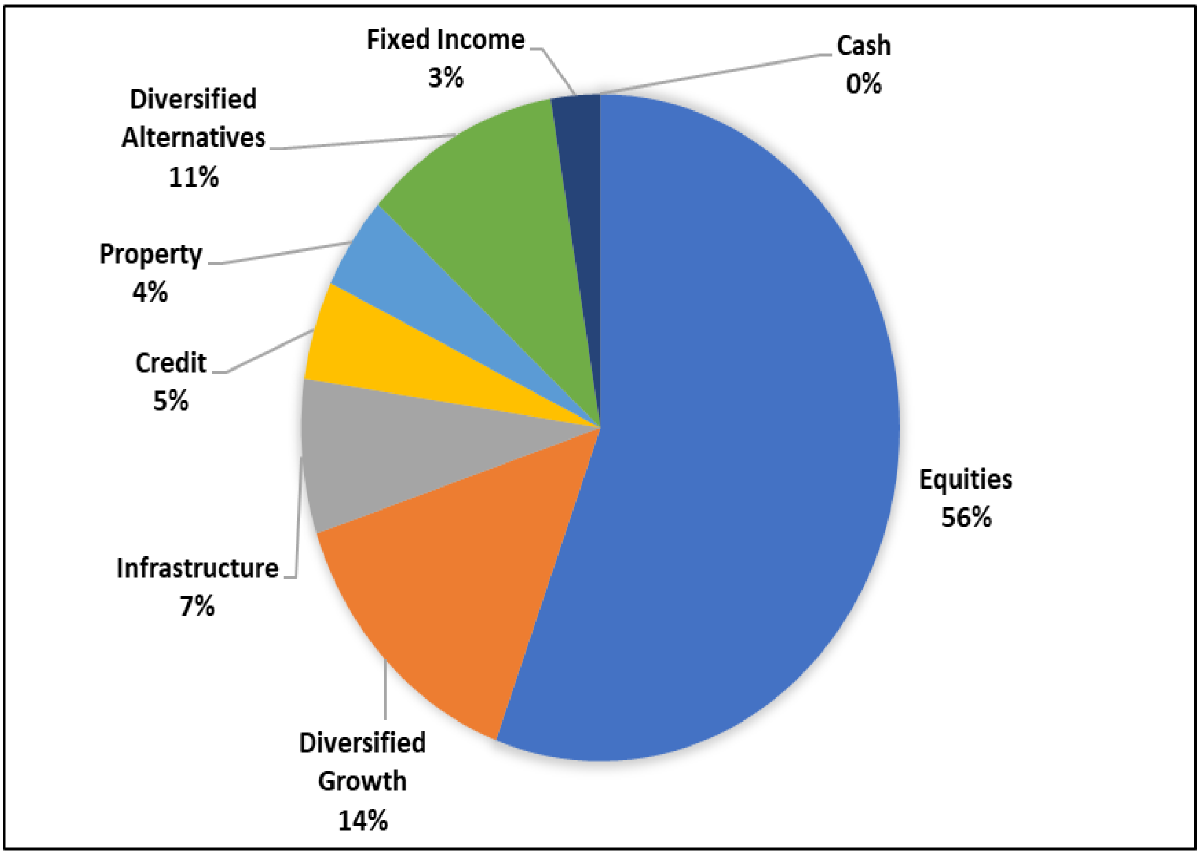
Over two years, (table 4), all mandates apart from passive bonds, are positive. Returns ranged from (5.1%) for UBS bonds to 26.6% for Passive Equities. Pyrford continue to struggle, underperforming its benchmarks but providing positive actual returns overall. Given the very poor performance of Baillie Gifford, Pyrford and Insight over one year, the two-year figures looks much better. Abrdn continue to performance well as a result of good returns from Private Equity and Newton have provided strong outperformance.

4. **Asset Allocations and Benchmark:** Table 5 outlines the Fund's asset allocation, asset value & benchmark at 31 March 2022.

4.1 **Table 5: Fund Asset Allocation and Benchmarks at 31 March 2022**

Fund Manager	Asset (%)	Market Values (£Ms)	Benchmark
Abrdn	10.7%	147.68	3 Mth LIBOR + 4% per annum
Baillie Gifford	21.1%	291.69	MSCI AC World Index
BlackRock	4.3%	59.68	AREF/ IPD All Balanced
Hermes GPE	7.5%	103.75	Target yield 5.9% per annum
Kempen	14.8%	204.31	MSCI World NDR Index
Newton	5.9%	81.94	One-month LIBOR +4% per annum
Pyrford	8.3%	114.40	UK RPI +5% per annum
Schroders	0.2%	3.13	AREF/ IPD All Balanced
Insight	4.8%	66.23	3 Mth LIBOR + 4% per annum
UBS Bonds	2.7%	36.81	FTSE UK Gilts All Stocks
UBS Equities	19.9%	274.91	FTSE AW Develop. (part hedged)
LCIV	0.0%	0.15	None
RREEF		0.05	
Cash	0.0%	0.07	One-month LIBOR
Fund Value	**100.0%**	**1,384.80**	
ST Loan		-24.15	
Prepayment		-20.00	
Net Fund Value		**1,340.65**	

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



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

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	55.7%	52%	3.7%	*50-60*
Diversified Growth	14.2%	16%	-1.8%	*14-18*
Infrastructure	7.5%	8%	-0.5%	*7-11*
Credit	4.8%	8%	-3.2%	*6-10*
Property	4.5%	5%	-0.5%	*4-7*
Diversified Alternatives	10.7%	9%	1.7%	*7-10*
Fixed Income	2.7%	4%	-1.3%	*3-5*
Cash	0.0%	0%	0.0%	*0-1*
Total Fund	100.0%	100.0%		

5. Fund Manager Performance

5.1 Kempen

Kempen	2022	2021				2020			One Year	Two Years	Since Start 6/2/13
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£204.31	%	%	%	%	%	%	%	%	%	%	%
Actual Return	0.1	2.9	3.0	2.9	10.2	15.3	(3.2)	16.9	8.9	24.0	8.5
Benchmark	(2.4)	7.3	2.5	7.6	4.0	7.8	3.2	19.8	14.9	24.8	13.2
Difference	2.5	-4.4	0.5	(4.7)	6.2	7.5	(6.4)	(2.9)	(6.1)	(0.8)	(4.7)

Reason for appointment

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

Performance Review

The strategy outperformed its benchmark by 2.5% for Q1 but has underperformed over one-year by 6.1%. Kempen provided an annual return of 24.0% over two years which was 0.8% below the benchmark. It has also underperformed its benchmark since inception by 4.7% but providing an annualised return of 8.5%.

Strategy Update

The strategy benefited from the strong performance of the dividend investment style but lagged the style benchmark due to some Russian exposure, an overweight to consumer cyclicals and stock selection within energy and financials.

When inflation is persistently higher than current market expectations, active management based on attractive valuation, cash generation and solid balance sheets should benefit the strategy. Kempen continue to engage with underlying companies from an ESG perspective and continue to improve the portfolio's carbon footprint in line with its 2030 target.

Top contributors to performance included Shell Plc, Equinor ASA and Kinder Morgan Inc, which all benefited from the increase in energy prices and the disruption over energy supplies from Russia.

