Barking & Dagenham

Notice of Meeting

PENSIONS COMMITTEE

Wednesday, 20 March 2024 - 7:00 pm
Council Chamber, Town Hall, Barking

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

Independent Advisor: John Raisin

Observers: Steve Davies and Susan Parkin

Date of publication: 12 March 2024

Fiona Taylor
Chief Executive

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

AGENDA

1. **Training Session For Members on Private Equity from Patria Investments Ltd**

2. **Apologies for Absence**

3. **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.

4. **Minutes - To confirm as correct the minutes of the meeting held on 13 December 2023 (Pages 3 - 6)**

5. **Quarterly Monitoring 2023/24 - 1 October to 31 December 2023 (Pages 7 - 36)**

6. **Administration and Governance Report (Pages 37 - 55)**

7. Independent Advisor - LGPS Update (Pages 57 - 62)

8. Business Plan 2024-2026 (Pages 63 - 70)

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

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

Private Business

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

11. Appointment of Independent Advisor (Pages 71 - 77)

12. Abrdn Update (Pages 79 - 83)

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

Our Vision for Barking and Dagenham

ONE BOROUGH; ONE COMMUNITY; NO-ONE LEFT BEHIND

Our Priorities

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

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

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

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

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

MINUTES OF
PENSIONS COMMITTEE

Wednesday, 13 December 2023
(7:00 - 7:57 pm)

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

Observers Present: Susan Parkin

Advisors Present: John Raisin and Nicholas Jellema

9. Declaration of Members' Interests

There were no declarations of interest.

10. Minutes (14 June 2023)

The minutes of the meeting held on 14 June 2023 were confirmed as correct.

11. Quarterly Monitoring 2023/24 - 1 July to 30 September 2023

The Investment Fund Manager presented the standard report on the Fund's performance during the period 1 July to 30 September 2023, including details of the performance of individual Fund Managers. The Committee also received a verbal update on the unaudited performance of the Fund up to December 2023. The update showed a reduction in the value of the Fund driven by significant increases in pension payments over the past two years affected by high levels of inflation as reflected in a funding level update provided by Barnett Waddington, the Fund Actuaries. Consequently, the overall value of the Fund had fallen below 100%, something the Committee needed to be mindful of as the Fund moves towards the next full triennial valuation expected to be carried out by 31 March 2025 with new contribution rates set from 1 April 2026.

The report included the Committee's Independent Advisor's market background for Q3 alongside which the Committee received a commentary from Nick Jellema, Hymans Robertson as to the current economic market position.

Looking at the overall performance of the Fund and its closing value at Q3, reference was made to a short-term loan of £5.8m. The Investment Fund Manager explained that there were lots of asset movements between Fund Managers and as the Fund did not hold a significant amount of cast the loan was taken as a short-term arrangement only.

Looking at the performance of individual Fund Managers it was noted that the returns from Baillie Gifford were not particular strong when viewed over both one and three years.

The Investment Fund Manager responded that when considered over the preceding 10-year period they had matched the benchmark. However, acknowledging the more recent poorer performance it was noted that LCIV were monitoring the situation, and it may well be that along with a number of other underperforming managers it would be prudent to arrange to meet with Baillee Gifford to discuss their performance records. However, the Investment Fund Manager was at pains to state that overall the Fund was performing well.

In noting the current economic outlook Hymans Roberson were asked to speculate about the future direction of the Base Rate? Nick Jellema supported the market expectations that there were likely to be a series of modest percentage point reductions in the Base Rate over the coming year, which depending on quickly the rate of inflation drops, could see a rate of around 4%/5% by the end of 2024/early 2025.

Clearly this will be dependent on many world factors such as the ongoing war in Ukraine together with the continued underlying effects brough about by the pandemic, the overall consequences of which could potentially disrupt commodity markets and in turn push up inflation. John Raisin, the Independent Advisor affirmed the view that the Bank of England would remain cautious as to the timings and size of any reductions in the Base Rate.

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) Funding levels update from Barnett Waddingham, and the

(iv) The quarterly performance of the Funds collectively and that of Fund Managers individually.

12. Administration and Governance Report

The report presented by the Pension Fund Accountant provided an update on the administrative and governance changes that had occurred since the last meeting and the potential impact that the changes may have on the Pension Fund going forward. It set out the Fund's one and three-year cashflow forecast (1 April 2023 - 31 March 2026), an update on the London Collective Investment Vehicle (LCIV) as the Fund moved towards more pooled investments, the McCloud (age discrimination in the LGPS) summary (as further referenced in the Independent Advisor's update under minute 14), Member Self Service implementation and the Internal Audit of the Pension Fund.

In response to the report and specifically the Internal Audit, the Investment Fund Manager provided more information on work undertaken by management to address the two risk areas identified through the Review namely checking and verifying life certification of oversees Pensioners and meeting minimum standards in responding to service requests to stakeholders.

The Committee noted that following the launch and notification of the Member Self-Service Pension Portal in the Summer, to date just over 2,000 from a total of 6,000 members had registered to use the service. Subsequent communications would continue to be issued to encourage more members to register.

In response to a question about the investment performance of the London CIV, the Investment Fund Manager commented that the figures in the quarter 30 June to 30 September showed the negative difference in the fund totals held by the LCIV was brought about by the movement of funds from Baillee Gifford to the global Bond Fund. This was not a reflection of the LCIV's investment performance which would continue to be monitored.

The Committee **NOTED** the report.

13. Admitted Body Status

The Committee received a report from the Pension Fund Accountant regarding applications for Admitted Body status to the Council's Pension Fund from Taylor Shaw and Alliance in Partnership, providers of school catering, both of whom had recently secured contracts to supply catering to Borough Schools.

The Committee **resolved** that both applications be approved as 'closed' agreements.

14. Independent Advisor- LGPS Update

The Committee's Independent Advisor presented his quarterly update on the Local Government Pension Scheme (LGPS) which covered the following matters:

- The outcome of the recent Government Investment Consultation exercise,
- An update on the long-awaited regulations on Climate Change reporting, and the
- Further consultation on 'McCloud' (age discrimination in the LGPS),

The Committee **noted** the update.

15. Business Plan 2024-26

The Investment Fund Manager introduced the report on the Pension Fund Business Plan 2024 to 2026, which set out the key tasks for the Pension Committee for the said period, reflecting the Committee's commitment to ensure the future Investment Strategy and monitor procedures to enable the Fund to meet its objectives and comply with best practice. Quarterly progress updates on the Business Plan would be reported to the Committee.