Three stocks were directly impacted by suspension in Russia, including Lukoil, PhosAgro and Sevestal, with all three being valued at effectively zero. These positions were reported as part of the Q4 2021 performance report to Pensions Committee.

The strategy has a dividend yield of 4.4% compared to 2.0%for MSCI world. It is currently invested in 70 companies, including 22 industries and 20 different countries.

5.2 Baillie Gifford

Baillie Gifford	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	6/2/13
£291.69	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(12.4)	0.1	(0.6)	7.1	2.2	11.1	7.6	27.9	(5.8)	21.5	14.2
Benchmark	(2.5)	6.3	1.5	7.4	3.7	8.6	3.5	19.8	12.6	24.1	12.8
Difference	(9.9)	(6.2)	(2.0)	(0.3)	(1.5)	2.6	4.1	8.1	(18.4)	(2.6)	1.4

Reason for appointment

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

Performance Review

For Q1 BG returned -12.4%, underperforming its benchmark by 9.9%. BG's one-year return was -5.8%, underperforming its benchmark by 18.4%. Since initial funding, the strategy has returned 14.2% p.a. outperforming its benchmark by 1.4%.

Positioning

As at end of March 2022, the Sub-fund maintained a significant regional allocation to North American equities at c. 58.3% followed by an exposure of 19.3% to European equities. At the sector level, the largest exposure was to consumer discretionary with 18.7% followed by information technology at 17.3% and financials at 15.1%. The largest positions at the stock level were Anthem at 3.5%, Microsoft at 3.1% and Alphabet at 3.0%.

Rolling 1 year turnover has modestly decreased to 12%. The two notable new purchases over the quarter were Adobe (software for the creation and production of digital content) and Analog Devices (a company that specialises in analogue semiconductors). The investment manager considers both companies to be high-quality enablers of the ongoing digital revolution. In terms of complete sales during the quarter the investment manager decided to fully exit the position in Zillow mainly due to the company's retreat from its iBuying experiment last year. The investment manager has also sold the positions in both Stericycle and Lyft, continuing the recent trend of moving on from more marginal investment cases and a modest concentration in the number of holdings.

Peer Analysis

The peer group is the Global All Cap Growth Equity. Over the shorter term (up to 5 years to end December 2021), the Sub-fund has not performed as well as it has historically and is in the bottom2 quartiles of its peer group. Over the longer term (10 years), the performance remains in the top 2 quarterlies and has outperformed the MSCI ACWI index over the 3-year period. This is coupled with low risk (tracking error) compared to other funds in the global all cap growth equity peer group.

5.3 UBS Equities

UBS Equities		2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	31/08/12
£274.91	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(4.0)	7.6	0.9	7.5	5.8	11.2	5.6	18.8	11.9	26.6	14.1
Benchmark	(4.0)	7.6	0.9	7.5	5.8	11.2	5.6	18.8	11.9	26.6	14.1
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 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 -4.0% for Q1 and 11.9% over one year. Since funding in August 2012, the strategy has provided an annualised return of 14.1%.

Equities

Following the FTSE quarterly review in March, 46 stocks were added to and 27 stocks were deleted from the index, along with various changes in the shares in issue of the index constituents. Two-way turnover totalled 1.12%. Also, during the quarter but outside of the review, BHP completed the unification of its corporate structure. BHP Group Plc (GB) was deleted from the index following merger with BHP Group Ltd (AU). The weight of BHP Group Ltd increased as a result.

Risk assets were roiled by two shocks in the quarter: the substantial repricing of near-term central bank policy tightening sent interest rates higher and weighed on valuations, and Russia's invasion of Ukraine brought a new headwind for global activity, with acute downside risks for Europe in particular.

For the quarter, the MSCI World index fell 5.5%. Early in the year, the S&P 500 was the underperformer as investors divested from expensive and unprofitable companies. Weakness in the second half of the quarter was focused on Europe, which is more negatively impacted by the war and potential escalation. Chinese equities were also sold aggressively following the Russian invasion of Ukraine as investors mulled the potential that sanctions could apply to third parties that were judged to be aiding Russia, as well as the lingering regulatory overhang on its major internet platform companies. The S&P 500 fell 4.9% in the quarter, while the Euro Stoxx 50 declined 9.2% and the MSCI China index fell 13.8%. Japan's TOPIX gave back 4.1%. Excluding China, emerging market equities were resilient, falling 3.5%

as widespread risk aversion was somewhat offset by the positive terms of trade shock from higher commodity prices.

The highest weighted holdings were Apple Inc at 4.5%, Microsoft Corp at 3.9%, Amazon at 2.3% and Tesla at 1.5%.

5.4 UBS Bonds

UBS Bonds	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	5/7/2013
£36.81	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(7.2)	2.4	(1.8)	1.7	(7.2)	0.6	(1.2)	2.5	(4.9)	(5.1)	3.1
Benchmark	(7.2)	2.4	(1.8)	1.7	(7.2)	0.6	(1.2)	2.5	(4.9)	(5.1)	3.1
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. There is a link between the bond price and the Fund's liabilities and therefore the reduction in returns will have helped to reduce the Fund's liabilities.

Performance

The fund returned -7.2% for Q1, (4.9%) for one year and -5.1% for two-year return. Since inception the strategy has returned 3.1%.

Review - (Q4 2021)

In yield terms, 2-year nominal yields rose by 0.68% to 1.35% and 10 year nominal yields rose by 0.64% to 1.60%. The modified duration of the index is 11.51 years.

The Bank of England's Monetary Policy Committee decreased the policy rate to 0.75%. The UK Debt Management Office held five nominal bond auctions during the quarter across a range of maturities.

5.5 Schroders Indirect Real Estate (SIRE)

Reason for appointment: Schroders is a Fund of Fund manager appointed to manage a part of the Fund's property holdings. The mandate provides the Fund with exposure to 210 underlying funds, with a total exposure to 1,500 highly diversified UK commercial properties.

The strategy is currently being sold down, although the final sale will be in Q2 2022. The remaining distribution will be approximately 3.1m. This distribution will be used to increase the Fund's cash balance.

Performance and Investment Update

Overall, the remaining asset continues to perform reasonably well, providing a return of 4.8% for Q1. When the Schroders strategy is fully divested a summary of the performance of the strategy during disinvested will be provided to the Pension Committee.

5.7 BlackRock

BlackRock	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	1/1/2013
£59.68	%	%	%	%	%	%	%	%	%	%	%
Actual Return	**6.8**	**6.7**	**4.3**	2.9	2.1	2.5	0.5	(2.9)	20.7	11.4	1.9
Benchmark	**5.6**	**7.5**	**4.5**	3.8	2.2	2.1	0.2	(2.0)	21.4	12.0	4.9
Difference	**1.2**	**(0.8)**	**(0.2)**	(0.9)	(0.2)	0.4	0.3	(0.9)	**(0.7)**	**(0.5)**	**(3.0)**

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

Q2 2021 Performance and Investment Update

BR returned 6.8% for Q1 against a benchmark of 5.6%, returned 20.7% over one year against a benchmark of 21.4%. A further 16,100 units were purchased on 31 January, costing £769.040k at December 2021 NAV prices as part of increasing the allocation to BR.

During Q1 the Fund completed one disposal totalling £20.13m, with no acquisitions. The sale comprised the 50% share of Talbot Green Shopping Park, Llantrisant. The property comprises 146,500 sq ft of retail floorspace arranged across 20 units of varying sizes in South Wales, a regional market that suffers from an oversupply of retail warehousing. The tenant line up had significant exposure to mid-market fashion retailers, a group that has been disproportionally impacted by the well documented structural changes facing retail which were accelerated by the pandemic.

The repositioning of the retail portfolio is now largely complete with the residual retail exposure now core in nature and 78% within Greater London. The strategy to focus the retail portfolio towards Greater London is a deliberate lower risk approach, offering retail tenants access to a dense consumer market whilst being strongly underpinned by alternative use values.

BlackRock let 257,000 sq ft of space in Q1, reflecting £2.7m of annual income. The vacancy rate across the Fund is now 8.2% which compares favourably with the benchmark Q4 2021 vacancy level of 9.9%. Rent collection is strong, with Q4 collections at over 95% reflecting the core nature of the portfolio.

The objective of the strategy is to maintain consistent, adequate returns for the risks being taken throughout the cycle. The strong absolute returns have been achieved whilst maintaining a lower-than-average risk profile when considering the low vacancy rate, strong tenant credit and strongly diversified tenant and asset profiles. These returns have been delivered with a low level of volatility with the Fund in the top quartile for risk adjusted returns (standard deviation) over the medium and long term.

Looking forward to 2022, BlackRock will maintain a focus on repositioning the office portfolio and building high quality, prime industrial with an aim to deliver strong absolute returns whilst maintaining a lower-than-average risk profile. Having rebased and repositioned the retail portfolio successfully, BlackRock are of the opinion that the Fund is well allocated for strong performance throughout the cycle by continuing to invest into real estate, which is core, relevant and resilient.

5.8 Hermes

Hermes	2022	2021				2020			One Year	Two Years	Since Start 9/11/2012
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
£103.75	%	%	%	%	%	%	%	%	%	%	%
Actual Return	10.5	- 0.9	2.2	(1.1)	0.6	(1.5)	0.0	0.9	10.7	5.4	8.1
Benchmark	1.5	1.4	1.4	1.4	1.5	1.4	1.4	1.4	5.7	5.8	5.9
Difference	9.0	(2.3)	0.7	(2.5)	(0.8)	(2.9)	(1.4)	(0.6)	4.9	(0.4)	2.2

Reason for appointment

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

Performance

Hermes returned 10.5% in Q1 outperforming the benchmark by 9.0%. Over one year the strategy reported a one-year return of 10.7%, outperforming its benchmark by 4.9%. Since inception the strategy has provided a good, annualised return of 8.1%, outperforming its benchmark by 2.2%.

Portfolio review

Transaction activity

- Disposal of Braes of Doune (HIF I Core) - Sale of 50% interest in Braes of Doune completed in February 2021, realising a 7.9% IRR and 1.54x TVPI at a price representing 23% premium to June 2020 NAV

- Southern Water (HIF I VA) – Restructuring completed with over £1bn injected by Macquarie funds in order to recapitalise the company. Call option expected to be exercised in Q3 2022 (We have negotiated for HIF I to be excluded from this, positioning it to benefit from any recovery in value)

- Disposal of Anglian Water (HIF I Core) - EV/RCV multiple 1.39x, 14.2% premium to 30 June 2021 NAV, c. 10.2% gross IRR on realisation and a TVPI above 2.1x

- Viridor (HIF I & II and SAP VA) - debt refinancing, sale of non-core businesses & divestment of 20% equity interest in core business - operational Energy from

Waste ("EfW") portfolio. 11% increase in NAV, TVPI above 1.5x and 33.2% total annual return1 since 31 December 2020

- Merger of Eurostar and Thalys to form Greenspeed completed in April 2022

Return of capital
Return of £9.4m of capital to the Fund in April 2022. Further sale from Anglian Water expected to be distributed before the end of 2022.

5.9 Abrdn Asset Management

Abrdn	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	15/9/2014
£147.68	%	%	%	%	%	%	%	%	%	%	%
Actual Return	3.7	1.6	4.9	4.4	7.4	8.3	5.1	(0.6)	14.5	17.4	7.4
Benchmark	1.6	1.0	1.0	1.0	1.0	1.0	1.0	1.3	4.6	4.4	4.6
Difference	2.1	0.6	3.9	3.4	6.5	7.3	4.1	(1.9)	10.0	12.9	2.8

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 positive quarter, despite the challenging backdrop, posting a gain of around 3.7% (net of fees) over the three months to the end of March 2022. Abrdn saw very strong performance/contributions from a couple of managers. Frere Hall, a hedge fund which was added to the portfolio last May, was up over 30% in Q1 due principally to exposure to oil/gas oil. The second is private equity investment MML. Abrdn sold the position in MML last year and negotiated an earn out as part of the sale, specifically relating to MML's investment in a company called Waystone. MML completed its exit from Waystone.

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, the outlook for fundamentals-based stock-picking strategies is encouraging, in particular those with sizeable single stock short books. Market neutral and lower-net managers benefit from greater dispersion and a market environment in which company fundamentals drive stock prices. These managers can also offer invaluable capital preservation and positive absolute return prospects in a more volatile and lower/negative beta return environment. The market rout has created cleaner positioning and incrementally more attractive valuations. While managers are positioned cautiously, reducing gross leverage as volatility beneath the surface remains extreme and the macroeconomic backdrop uncertain, Abrdn know that many are keen to re-gross as soon as is practicable as they see exceptional opportunities to add positions on both the long & short sides.

Abrdn maintain a positive outlook for fixed income relative value strategies. 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 hiking interest rates and moving towards active balance sheet reduction. In addition to the Fed, the BoE has already started a rate hike trajectory and is also discussing balance sheet reduction, and expectations are growing for a July ECB rate hike (seemingly confirmed by ECB members’ speeches). Consistent with history, Abrdn would expect central bank action to be supportive of the opportunity set for fixed income RV 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 positive. Abrdn continue to see inflation rhetoric and central bank thinking around interest rate policy being 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. Abrdn also expect both technical and fundamentally driven traders to benefit in this environment. Abrdn still expect emerging market managers to generate volatile performance as developed market macro factors such as inflation and central bank policies will have significant impacts on markets and asset prices. Though the opportunity set remains broad, Abrdn are cognizant of certain risks, such as managers being overly focused on crowded US rates trades leaving them vulnerable to changing market sentiment, like Abrdn saw last summer. While the market is now pricing in a number of interest rate hikes from the Fed this year in an attempt to tame inflation, aggressive tightening can undercut the economic recovery and possibly lead to a policy reversal. Thus, more tactical, nimble and less aggressive managers are likely to perform better in the environment, where data releases, speeches and policy announcements, especially around inflation, remain in focus.

In terms of private equity, the market has remained robust, both in terms of fund-raising and deal activity, and deal pricing remains competitive for high quality assets. 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. Abrdn continue to see an attractive opportunity set in private equity, with a strong pipeline across primary, co-investment and secondary opportunities.