Reference was made to the general training and events that will be provided to Committee Members to enable them to accord with CIPFA's Knowledge and Skills Framework which covered seven areas of knowledge and skills identified as being the core technical requirements for those involved in decision making. In that respect a series of future training sessions would be held forming part of the meeting cycle in the coming year.

The Committee **resolved** to agree the Business Plan for 2024- 2026 as set out in the report.

16. Investment Strategy and Structure Review

The Pension Fund Accountant presented an outline of the Fund's Investment Strategy and Structure Review and progress with its implementation. The Review considered the scope to improve the chances of achieving the Fund's primary objective and the risk return profile of the Fund's investments, optimizing diversification benefits where possible, whilst being mindful of contribution rate affordability and income requirements.

The Committee **noted** both the Investment Strategy and Structure Review by Hymans Robertson and its implementation in accordance with the steps agreed at the last meeting (minute 8 refers).

PENSIONS COMMITTEE

20 March 2024

Title: Pension Fund Quarterly Monitoring 2023/24 – 1 October to 31 December 2023	
Report of the Chief Operating Officer	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: Jesmine Anwar, Pension Fund Accountant	**Contact Details:** Tel: 020 8227 3763 E-mail: jesmine.anwar@lbbd.gov.uk
Accountable Director: Jo Moore, Interim Strategic Director Finance and Investment (Section 151)	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive	
Summary This report provides information for employers, members of London Borough of Barking and Dagenham Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 October to 31 December 2023. 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 the report, and (iii) the quarterly performance of the fund collectively and the performance of the fund managers individually.	

1. Introduction and Background

1.1 This report provides information for employers, members of the LBBD Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 October to 31 December 2023 ("Q4"). The report updates the Committee on the Fund's investment strategy and performance. Appendix 1 provides a definition of terms used in this report. Appendix 2 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 19 March 2024 will be provided to Members at the Pension Committee.

2. Independent Advisors Market Background (Q4 2023)

2.1 The October to December Quarter was clearly positive for both Equities and Bonds. After a negative October both November and December were strong months for Equities and Bonds. Losing 3% (in US $ terms) in October the MSCI World Index then experienced a strong two-month rally resulting in the index gaining over 11% over the Quarter. Reducing and lower than anticipated levels of reported inflation in the US and Eurozone in November and December led to widespread financial market expectations that interest rates would not increase further and would clearly reduce in 2024. This, coupled with a more dovish stance by the US Federal Reserve (at its December meeting), clearly boosted Equity markets and Bond markets in November and December 2023. Those Equities, such as Information Technology, which are most sensitive to (anticipated) interest rate changes performed particularly well.

2.2 The Quarter started off negatively for Equities in the United States as elsewhere. The S&P 500 index declined by 2% during October with market expectations of high interest rates for longer (likely influenced by the statement by Chair Jay Powell at the conclusion of the Federal Open Markets Committee meeting on 20 September when he clearly did not rule out possible “additional policy firming” together with headline CPI for September (reported in October) remaining static at 3.7%), and also the conflict in the Middle East which broke out on 7 October 2023.

2.3 In contrast to October both November and December 2023 were positive for US Equities. In November and December US Equity markets were boosted by renewed expectations that interest rates had not only peaked but would fall in 2024. The reduction in headline CPI from 3.7% in September to 3.2% in October (which was reported on 14 November) led markets to anticipate that rates would likely fall. This view was supported by the further reduction in CPI to 3.1% in November (reported 12 December) and by the outcome of the meeting of the US Federal Reserve Federal Open Markets Committee (FOMC) which concluded on 13 December. Not only did the FOMC hold interest rates for the third consecutive meeting, but projections issued at the end of the meeting indicated that FOMC participants anticipated rate cuts totalling 0.75% during 2024. The S&P index gained 9% in November and over 4% in December. After allowing for the decline in October the S&P 500 index gained over 11% during the final Quarter of 2023.

2.4 At the meetings of the US Federal Reserve Federal Open Markets Committee held on 31October/1 November and 12-13 December the Federal Funds Rate (the benchmark interest rate) was held at 5.25-5.5%. However, further evidence of cooling US inflation was provided by the Core PCE (Personal Consumption Expenditures Index) which is closely observed by the US Federal Reserve when determining monetary policy. Although the Index remained above the target of 2% it reduced from 3.6% in September, to 3.4% in October, to 3.2% in November and 2.9% in December 2023. The 3.2% November figure reported on 22 December was taken by market participants/commentators as a further indication of likely interest rate cuts in 2024.

2.5 While October was negative Eurozone Equities also experienced a clearly positive November and December 2023 with the MSCI EMU index gaining almost 8% (in Euro terms) over the Quarter. Inflation figures from the Eurozone (as well as the US) were lower than had been anticipated and were supportive of Equities and Bonds. The Harmonised Index of Consumer Prices (HICP) for October (which influenced markets in November) was 2.9% compared to 4.3% for the previous month. The November

HICP inflation reading fell further to 2.4%. In contrast to the decisions at its previous ten meetings (to increase rates) the Governing Council of the European Central Bank kept interest rates “unchanged” at its meeting held on 26 October 2023. At its meeting on 14 December the Governing Council again kept interest rates “unchanged”.

2.6 The October and December decisions of the ECB along with the statements issued/made to accompany these decisions reassured markets that the ECB has ended its long sequence of interest rate rises (which began in July 2022). Both the Press Releases and Press Conferences (led by ECB President Christine Lagarde) following the October and December meetings, however also, clearly indicated that the ECB will be cautious in respect of decisions to reduce interest rates. The Press Releases issued after the October and December meetings included the statement “The Governing Council is determined to ensure that inflation returns to its 2% medium-term target in a timely manner. Based on its current assessment, the Governing Council considers that the key ECB interest rates are at levels that, maintained for a sufficiently long duration, will make a substantial contribution to this goal. The Governing Council’s future decisions will ensure that its policy rates will be set at sufficiently restrictive levels for as long as necessary.”