5.10 Pyrford

Pyrford	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	28/9/2012
£114.40	%	%	%	%	%	%	%	%	%	%	%
Actual Return	1.5	1.3	0.3	1.1	0.9	3.1	(1.6)	6.2	4.2	6.4	3.5
Benchmark	3.1	4.0	2.7	3.6	1.7	1.6	1.8	1.3	13.3	9.8	7.6
Difference	(1.6)	(2.7)	(2.4)	(2.5)	(0.8)	1.6	(3.3)	4.9	(9.1)	(3.4)	(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 1.5% in Q1 underperforming its benchmark by 1.6%. Over one year it returned 4.2%, underperforming its benchmark of 13.3% (which reflects the surge in RPI since the early part of 2021), by 9.1%. Pyrford underperformed its benchmark by 4.1% since inception and has returned 3.5% p.a. Pyrford's benchmark is ambitious for its strategy, which is largely defensive. Compared to the Credit benchmark over 2 years of 4.2% and the Fund's bond return over two years of 2.6%, its return is reasonable and provides the Fund with protection.

The equity portfolio was the biggest source of profits. Pyrford's preference for defensive industries and inexpensive yield-paying companies paid dividends. Companies perceived to be geared to the risk of supply chain disruption or cost pressure lagged, but twenty stocks held gained more than 10% in Q1. The biggest contributors were Woodside Petroleum and Computershare of Australia, Singapore's United Overseas Bank and in the U.K., British American Tobacco and National Grid.

Holdings in U.K. Gilts, which accounted for more than 46% of the portfolio at the end of Q1, were a drag on returns. However, losses on these positions were offset by gains on overseas bonds which are held on an unhedged basis. The biggest contribution came from bonds denominated in Australian Dollars. The currency rallied in the expectation that Australia will be a beneficiary of Russia's isolation.

Exposure to unhedged investments in stocks and bonds denominated in foreign currencies accounts for 25% of the portfolio. Hedges used to protect the strategy from movements in U.S. and Canadian Dollars and Swiss Franc cost about 0.5% in Q1.

Pyrford applies their strategy methodically and consistently. The LCIV Global Total Return Fund remains defensively positioned. The investment manager does not believe that valuations of bonds and equities have improved enough to warrant a reallocation of capital to riskier assets. The margin of underperformance relative to the target benchmark is substantial. It is important for the investment manager to move quickly and decisively when they see opportunities to deploy capital at attractive rates of return.

5.11 Newton

Newton	2022	2021				2020			One	Two	Since Start
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Year	Years	31/8/2012
£82.60m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(4.4)	3.7	(0.1)	2.4	1.1	5.6	3.5	8.0	1.6	9.9	4.1
Benchmark	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.1	3.8	3.9	4.4
Difference	(5.2)	2.7	(1.1)	1.4	0.1	4.6	2.5	6.9	(2.2)	5.9	(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 -4.4% in Q1, underperforming its benchmark by 5.2%. Over one year the strategy has returned 1.6%, outperforming its benchmark by 2.2%. Newton's performance since inception is 4.1%. The allocation to equities had been reduced late in 2021 but this segment of the fund accounted for 4% of the loss, including synthetic exposure created through futures and options. Relatively highly valued growth stocks, and companies perceived to be exposed to the risk of disruption in their supply chains, performed poorly. An additional 0.2% was lost through high yield corporate debt.

More capital was allocated to alternative assets and this segment generated 1.1% of profits. The main contributors were renewable energy generators, a credit fund focused on life sciences and an exchange traded instrument linked to the price of oil.

The stabilising layer underperformed, losing 1.4%. Most of the loss came from government bonds and interest rate derivatives. Newton bought bonds and allowed duration to increase early in 2022 as a hedge against downside risk. This did not work as planned, as interest rates continued to increase in response to the deteriorating outlook for inflation. Global government bonds underperformed global equities Q1. Derivatives used to protect the fund from losses on equity investments cost 0.1%. Newton uses short and long dated put options on major stock indices but did not monetise all of the gains on these positions, electing instead to retain the protection rather than establish new contracts.

Overall

The reduction in equity risk within the fund, and the shift to a more defensive stance within that segment, helped contain losses. Alternative investments have continued to perform well, but the reintroduction of government bonds to the fund was poorly timed, and the protective layer of the portfolio did not perform as intended in a volatile environment. Newton has reduced risk further, both by reducing the allocation to stocks and adjusting the composition of the equity portfolio. The pattern of returns is in line with expectations based on the positioning of the fund and the investment manager's investment process.

5.12 Insight (Mellon Corporation / Standish)

Insight	**2022**	**2021**				**2020**			**One**	**Two**	**Since Start**
	Q1	**Q4**	**Q3**	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Year**	**Years**	**20/8/2013**
£66.23	**%**	**%**	**%**	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**(2.6)**	**- 0.7**	**0.0**	0.2	(0.1)	2.2	1.5	4.7	(3.1)	2.6	0.6
Benchmark	**1.0**	**1.0**	**1.0**	1.0	1.0	1.0	1.0	1.3	4.0	4.2	5.0
Difference	**(3.6)**	**-1.7**	**(1.0)**	(0.8)	(1.1)	1.2	0.4	3.4	(7.1)	(1.6)	(4.4)

<u>Reason for appointment</u>

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%.

<u>Performance</u>

In Q1, the Fund returned (2.6%) against a benchmark return of 1.0%. Over one year the strategy has underperformed its benchmark of 4.0% by 7.1%, providing a return of (3.1%). Since funding in August 2013, Mellon Corporation has only provided an annual return of 0.6%.

The vast majority of the period's underperformance can be attributed to the fund's overweight to developed market duration.

In rates space, the fund benefitted from a significant underweight in US duration as strong inflation as hawkish Fed rhetoric pressured yields higher. The fund's underweight to the front end of the US yield curve was particularly positive as the curve flattened aggressively.

Unfortunately, this was more than offset by the impact of overweights in European, Australian and local emerging markets. In aggregate, active rates positioning was a large drag on relative performance as yields pushed higher across the globe.

Spread sectors were another driver of underperformance as the fund suffered from its overweight allocation to corporate credit and other risk assets. Spread product rallied strongly in March but was nevertheless materially wider on the quarter.

Active FX positioning made no contribution to relative performance as risk in this space remained notably low. With most spread sectors under pressure in Q4 and fixed income selling off globally, cash was one of the best performing assets over the period.

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, Chief Financial Officer

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

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

8. Legal Implications

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

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

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

9. Other Implications

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

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

Background Papers Used in the Preparation of the Report:

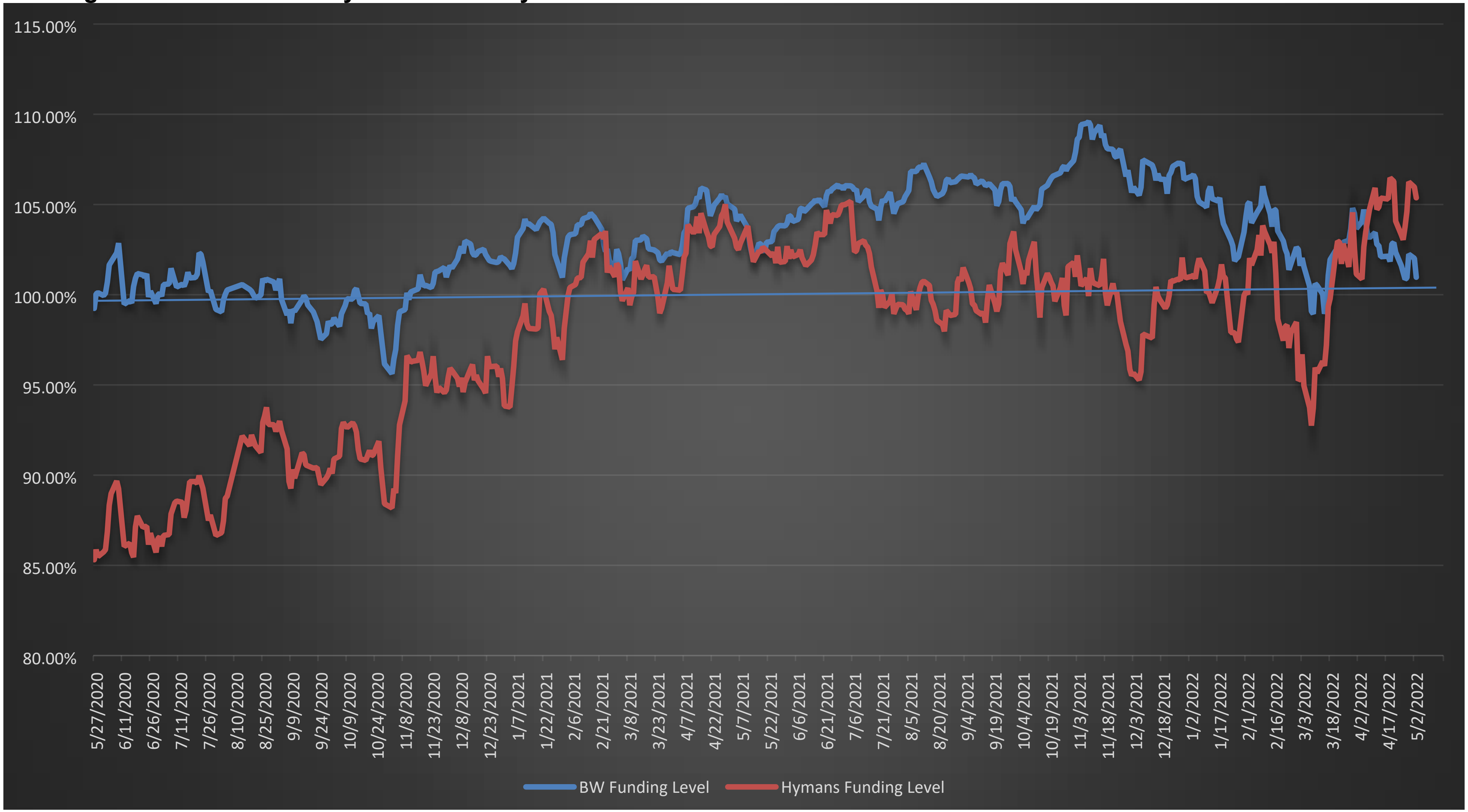
- Northern Trust Quarterly Q2 2021 Report; and
- Fund Manager Q2 2021 Reports.

List of appendices:

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

APPENDIX 1 - Fund Funding Level 27 May 2020 to 31 May 2022

Funding Level between 27 May 2020 to 10 May 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

15 June 2022

Title: Administration and Governance Report	
Report of the Chief Operating Officer	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Interim 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. that the Fund is cash flow positive;
ii. the Fund's three-year budget for the period 1 April 2021 to 31 March 2024;
iii. the London CIV Update;
iv. The 2021 to 2023 Pension Fund Business Plan; and
v. The training Policy for Committee Members (including Observers), Pension Board Members, and Senior Fund Officers.

The Committee is recommended to note:

i. that a prepayment was 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 Budget 1 April 2022 to 31 March 2025;
ii. Cash flow to 31 March 2022;
iii. London CIV update;
iv. 2021 to 2023 Business Plan; and
v. The training Policy for Committee Members (including Observers), Pension Board Members, and Senior Fund Officers

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

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

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

Contributions	2022/23 Budget	2023/24 Budget	2024/25 Budget
Opening Market Value	**1,341,280**	**1,406,180**	**1,472,350**
Employee Contributions			
Council	8,700	9,000	9,400
Admitted bodies	500	500	500
Scheduled bodies	2,000	2,100	2,100
Employer Contributions			
Council	28,200	29,300	30,500
Admitted bodies	2,100	2,200	2,200
Scheduled bodies	7,700	8,000	8,300
Pension Strain	1,000	1,000	1,000
Transfers In	3,500	3,500	3,500
Total Member Income	**53,700**	**55,600**	**57,500**
Expenditure			
Pensions	-37,600	-39,200	-40,700
Lump Sums and Death Grants	-6,500	-6,800	-7,000
Transfers Out	-4,400	-4,400	-4,400
Administrative expenses	-800	-800	-900
Total Expenditure on members	**-49,300**	**-51,200**	**-53,000**
Net dealings with members	**4,400**	**2,870**	**1,850**
Returns on Investments			
Investment Income	15,000	16,000	17,000
Profit (losses)	50,000	52,000	54,000
Investment management expenses	-4,500	-4,700	-4,900
Net returns on investments	**60,500**	**63,300**	**66,100**
Net increase (decrease) in assets	**64,900**	**66,170**	**67,950**
Closing Market Value	**1,406,180**	**1,472,350**	**1,540,300**

	30/09/2021	Market Move	31/12/2021
Active Investments	£	£	£
LCIV Global Alpha Growth Fund	332,964,612	(41,271,358)	291,693,254
LCIV Global Total Return Fund	112,672,361	1,727,595	114,399,956
LCIV Real Return Fund	85,680,296	(3,744,346)	81,935,950

2.2 The three-year budget fairly stable member numbers, although a 4% increase in contributions and pensions has been assumed due to the current high level of inflation. The Council contribution for 2022/23 is 23.0% and it has been assumed that the contribution rate will remain the same for all employers. An increase in management expenses is being forecasted as asset values increase thus increasing the expenses. Overall, the Fund is expected to be cashflow positive.

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

3. London Collective Investment Vehicle (LCIV) Update

3.1 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. Below are the investments the Fund currently has with CIV.

Total	**531,317,269**	**(43,288,109)**	**488,029,160**

3.2 Update from the London CIV

On 31 March 2022, the total assets stood at £26.67 billion, of which £13.98bn are in funds managed by the London CIV, being the ACS plus amounts committed to private market fund. Assets under management in our ACS stood at £13.21bn and assets in private market funds stood at £771m.

In Q1 LCIV had £182 million of additional commitments from three investors to the LCIV Renewable Infrastructure Fund and one investor to the LCIV Inflation Plus Fund, bringing total commitments raised by private market funds as of 31 March 2022 to £2.2 billion. The value of 'pooled' passive assets was £12.70 billion, with £9.47 billion managed by L&G and £3.22 billion managed by BlackRock.

3.3 Q1 2022 Activity in Brief (relevant to LBBD Pension Fund)

The re-alignment of the LCIV MAC Fund to introduce PIMCO's diversified income strategy and create a two-manager structure, began as planned on 28 February 2022 with a contribution of £110 million to the LCIV MAC Fund from a new investor. The re-alignment will take place over five months to mitigate transaction costs and achieve a steady progression to the targeted equal split between CQS and PIMCO strategies. LCIV expect further contributions from existing and new investors into the LCIV MAC Fund during Q2 2022.

This is the long-awaited improvement in MAC funds that the Fund is likely to look to invest in and training and meet the managers days will be set aside later in 2022 for Members to make a decision on whether to invest with the LCIV MAC.