2.7 United Kingdom CPI inflation which had been 6.7% in August remained at 6.7% in September (as reported by the Office for National Statistics (ONS) on 18 October 2023). However, the October data (released on 15 November) showed a significant decline to 4.6% which was lower than market/economists’ expectations. The November CPI data (released 20 December) recorded a further notable decline to 3.9% which again exceeded expectations. The Bank of England at its Monetary Policy Committee (MPC) meetings on both 2 November and 14 December retained Bank Rate at 5.25%. These represented the second and third successive meetings at which interest rates had been held rather than increased. However, like the European Central Bank, the Bank of England also indicated clear caution regarding actual interest rate cuts. The Monetary Policy Summary issued at the end of the December meeting included the statement “Monetary policy will need to be sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term, in line with the Committee’s remit. As illustrated by the November Monetary Policy Report projections, the Committee continues to judge that monetary policy is likely to need to be restrictive for an extended period of time.”

2.8 The apparent ending of monetary policy tightening (interest rate rises) by the Bank of England together with clearly lower than anticipated inflation and a weak/weakening economy (as indicated by GDP data released by the ONS on 10 November and 13 December) were all indicators suggesting to markets/economists (notwithstanding cautionary statements by the Bank of England) that could indicate/result in forthcoming cuts to Base Rate. In this environment UK Equities also rose over the Quarter but, as a whole, by less than US or Eurozone stocks. The FTSE All Share advanced 4.5% over the Quarter.

2.9 Japanese Equities, although underperforming world markets as a whole, also experienced a positive Quarter with the Nikkei 225 advancing by 5% (in Yen terms). Japanese inflation which was 3.0% in September rose to 3.3% in October before falling back to 2.8% in November and 2.6% in December. Overall, however, this indicated continuing evidence that Japan has genuinely exited its prolonged period of extremely low inflation with price increases exceeding the Bank of Japan’s 2% target since April 2022. Indeed, the Bank of Japan expects inflation to continue to exceed 2% throughout

2024 with the “Statement on Monetary Policy” issued following the 18-19 December monetary policy meeting including the statement that “The year-on-year rate of increase in the CPI (all items less fresh food) is likely to be above 2 percent through fiscal 2024.”

2.9 The Bank of Japan continued to be the only major Central Bank to retain negative interest rates. At both its meeting held on 30-31 October and 18-19 December short term interest rates were maintained at -0.1%. However, at the October meeting there was (as at the July meeting) a further small softening of the monetary policy approach in that the Bank’s 10 Year Japanese Government Bond Yield target limit of 1% was changed from a solid limit to “a reference.” Therefore, the Bank changed its policy to allow yields on 10 Year Japanese Government Bonds to rise above 1%. Notably, however, at the press conference following the December policy meeting Kazuo Ueda the Governor of the Bank of Japan was clear that the Bank of Japan was not yet ready to determine its exit from its ultra loose monetary policy approach and that if it did interest rates would (only) rise slowly.

2.10 Asian Markets (excluding Japan) and Emerging Markets also clearly advanced during the Quarter. The MSCI Emerging Market Index gained 8% (in US $ terms) while the MSCI Asia (excluding Japan) Index gained over 6%. While both Asian and Emerging Market Equities had, overall, a negative October (as did world Equities as a whole) they gained particularly in November and also advanced in December. Increased expectations of US interest rate reductions positively affected markets. Chinese Equities however again performed negatively over the Quarter in the light of continuing concerns regarding the Chinese economy including in respect of the property market and the (lack of) extent of government measures to stimulate the economy.

2.11 In contrast to the previous two Quarters the October to December Quarter was overall, very positive for the benchmark Government Bonds with yields clearly falling and prices therefore clearly rising. This is demonstrated by the notable reduction in the yields of all of the US, UK and German 2,10- and 30-year Bond Yields. For example, the yield on the 10 Year US Treasury fell from 4.57% to 3.88% while that on the 10 Year Gilt fell from 4.44% to 3.54%. Corporate Bonds also had a very successful Quarter. Market expectations of interest rate reductions sooner rather than later (influenced heavily by falling and indeed lower than expected inflation) were doubtlessly a major factor in this.

3. Overall Fund Performance

3.1 The Fund’s closed Q4 valued at £1,390.20m, an increase of £61.7m from its value of £1,328.46 at 30 September 2023. Cash held by the Fund was £0.6m giving a total Fund value of £1,391.40. The gross value includes a short-term loan to the council of £14.5m. Adjusting for this increases the Q4 value to £1,405.30m, an increase of £70.7m from the 30 September 2023 figure of £1,334.57m

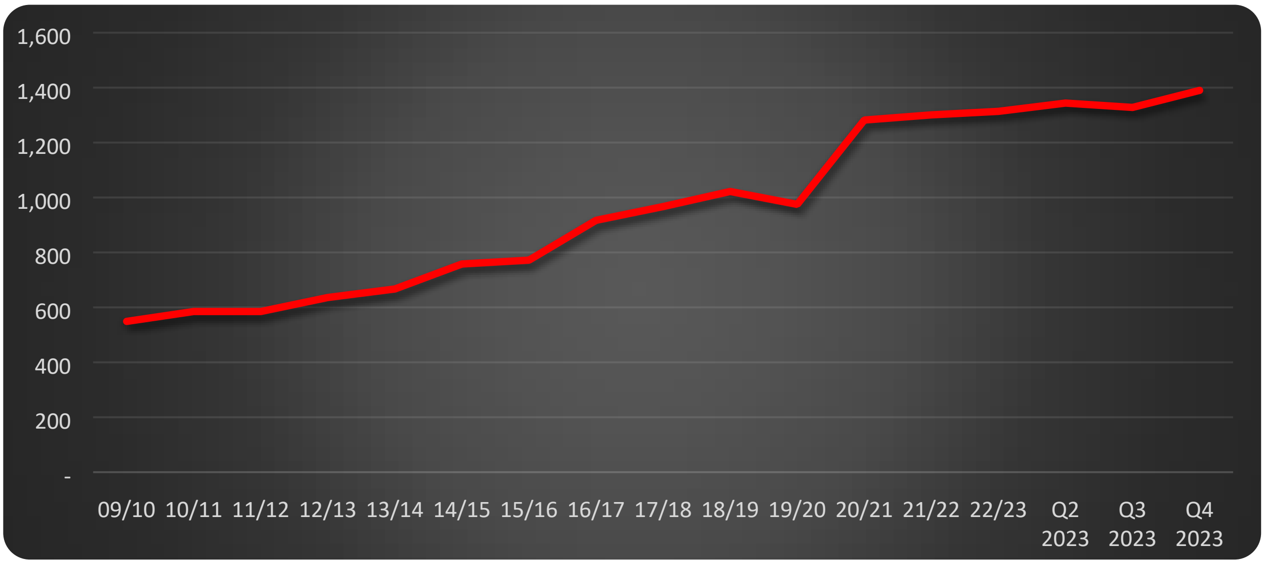
3.2 For Q4 the Fund returned 5.1%, net of fees, outperforming its benchmark of 4.5% by 0.6%. Over one year the Fund underperformed its benchmark by 1.7%, returning 9.7% and underperformed the benchmark by 2.7% over three years, returning 4.7%. The Fund has also underperformed its benchmark over five years by 1.5%, returning 7.5%. Compared to the LGPS universe of Funds, represented below by the PIRC Universe, the Fund has outperformed by 1.7% over one year and underperformed over two years by 0.3%. The Fund’s returns are below:

Table1:

Year	2023				2022				One Yr	Two Yrs	Three Yrs	Five Yrs	Ten Yrs
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1					
Actual Return	5.1	(0.5)	2.0	3.1	2.9	(1.2)	(6.3)	(2.8)	9.7	1.2	4.7	7.5	7.5
Benchmark	4.5	0.6	2.9	3.5	1.6	0.1	(4.0)	(0.6)	11.4	4.3	7.4	9.0	8.6
Difference to Benchmark	0.6	(1.1)	(0.9)	(0.4)	1.3	(1.3)	(2.3)	(2.2)	(1.7)	(3.1)	(2.7)	(1.5)	(1.1)
PIRC Universe	4.6	0.9	1.9	2.9	1.0	(0.3)	(4.8)	(3.2)	8.0	1.5	4.8	7.0	7.4
Difference to PIRC	0.5	(1.4)	0.1	0.2	1.9	(0.9)	(1.5)	0.4	1.7	(0.3)	(0.1)	0.5	0.1

Fund's Quarterly and Yearly Returns

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

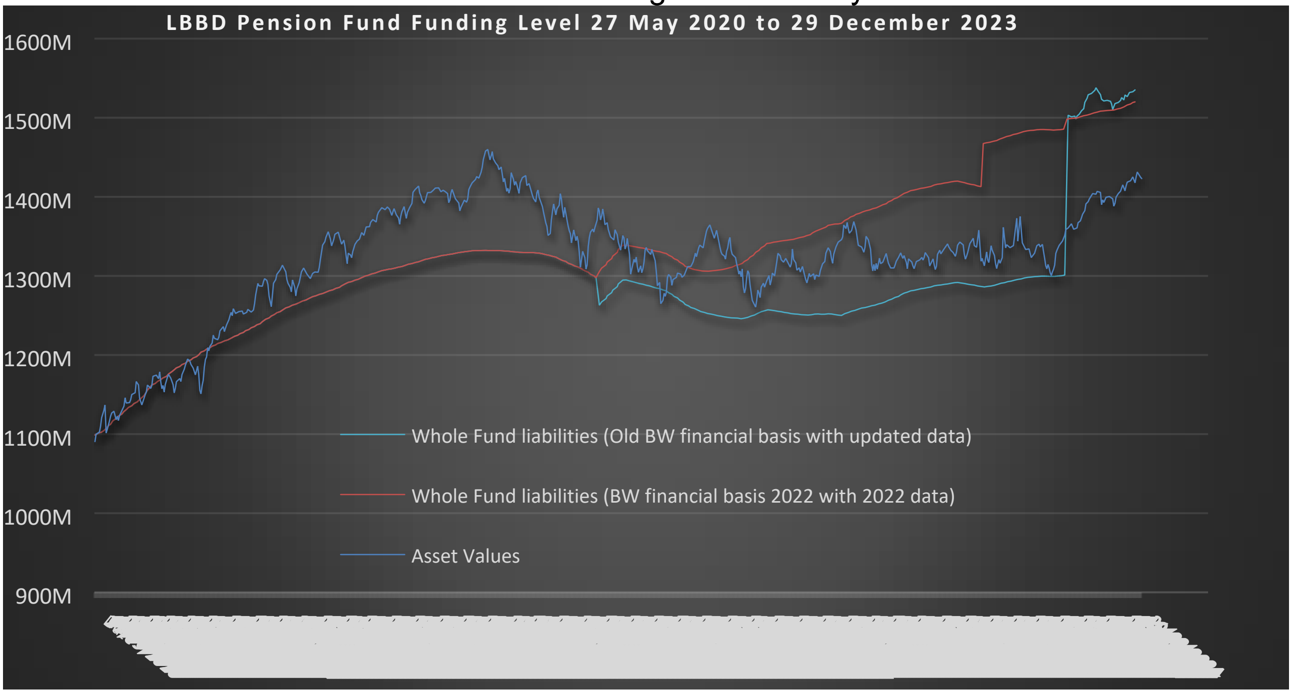


3.4 The fund manager's performance has been scored using a quantitative analysis compared to the benchmark returns, defined below:

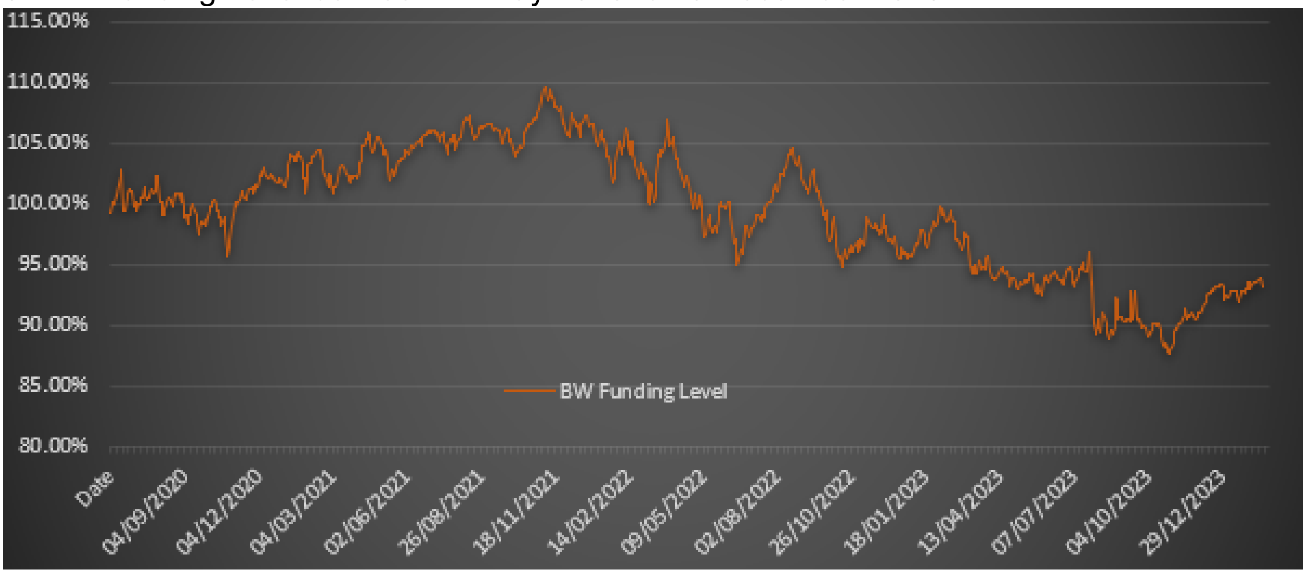
	RED- Fund underperformed by more than 3% against the benchmark
Δ	**A**MBER- Fund underperformed by less than 3% against the benchmark
O	**G**REEN- Fund is achieving the benchmark return or better