Three Client Funds have recently decided to move their investments in the LCIV Global Alpha Growth Fund to the LCIV Global Alpha Growth Paris Aligned Fund, which in aggregate represents c.£820 million. LCIV will be supporting these Client Funds with their transitions in the coming months and there is the potential for LBBD Pension Fund to be one of these.

4. London Borough of Barking and Dagenham Pension Fund 2021 to 2023 Business Plan

4.1 In December 2020 a Business Plan for the fund was agreed by Members. This is attached to this report as appendix 1.

4.2 A review of the Business Plan and the training requirement of the Members will be taken to the September 2022 meeting for agreement.

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

5.1 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.

5.2 A Training Policy (Appendix 2 to this report) was prepared by the Independent Advisor, in consultation with Fund Officers and agreed by the Committee in March 2022. 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.

5.3 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.

5.4 The Training Policy has been included for Member reference as a revised training plan will be agreed and implemented at the September 2022 Pension Committee.

6. Financial Implications

Implications completed by: Philip Gregory, Chief Financial Officer

6.1 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.

7. Legal Implications

Implications completed by: Dr. Paul Feild Senior Governance Solicitor

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

8. Consultation

8.1 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.

8.2 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.

Background Papers Used in the Preparation of the Report:

Appendix 1: London Borough of Barking and Dagenham Pension Fund 2021 to 2023 Business Plan

Appendix 2: The training Policy for Committee Members (including Observers), Pension Board Members, and Senior Fund Officers

Appendix 1: London Borough of Barking and Dagenham Pension Fund 2021 to 2023 Business Plan

London Borough of Barking and Dagenham Pension Fund

2021 to 2023 Business Plan

1 Introduction and Background

1.1. The Local Government Pension Scheme (“the LGPS) is an occupational pension scheme that has been established by Act of Parliament and is governed by regulations made under the Superannuation Act 1972 and Public Service Pensions Act 2013. The London Borough of Barking and Dagenham Pension Fund (“the Fund”) is maintained under the Act.

1.2. The Fund is responsible for providing retirement and other benefits to employees of The London Borough of Barking and Dagenham (“the Council”). Fund membership is approaching 19,000 with 39 employers, including admitted and scheduled bodies. Administration of the Fund is the responsibility of the Council, which also has overall responsibility for the investment of the Fund’s assets and pension administration services to members of the Fund and their employers.

1.3. The publication of the Myners Report and the subsequent CIPFA “Principles for Investment Decision Making in the LGPS in the United Kingdom” (CIPFA’s Investment Code of Practice) and “Investment Decision Making and Disclosure”, recommends that the Section 151 officer prepare and submit to the Pension Committee (“the Committee”) an annual business plan (“the BP”) for the Fund.

1.4. The BP identifies and outlines the key tasks for the period 1 January 2021 to 31 December 2023, with progress reported on at each quarterly Committee. The key tasks identified reflect the Committee’s commitment to developing a suitable investment strategy and monitoring procedures for the coming year which meet the Fund’s objectives and complies with best practice.

1.5. The BP outlines the operation of the Fund and includes provision for training and development. The proposed training and development will equip Committee Members with the necessary skills to make informed decisions on the Fund’s investments.

1.6. CIPFA recommends that all Committee Members should have the necessary skills and knowledge to adequately fulfil their governance and fiduciary duties to the Fund Members. This is also a requirement of the Pensions Regulator, who from time to time, monitors compliance with this requirement. In addition, as a result of opting the Fund up to Professional Investor status, there is an expectation that Members will receive relevant, detailed and timely training, with updates of the training and attendance provided to the various fund managers, advisors and custodians that the Fund uses. It is likely that some of the new Members will not have had previous experience of being on a pension Committee and / or will not have sufficient knowledge of the LBBD scheme.

1.7. 2019/20 was the completion of the Fund’s triennial valuation, which had a significant impact on the employers within the Fund. A review of the Fund’s investment strategy will be completed by December 2020. Full training will be provided to Members during 2021 on any new asset classes being proposed.

2. Pension Committee

2.1 The Council has delegated responsibility for the management of the Fund's investments to the Pension Committee ("the Committee"). The Committee comprises of seven councillors and three non-voting representatives, including a Union, an employer and an employee representative, as per below:

	Committee as at 31 December 2020	Committee as at 15 June 2022
Chair:	Cllr Kashif Haroon	TBC
Deputy:	Cllr Foyzur Rahman	Cllr Olawale Martins
	Cllr Rocky Gill	Cllr Rocky Gill
	Cllr Amardeep Singh Jamu	Cllr Nashitha Choudhury
	Cllr Mick McCarthy	Cllr Giasuddin Miah
	Cllr Dave Miles	Cllr Tony Ramsay
	Cllr Tony Ramsay	TBC
Committee Observers		
Union:	GMB - Steve Davies	
Employer:	UEL – Dean Curtis & Susan Parkin	

Advisors:	Hymans Robertson
Independent Advisors:	John Raisin Financial Services Limited
Actuary:	Barnett Waddingham
Custodian:	Northern Trust

2.2 The Committee meets at least quarterly and its role is to deal with the management of Fund's investments in accordance with Regulations issued by the Secretary of State under Section 7 of the Superannuation Act 1972.

2.3 The Section 151 officer has overall responsibility for the financial management of the Fund and the administration of the pension scheme.

2.4 The Committee's objectives are to:

i. approve all policy statements prepared under the LGPS Regulations.
ii. be responsible for the investment policy, strategy and operation of the Fund and its overall performance, including considering the Fund's liability profile.
iii. appoint and retendering of the Fund Actuary, Custodian, advisors to and external managers of, the Fund and agree the basis of their remuneration.
iv. monitor and review the performance of the Fund's investments including receiving a quarterly report from the Chief Finance Officer.
v. receive actuarial valuations of the Fund.
vi. monitor the LGPS Regulations, Codes of Practice or guidance issued by the Pensions Regulator and the National Scheme Advisory Board.
vii. select, appoint and terminate of external Additional Voluntary Contribution (AVC) providers and review performance.
viii. consider any recommendations made or views expressed by the London Borough of Barking and Dagenham Pension Board.

3. Pension Administration

3.1 The Council's Pensions Administration Team manage the administration of the Fund and are responsible for paying the benefits to the scheme members and for keeping the records of all other scheme members until their benefits become due.

3.2 Over the past 20 years the LGPS has had many minor adjustments and a few large-scale changes to its benefit structure. With these changes, transitional relief between schemes has occurred, which in practice means that the administration team must be conversant with the regulations throughout this period.

3.3 The Fund uses Altair, a system supported by Heywood Limited to manage its administration. All member records are now electronically held within Altair. The administration system will be tendered in early 2021 using a national framework.

3.4 The quality of the data held is vital to the running of the Pension Fund and there are several additional checks undertaken to ensure information is held correctly, including annual benefit statements, national fraud initiatives, regular data reconciliations between payroll and the pension administration system, the use of a tracing agent and quality checking via Club Vita. The Fund also uses the Government's Tell Us Once service, which is a service that informs the Fund when a death has been registered. Where pensioners live abroad a "certificate of existence" is sent out as a further measure to prevent fraud within the Fund.

3.5 The Pensions Regulator specified measure of the Fund's data quality was:

2020	**Common**	**96.0%**	**Scheme-specific**	**94.5%**
2021	**Common**	**96.3%**	**Scheme-specific**	**94.6%**

3.6 These scores represent a good level of data quality, but work will be undertaken in 2022 to improve this figure.

3.7 Pension Administration costs and activities are included in the appropriate CIPFA benchmarking group and the Government SF3 return. The most recent report is the SF3 2019/20, which compares the Fund with similar Councils within London.

3.8 A Pension Administration Strategy has been agreed and has been implemented.

3.9 The main activities covered by the Pension Administration Team in 2019/20 and 2020/21 is summarised in table 1 below:

Type of Activity	2019/20	2020/21
Number of Starters	728	607
Number of Transfer Value Actual	85	89
Number of Refunds	159	87
Number of Deferred Benefits	237	257
Number of Estimates	1213	1396
Number of Retirements	240	264
Number of Death in Service	3	12
Death in Retirement	177	219

4. The Funding Level and Employers' Contribution Rate

4.1 The Fund's triennial review was last completed on 31 March 2019. Following strong investment growth, the funding level increased from 77% in 2016 to 90% at 31 March 2019.

4.2 The Fund's estimated funding level as at 31 March 2022 was approximately 100%.

4.3 The Council's contribution rates for the triennial period are:

2020/21	21.0%
2021/22	22.0%
2022/23	23.0%

4.4 The Council has adopted a stepped contribution rate for a number of reasons, including:

- provide an initial saving to the Council, while providing an average contribution rate of 22.0% over the triennial valuation period;
- a number of staff were transferred, fully funded, to a number of wholly owned companies, with each company paying a rate higher than the Council's contribution rate; and
- The funding level had improved significantly to 90%, based on a discount rate of 4.0%, allowing some flexibility to pay a slightly reduced contribution rate.

4.4 To achieve a 100% funding level and allow a stable contribution rate the Committee are committed to:

- ➢ commissioning a full actuarial valuation of the Fund every three years;
- ➢ reviewing funding level reports from the Fund's actuary, Barnett Waddingham;
- ➢ agree with the actuary to recover deficits through appropriate mechanisms;
- ➢ monitor and review the actuarial and consultancy services; and
- ➢ implement a de-risking strategy as the Fund's funding level improves.

4.4 Funding strategy and links to investment strategy

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions or asset returns and income. To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa. Therefore, the funding and investment strategies are inextricably linked.

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The Actuary's assumptions for future investment returns are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence and are therefore considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government.

5. Management of Fund Investments

5.1 The Committee seeks a return on the investments of the Fund that enable 100% funding to be achieved from a stable employers' contribution rate by:

- reviewing managers' performance against those targets over quarterly, annual and three-year rolling periods, at quarterly Committee meetings;
- having officers monitor the level of transaction costs (brokerage and stamp duty) incurred;
- having officers meet quarterly with most fund managers or at least annually with all the fund managers; and
- ensuring officers monitor the external managers' use of soft commission arrangements, if any.

5.2 The Fund's strategy was reviewed in 2020 and 2021.

5.3 The strategic asset allocation of the Fund, together with control ranges and the benchmark index for each asset class is as follows:

Asset Class	Current Position as at 31 March 2022	Strategic Allocation Target	Variance	Range
Equities	55.7%	52%	3.7%	*50-60*
Diversified Growth	14.2%	16%	-1.8%	*14-18*
Infrastructure	7.5%	8%	-0.5%	*7-11*
Credit	4.8%	8%	-3.2%	*6-10*
Property	4.5%	5%	-0.5%	*4-7*
Diversified Alternatives	10.7%	9%	1.7%	*7-10*
Fixed Income	2.7%	4%	-1.3%	*3-5*
Cash	0.0%	0%	0.0%	*0-1*
Total Fund	100.0%	100.0%		

6. Arrangements for Additional Voluntary Contributions (AVCs)

6.1 The Committee aims to ensure that there is a varied selection of high-performing investment options available for contributors who wish to make additional voluntary contributions (AVCs).

6.2 The Committee will review the Fund's AVC arrangements regularly, with the next review scheduled for early 2023.

6.3 Currently the Fund's AVC is managed by Prudential Plc. The performance and options offered will be monitored by officers who, in the event of issues arising, will report this to the Committee.

7. Legislation

7.1 The Committee aims to respond promptly to legislative changes with implications for the management and administration of the Fund. It seeks to achieve this by:

- considering reports on the implications for the Fund of relevant draft legislation;
- closely monitoring new legislation affecting the LGPS; and
- agreeing any actions necessary to ensure full compliance when the final legislation is enacted including any deadlines.

8. Myners Principles on Investment Decision-making

8.1 A revised statement of the Myners principles for investment management by institutional investors were published by the Government in 2008. CIPFA has subsequently issued guidance to local authority pension funds on the application of the principles in a local authority context.

8.2 Principle 1 of the revised principles states that administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary for them to take them effectively and monitor their implementation; and

- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

9. Decision Making

9.1 The Committee will take advice as necessary to ensure that all decisions are made in the best interests of the Fund and its members. Advice is provided by the:

- Section 151 officer and their staff;
- Fund's Actuary and Investment Advisor;
- Independent Advisor to the Committee; and
- External fund managers.

10. Pension Boards

10.1 As part of a Review of Public Service Pensions, published March 2011, Lord Hutton recommended several changes to "make public service pension schemes simpler and more transparent". The Government carried this forward into the Public Service Pensions Act 2013, which requires the Department for Communities and Local Government (DCLG) to make regulations to establish a national Scheme Advisory Board and enabling each LGPS administering authority to establish local pension boards. The names and the roles of the Pension Board Members are below:

- Paul Field (LBBD Employer) (Chair) / Steve Davies (GMB Employees)
- Vacant (Barking College Employers) / Steve Ridley (Unite Employees)
- Hugo Wuyts (Unison) (Deputy Chair) / Dean Curtis (UEL Employers)

10.2 A key aim of the reform process is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

10.3 A Pension Board (“PB”) was established by 1 April 2015. The PB has the following Terms of Reference, which will be subject to an annual review:

i. There will be a separate Committee and PB, with the PB functions as per those prescribed within the regulations.

ii. The PB will contain 3 employer and 3 scheme member representatives.

iii. PB Members will not be remunerated apart from reimbursement of basic transport and training costs.

iv. Biannual PB meetings to be held as a minimum, prior to the June and December Pension Committees. The PB will follow the Aon Hewitt method for governance:

   1) Direction – what is the fund trying to achieve (legislation, strategy and policy);
   2) Delivery – how the Fund meets its aims (business planning, performance monitoring and risk management); and
   3) Decisions – does the Fund have effective decision making (governance structure, behaviour and Pension Skills and Knowledge).

v. Should the PB be unhappy with the implementation of its recommendation(s) a report will be submitted to the next possible Council Assembly for consideration.

vi. The PB will be chaired on an annual rotational basis.

vii. Training will be provided prior to each Board Meeting, with two additional half day training sessions held during the year. Bespoke training will be provided to new PB Members as required.

11. Training and Development for Fund Committee Members

11.1 The Review on Institutional Investment in the UK called the Myners Review, recommended that trustees should receive more formal training "to be able to take decisions with the skill and care of someone familiar with the issues concerned". The Committee aims to keep abreast of all developments affecting the LGPS by undertaking training and/or taking advice when necessary from external fund managers, external consultants and council officers.