3.5 The chart below illustrates changes in the market value, the liability value, the Fund's deficit and the funding level from 31 March 2013 to 29 December 2023. The Fund's strategy has been set up to be able to positively respond to increasing yields and therefore the current economic environment supports the strategy, even if the return has been negative. The triennial results will likely change the assumptions used in producing the funding level, although there is the potential for this to improve the position further.

3.6 The chart below shows the Funds funding Level 27 May 2020 to 29 December 2023



3.7 Funding Level between 27 May 2020 to 29 December 2023



3.8 Currently, given the high interest rates, there has been a reduction in funding level from 100.8% as of 31 March 2022 to 93.3% as at 14 February 2024.

3.9 Inflation is currently running higher than anticipated and asset returns since the last valuation are lower than anticipated, both of which have served to reduce general funding levels within the LGPS, all else being equal. Models that are linked to gilt yields will have projected an increase in LGPS funding levels because of a significant increase in gilt yields since the last valuation date, an increase in the real discount rate and a decrease in liabilities. The Fund valuation model is linked to the actual long-term investment strategy of the Fund and changes in gilt yields have not affected the value of the liabilities materially.

3.10 **Table 2 – Fund Manager Q4 2023 Performance**

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	(0.8)	2.7	(3.5)	
Baillie Gifford	8.1	6.4	1.6	O
BlackRock	(2.4)	(1.2)	(1.3)	Δ
Hermes GPE	(0.1)	1.4	(1.5)	Δ
Kempen	3.8	6.7	(2.9)	Δ
Newton	5.2	2.0	3.2	O
Pyrford	4.5	1.3	3.2	O
Pimco	7.5	7.0	0.5	O
Insight	7.6	1.0	6.6	O
UBS Bonds	8.1	8.1	0.0	O
UBS Equities	8.9	8.9	0.0	O

Table 2 highlights the Q4 2023 returns with a number of greens, indicating a number of positive returns. Insight performed well in the quarter returning 7.6% outperforming the benchmark by 6.6%, reflecting the index linked bond performance. Newton and Pyrford had positive returns of 5.2% and 4.5% respectively outperforming the benchmark by 3.2%. This investment is meant to provide protection in the current market conditions. Kempen the funds equity manager returned 3.8% underperforming the benchmark by 2.9%. BlackRock's performance was negative returning -2.4% over the quarter underperforming its benchmark by 1.3%.

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

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	6.1	10.4	(4.3)	
Baillie Gifford	11.5	15.1	(3.6)	
BlackRock	(3.5)	(1.4)	(2.1)	Δ
Hermes GPE	0.4	5.8	(5.4)	
Kempen	9.2	15.9	(6.7)	
Newton	2.5	7.6	(5.1)	
Pyrford	5.6	9.8	(4.2)	
Insight	14.1	4.0	10.1	O
UBS Bonds	4.2	4.1	0.1	O
UBS Equities	20.2	20.2	0.0	O

Over one-year there are even greater variations between managers but more red returns indicating a number of negative returns, with Blackrock providing a negative return of 3.5% and underperforming its benchmark by 2.1%, while Insight provided a positive return of 14.1% outperforming the benchmark by 10.1%. Kempen returned 9.2% underperforming its benchmark of 15.9% by 6.7%.

3.12 **Table 4 – Fund manager performance over three years**

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Abrdn	9.8	7.4	2.4	O
Baillie Gifford	(1.5)	8.8	(10.3)	
BlackRock	0.4	2.1	(1.6)	∆
Hermes GPE	7.2	5.9	1.3	O
Kempen	11.3	9.8	1.5	O
Newton	0.7	5.4	(4.7)	
Pyrford	3.6	13.7	(10.1)	
Insight	3.7	4.0	(0.4)	∆
UBS Bonds	(9.2)	(9.2)	0.0	O
UBS Equities	8.7	8.7	0.0	O

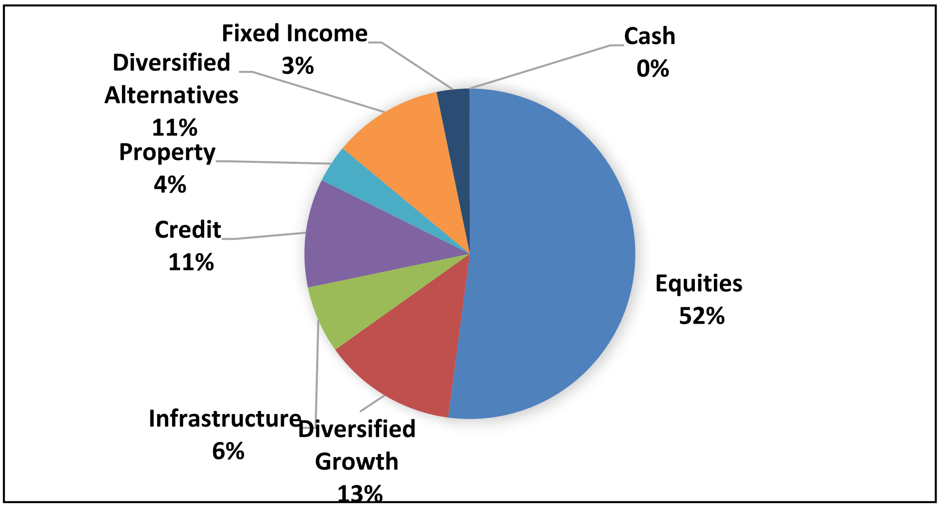
Over three years, returns ranged from (9.2%) for UBS bonds to 11.3% for Kempen. UBS Equities and Abrdn have provided solid returns, with UBS providing a return of 8.7% and Abrdn providing 9.8% over three years.

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

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

Fund Manager	Asset (%)	Market Values (£Ms)	Benchmark
Aberdeen Standard	10.8%	149.52	3 Mth LIBOR + 4% per annum
Baillie Gifford	15.2%	211.58	MSCI AC World Index
BlackRock	3.7%	51.08	AREF/ IPD All Balanced
Hermes GPE	6.6%	91.59	Target yield 5.9% per annum
Kempen	15.5%	215.06	MSCI World NDR Index
Newton	5.9%	81.49	One-month LIBOR +4% per annum
Pimco	5.3%	73.87	Bloomberg Global Aggregate Credit
Pyrford	7.2%	99.80	UK RPI +5% per annum
Mellon Corporation	5.3%	73.88	3 Mth LIBOR + 4% per annum
UBS Bonds	3.2%	44.29	FTSE UK Gilts All Stocks
UBS Equities	21.4%	297.90	FTSE AW Developed Tracker
LCIV	0.0%	0.15	None
Cash	0.0%	0.60	One-month LIBOR
Fund Value	100.0%	1,390.80	
ST Loan		14.5	
Net Fund Value		**1,405.30**	

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



4.3 The strategy is slightly overweight equities and almost nearer the higher of the range at 52.1%. Cash excludes the pre-payment and short-term borrowing from the council and shows that the Fund is fully invested. The Fund is below the exposure to infrastructure, but this will be reviewed.

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	52.1%	50%	2.1%	48-53
Diversified Growth	13.0%	13%	0.0%	11-15
Infrastructure	6.6%	8%	-1.4%	6-8
Credit	10.6%	9%	1.6%	6-9
Property	3.7%	4%	-0.3%	3-5
Diversified Alternatives	10.8%	11%	-0.2%	10-12
Fixed Income	3.2%	5%	-1.8%	4-5
Cash	0.0%	0%	0.0%	0-1

5. Fund Manager Performance

5.1 Kempen

Kempen	2023				2022				One Year	Three Years	Since Start 6/2/13
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£215.06m	**%**	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**3.8**	1.9	1.8	1.7	10.0	(1.6)	(3.1)	0.1	9.2	11.3	8.5
Benchmark	**6.7**	0.6	3.9	4.8	1.9	2.1	(9.1)	(2.4)	15.9	9.8	11.9
Difference	**(2.9)**	1.3	(2.1)	(3.1)	8.1	(3.7)	6.0	2.5	(6.7)	1.5	(3.4)

Reason for appointment

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

Performance Review

The strategy underperformed its benchmark by 2.9% for Q4 and has underperformed over one-year by 6.7% and outperformed over three years by 1.5%. Kempen has underperformed its benchmark since inception by 3.4% but providing an annualised return of 8.5%. Overall the strategy has provide solid returns over a number of quarters, with a strong outperformance against its benchmark.

Strategy Drivers

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

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

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

5.2 Baillie Gifford

Baillie Gifford	2023				2022				One Year	Three Years	Since Start 6/2/13
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£211.58m	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**8.1**	(4.4)	3.2	4.6	1.2	1.0	(12.1)	(12.4)	11.5	(1.5)	11.8
Benchmark	**6.4**	0.7	3.4	4.5	2.0	1.5	(8.4)	(2.5)	15.1	8.8	11.6
Difference	**1.7**	(5.1)	(0.2)	0.1	(0.8)	(0.5)	(3.6)	(9.9)	(3.6)	(10.3)	0.2

Reason for appointment

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

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

Performance Review

For Q4 BG returned 8.1%, outperforming its benchmark by 1.7%. BG's one-year return was 11.5%, underperforming its benchmark by 3.6%. Since initial funding, the strategy has returned 11.8% p.a. outperforming its benchmark by 0.2%. In stark contrast to Q3 2023, the Sub-fund performed strongly in the fourth quarter on the back of a market environment that favoured growth stocks once again. Evidence of this more supportive environment can be seen in the forward earnings estimates for the strategy which have increased significantly over the last year. According to the investment manager, at the end of December 2022, the aggregate three-year forward consensus earnings forecast for the Global Alpha strategy was barely ahead of the market at 5.4% vs 5.2% (in USD). This was misaligned to the investment manager's view on the outlook for these companies. Since then, the same metric to the end of November 2023 had nearly tripled, to 15%. In contrast, the figure for the broad market, at 6%, had barely moved.

The other performance driver for the portfolio was better execution. Under the market scrutiny that the high interest environment and weak stock performance caused, several portfolio companies were forced to focus operations, cut costs, and improve efficiencies. One notable example was Shopify which has recovered its mojo and was the second largest stock relative performance contributor in Q4 and over the 12-month period, shedding its experiment with logistics to refocus on its vision of making e-commerce easier for everyone. A leaner, more focused Shopify is already being rewarded with projected revenue growth in the mid-20%s and a dramatic increase in profitability.

LCIV Summary

Forecast tracking error remained broadly unchanged in Q4 at 5.4 compared to 5.3 at the end of December 2023 (source: Bloomberg Enterprise). About 25% of the active risk is stock specific. Most of the balance is attributed to style, ‘growth’ specifically, and sector factors. Variances in Sub-fund sector positioning relative to the benchmark are large. The number of positions held was 95, increased by 1 compared to the previous quarter.

The Sub-fund presents a strong fundamental profile which is aligned to expectations. The investment manager has revisited the growth thesis for portfolio companies which performed strongly in 2023 to reassess the potential for their share prices to double in the next five years. This is a valuable input when sizing individual positions and considering the extent to which the Sub fund is exposed to ‘clustering’ around thematic and economic drivers.