11.2 The Committee expects the Officers and Members to keep up to date with developments in pensions and investment matters and to undertake training as required. In addition the best practice guidance on the governance of pension funds issued by the CLG and the CIPFA guidance on the application of the Myners principles emphasise the importance of appropriate training and development for Committee Members to allow them to carry out their responsibilities effectively.

11.3 CIPFA's Knowledge and Skills Framework

CIPFA has development a Knowledge and Skills Framework for Committee Members and separately, for pension fund professionals with responsibilities in this area. The framework is intended to have two primary purposes:

- as a tool for organisations to determine whether they have the right mix of skills to carry out their responsibilities for the fund; and
- as an assessment tool for individual Members to measure their progress and plan their development.

There are seven areas of knowledge and skills relating to the LGPS, which CIPFA has identified as being the core technical requirements for those involved in decision-making. These will be covered at training to be provided prior to each Committee meeting over a three-year period.

11.4 General training and annual events will be provided and are outlined below:

Training	2021	2022	2023
ESG and Value equity investments	January		
Private debt and Diversified Growth Funds	February		
Multi-asset Credit and Fixed Income (LCIV)	March		
Property Investments	April		
Asset Class Training (tbc)	June	cancelled	June
Asset Class Training (tbc)	December	December	December
Introduction to the LGPS		June	
Legislative and Governance context	June	June	June
Legislative and Governance context	June	June	June
Accounting and Auditing Standards	June	December	June
Actuarial methods standards and practices -		September	March
Financial Services procurement & relationship management	September	September	September
Investment Performance and Risk management	December	December	December
Financial Markets and Products Knowledge	December	December	December

12. Key Fund Activities 2021 to 2024

12.1 Over a triennial valuation period there are a number of key activities that are repeated each year and some that lead up to and then follow the production of the triennial valuation period.

12.2 Meetings with Fund managers will take place biannually as outlined in the table below. A meeting with the Fund's passive equity and fixed income manager, currently managed by UBS, will be once a year.

12.3 A Business Plan Update report will be taken to each Committee containing an update of progress made against the business plan, and will include a summary of the meeting held with each fund manager

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

13. Assessment of training needs

13.1 CIPFA recognises that there may be a wide range of skills and experience among councillors who are nominated to serve on Committee. They may include Committee Members with specialist expertise in investment matters on the one hand and those with no prior pension knowledge on the other. In these circumstances a 'one-size-fits-all" approach to training for Committee Members may not be appropriate.

13.2 A questionnaire was sent to all Members to help identify additional training needs. The 2021 to 2024 training plan has been structured around the development needs of Members and observers.

14. Communication

14.1 The Committee will plan to keep the Fund's participating employers and members informed on matters that affect them by publishing a variety of documents, details of which can be found in the Fund's Communications Policy.

14.2 A pension specific website has been set up which includes details on pension administration and pension investments.

14.3 A Fund Annual Report is produced annually and placed on the Council's website, with a summary version distributed to all Fund members.

15. Review and Evaluation of BP

15.1 A new BP will be produced after each triennial valuation, with an annual review at the March Committee meeting. The Committee will be provided with a BP update and a reminder of the next quarter's training at each quarterly Committee meetings.

16. Risk Monitoring

16.1 Risk has always been a part of the Fund but the past five years have shown that the failure to adequately identify, analyse and manage risk can have dramatic and wide-ranging consequences.

16.2 Managing the risk of an overall reduction in the value of the fund and maximising the opportunities for gains across the whole fund portfolio is a top priority. However, while the management of investment risk is rightly a fundamental concern, there is a great deal more to the effective management of risk in the LGPS.

16.3 The risk register provides a summary of the key risks the Fund is exposed to and how these risks are managed and / or avoided. The risk register will be updated at least annually and will be taken to Members as part of the BP each year for noting.

17. Performance Management

17.1 The monitoring of the returns on the Fund Investments is undertaken by officers on a daily basis with a quarterly return provided by Northern Trust and PIRC.

17.2 At each Pension Committee a summary of the Fund's performance over the prior quarter is provided, with comparison of the actual returns after fees achieved against each manager's agreed investment benchmarks and targets.

17.3 Where a fund manager has underperformed over three consecutive quarters they will be asked to attend the next Pension Committee, where Members will be able to ask the fund manager questions and to gain an understanding of the reasons for the underperformance.

17.4 Where a fund manager has underperformed its benchmark over a rolling two-year period officers will provide a review paper on the manager to be taken to the next available Committee. The review paper will outline the reasons for the underperformance and will include an overall recommendation as to whether the manager and their strategy are still appropriate for the Fund.

17.5 Where a significant change in strategy, personnel, general operations, or any other relevant issue is identified with a fund manager a paper will be taken to the next available Committee outlining the issue and recommending a course of action if required. If the issue is significant then an emergency meeting can be called following agreement by the Chair or deputy Chair.

17.6 Performance reports will include, where applicable, returns for the previous four quarters, year to date, one year, two years continuing to up to five years. Underperformance will include any red returns.

17.7 The fund manager's performance will be scored using a quantitative analysis compared to the benchmark returns, defined as follows:

	RED- Fund underperformed by more than 75% below the benchmark
Δ	**A**MBER- Fund underperformed by less than 75% below the benchmark
O	**G**REEN- Fund is achieving the benchmark return or better

17.9 All reports contain returns are provided net of fees. PIRC have advised that reporting net of fees will likely reduce the Fund's returns by 0.3% to 0.4% compared to gross returns. If compared to some local authorities, this can be significantly higher if fund manager fees are high.

18. Corporate Governance

18.1 The Regulations require that the Fund's ISS reflect the agreed investment policies and procedures which govern Fund's operation. The appointment of any new fund managers and any other changes that the Committee makes to current investment procedures will need to be incorporated in the ISS. In any event, the Committee will review the Statement annually, to ensure compliance with best practice.

19. Finance implications

19.1 Regulation 59 of the Local Government Pension Scheme Regulations 2013 sets out the framework to produce a Pensions Administration Strategy which would include business planning. The Business Plan includes the major milestones and issues to be considered by the Panel and includes financial estimates for the investment and administration of the fund and appropriate provision for training.

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

20. Legal Implications

20.1 The Pensions 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.

Appendix 2: Training Policy for Committee Members (including Observers), Pension Board Members, and Senior Fund Officers

Introduction and Applicability

This Training Policy approved by the Pensions Committee on 16/03/2022 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 (K&S) 2021, which was adopted by the Committee on 14/12/2021. 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 K&S 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.

Policy Aims and Objectives

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.

PENSIONS COMMITTEE

15 June 2022

Title: Business Plan Update 2021 to 2023	
Report of the Chief Financial Officer	
Open Report	**For Information**
Wards Affected: None	**Key Decision -** No
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Philip Gregory, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Acting Chief Executive	
Recommendations The Committee is asked to note progress on the delivery of the 2021 to 2023 Business Plan actions in Appendix 1 to the report	

1. Introduction and Background

1.1 The purpose of this report is to update the Pension Committee on the progress of the Pension Fund's 2021 to 2023 business plan. Appendix 1 provides a summary of the Business Plan actions from 1 April 2021 to 31 May 2022.

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

2. Comments of the Finance Director

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

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

3. Comments of the Legal Officer

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

List of appendices:

Appendix 1 - Business Plan Update