There were three notable additions to the Sub-fund holdings over the quarter: the financial services business Block, the Chinese e-commerce platform Pinduoduo (“PDD”), and the Chinese manufacturer of lithium-ion battery cells CATL. According to the investment manager, Block (who owns Square and CashApp) is expected to benefit from a combination of rapidly improving fundamentals and a highly attractive valuation, should earnings inflect as they expect. Block was co-founded by the renowned innovator Jack Dorsey who remains a member of its leadership team.

Three positions were fully sold over the quarter. Farfetch, the online luxury goods platform was sold after rumours emerged surrounding its potential go private deal, the subsequent delay in releasing its Q3 earnings report, and the withdrawal of previous guidance. The investment manager exited the position in the gene sequencing company Illumina, following a period of regulatory scrutiny and management changes at the company which caused them to lose confidence in the Board and management. The holding in Rio Tinto, the metals and mining giant, was sold due to recent management changes and strategic shifts that have led the investment manager to reassess the investment thesis.

This was a strong quarter for the Sub-fund which outperformed significantly on the back of a more favourable market environment for growth stocks; but importantly also due to idiosyncratic, stock specific factors. Clearly, performance remains volatile as the strong Q4 followed a very weak Q3, so the manages remain cautious and continue to monitor carefully how the investment manager positions the Sub-fund. The next investment deep dive will be conducted ahead of schedule in February 2024.

5.3 UBS Equities

UBS Equities	**2023**				**2022**				**One Year**	**Three Years**	**Since Start 31/08/12**
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£297.90m	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**8.9**	(1.6)	6.2	6.7	5.8	(3.1)	(12.9)	(4.0)	20.2	8.7	12.6
Benchmark	**8.9**	(1.6)	6.2	6.7	5.8	(3.1)	(12.9)	(4.0)	20.2	8.7	12.6
Difference	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Reason for appointment

UBS 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 8.9% for Q4 and 20.2% over one year. Since funding in August 2012, the strategy has provided an annualised return of 12.6%.

Equities

Following the FTSE quarterly review in December, two stocks were added to and seven stocks were deleted from the index, along with various changes in the shares in issue of the index constituents. Two-way turnover totalled 0.75%. Also, during the quarter but outside of the review, Veralto Corporation was added to the index following spin-off from Danaher Corp. Sandoz Group was added to the index following spin-off from Novartis. Horizon Therapeutics, Activision Blizzard and Seagen Inc were deleted from the index following acquisition for cash. VMware was deleted from the index following acquisition by Broadcom for cash and shares. As a result, Broadcom's weight in the index increased.

Signs that cooling inflation would allow central banks to begin lowering interest rates in 2024 without deterioration in economic growth fuelled another month of strong gains in financial markets during December. The vast majority of regional equity indexes rose over the course of the month.

5.4 UBS Bonds

UBS Bonds	2023				2022				One Year	Three Years	Since Start 5/7/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£44.29m	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**8.1**	(0.6)	(5.4)	2.1	1.7	(12.9)	(7.4)	(7.2)	4.2	(9.2)	1.0
Benchmark	**8.1**	(0.6)	(5.4)	2.1	1.7	(12.9)	(7.4)	(7.2)	4.1	(9.2)	1.0
Difference	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	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 8.1% for Q4, 4.2% for one year and -9.2% for three-year return. Since inception the strategy has returned 1.0%.

Review

The All-Stock Gilt index returned 8.11% in sterling terms over the quarter. In yield terms, 2-year nominal yields fell by 0.90% to 4.08% and 10 year nominal yields fell by 0.89% to 3.68%. The modified duration of the index is 8.90 years. The Bank of

England's Monetary Policy Committee increased the policy rate to 5.25%. The UK Debt Management Office held 13 nominal bond auctions during the quarter across a range of maturities.

The US economy remained resilient as inflation continued to cool in November. Labor market conditions remain solid, with initial jobless claims ending the month at 218,000 and the economy adding 199,000 jobs in November. The unemployment rate moderated to 3.7 percent from 3.9 percent in October despite the labor force participation rate ticking higher. Consumer spending, the backbone of the economy, continues apace, with the retail sales control group up 0.4 percent month-on-month in November. The November CPI report was largely in line with expectations; a lower-than-anticipated reading of the producer price index, where the core number was flat month-on-month, put downside pressure on estimates for core PCE inflation the Federal Reserve's preferred gauge of inflationary pressures. Core PCE ultimately rose 0.1 percent month-on-month in November, below expectations; six-month annualized core PCE inflation is now running at 1.9 percent.

The Federal Reserve held rates unchanged at 5.375 percent at its December meeting, as expected. The statement contained a modest tightening bias, but the central bank's "dot plot" implied that policy rates would be 75 basis points lower at the end of 2024 if economic conditions evolved in line with their outlook. Fed Chair Jerome Powell indicated that rate cuts were discussed at the meeting and did not push back against any of the easing of financial conditions (higher stock and bond prices) that had occurred since the November meeting.

5.5 Pimco

Pimco	2023				2022				One Year	Three Years	Since Start 18/07/2023
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£73.87	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**7.5**	(2.1)							5.4		4.9
Benchmark	**7.0**	(2.0)							5.0		4.5
Difference	**0.5**	(0.1)							0.4		0.4

Reason for appointment

Pimco were appointed as the increase in bond yields over the past year significantly increased the attractiveness of fixed income assets, including investment grade credit. Although slowing earnings growth may weigh on company debt affordability going forward, high interest coverage levels and lower leverage mean that the funds advisor doesn't anticipate a very high level of defaults and downgrades. The investment was completed in 3 tranches of £20m in July 2023, £25m in August 2023 and £25m in September 2023.

Performance and Investment Update

Pimco returned 7.5% for Q4 against a benchmark of 7.0% and returned 4.9% since inception. Credit markets faced a challenging environment at the start of the quarter as headwinds from Q3 remained prevalent in October, particularly due to the 'higher for longer' interest rates narrative. Against that backdrop, the investment manager increased the Sub-fund's duration by 0.4 years with a view that duration had been oversold heading into the quarter, a thesis which contributed positively to overall performance after significant declines in yields across the interest rate curve. The investment manager also shifted the key rate duration exposure tactically, expecting normalisation of the yield curve, which proved to be another performance tailwind over the quarter.

Leading into the quarter, the investment manager also increased the portfolio's exposure to generic credit risk. However, mindful of weaker growth prospects ahead, credit beta was added in high quality issues within non-cyclical sectors, and the performance outcome was marginally positive.

The primary driver for the outperformance over the last quarter was security selection, which was positive across all credit sectors. Non-financials led the way, particularly within the information technology sector. Sector allocation also contributed positively, mainly due to an overweight to financials and emerging markets debt. Additionally, the Sub-fund's small allocation to high yield was also a positive contributor due to the relatively strong performance of the asset class.

Leading into the fourth quarter, the Sub-fund was rightly positioned by the investment manager to reap the benefits of a decline in yields and a narrowing of spreads on credit assets. The yield to maturity of the Sub-fund, because of the moves in the credit markets, dropped from 6% to 5% over the quarter. Additionally, the portfolio's rating has dropped one notch to A and is now in line with the benchmark. This was the result of profit taking, a decrease in high quality short-term notes, and a slight increase in high yield exposure.

5.6 BlackRock

BlackRock	2023				2022				One Year	Three Years	Since Start 1/1/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£51.08m	%	%	%	%	%	%	%	%	%	%	%
Actual Return	**(2.4)**	(0.7)	(0.4)	0.0	(14.4)	(4.4)	2.9	6.8	(3.5)	0.4	0.5
Benchmark	**(1.2)**	(0.4)	0.4	(0.2)	(14.1)	(4.0)	3.9	5.6	(1.4)	2.1	3.4
Difference	**(1.2)**	(0.3)	(0.8)	0.2	(0.3)	(0.4)	(1.0)	1.2	(2.1)	(1.6)	(2.9)

Reason for appointment: In December 2012, a sizable portion of the Fund's holdings with Rreef were transferred to BlackRock (BR). The transfer to BR provides the Fund with access to a greater, more diversified range of property holdings within the UK. In 2021 the allocation to BlackRock was increased following the closure of the Schroders SIRE fund.

Q4 2023 Performance and Investment Update

BR returned -2.4% for Q4 against a benchmark of -1.2%, returned -3.5% over one year against a benchmark of -1.4%. The Fund's valuers have a highlighted increased volatility and uncertainty in their valuations. This is not a 'material uncertainty clause' as was seen during COVID, however the valuers are relying more on sentiment than transaction evidence. The LDI crisis and associated bond market crash had several impacts on the UK property market.

Market Conditions

Amidst this backdrop, the Fund's ability to defer paying out all redemptions under such circumstances is designed to protect all investors from the Fund being a 'forced seller'. The Fund's philosophy, whilst not forced, is to be a 'committed seller' and the team has worked tirelessly to generate liquidity for those redeeming investors looking to divest from the market at this sub-optimal point in the cycle. Over the course of 2023, the manager has sold over £540 million of real estate (40% of this in Q4), returning over £360million to redeeming investors Additionally, they have paid down £80 million of debt in 2023, following £40m that was repaid in Q3 2022. In Q4, a full (£60m) repayment of the utilised amount of the Fund's revolving credit facility with Lloyds was made in an effort to eliminate the performance drag associated elevated borrowing costs.

Due to the volume of redemption requests received in 2022, compounded with reduced liquidity in the real estate market, the Fund has been deferring and partially repaying redemptions in quarterly tranches to manage liquidity effectively and continue to consistently return capital to redeeming investors on a quarter-by-quarter basis. This strategy of providing measured and consistent liquidity ensures all investor are treated fairly, protects the interests of remaining investors, and ensure the Fund may continue to execute its long-term business plan of upweighting allocations towards sectors driven by structural mega trends and reduce exposure to stagnant sectors such as offices.

Transactions: By the close of the fourth quarter, the Fund had unconditionally exchanged or completed on £227 million of sales across seven transactions.

5.7 Hermes

Hermes	**2023**				**2022**				**One Year**	**Three Years**	**Since Start 9/11/2012**
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£91.59m	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**(0.1)**	0.0	0.5	(0.1)	0.8	10.5	(1.0)	10.5	0.4	7.2	7.8
Benchmark	**1.4**	1.4	1.4	1.5	1.4	1.4	1.4	1.5	5.8	5.9	5.9
fference	**(1.5)**	(1.4)	(0.9)	(1.6)	(0.6)	9.1	(2.4)	9.0	(5.4)	1.3	1.9

Reason for appointment

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

Performance

Hermes returned -0.1% in Q4 underperforming the benchmark by 1.5%. Over one year the strategy reported a one-year return of 0.4%, underperforming its benchmark by 5.4%. Since inception the strategy has provided a good, annualised return of 7.8%, outperforming its benchmark by 1.9%.

The remaining interests in HIF I are A Shade Greener I and II ("ASG"), the Innisfree funds and Southern Water. The managers intention is to wind up the Fund through disposal of the remaining assets. The sale of HIF I's interest in ASG completed in October 2023 with the proceeds distributed to investors on 10 November. The divestment realised £35.9m cash proceeds equating to an equity IRR of 12.5%

The remaining HIF I Core assets after the completion of the ASG sale are the Innisfree M&G PPP 'B commitments and the Innisfree PFI Continuation fund. The funds distributed twice in 2023 and are forecast to continue to yield in the coming years, more than covering fund expenses. The remaining asset in HIF I Value Added is Southern Water. Southern Water remains a stressed business with no near-term prospect for realisation. HIF I will continue to warehouse the investment until the opportunity for sale arises.

HIF I Core Net Asset Value ("NAV") decreased by 41% in the six months to 31 December to £53.7m. This was primarily a result of the realisation of ASG. HIF I Value Added NAV decreased by 12% in the six months to 31 December owing to a further reduction in the valuation of Southern Water approved by the Independent Valuation Committee.

The FHDIF portfolio performed robustly over 2023, consistent with the design parameters set for the Fund. All portfolio companies traded on or around budget, with two generating record EBITDA, in a challenging macroeconomic climate.

Project Orion

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

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

5.8 Abrdn Asset Management

Abrdn	2023				2022				One Year	Three Years	Since Start 15/9/2014
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£149.52	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(0.8)	1.7	1.6	3.7	(1.5)	(2.1)	(1.4)	3.7	6.1	9.8	6.7
Benchmark	2.7	2.7	2.5	2.4	2.1	1.8	1.6	1.6	10.4	7.4	5.5
ifference	(3.5)	(1.0)	(0.9)	1.3	(3.6)	(3.9)	(3.0)	2.1	(4.3)	2.4	1.2

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 posted a loss over the three months to the end of December 2023 as gains from the private equity holdings were offset by losses from some of the hedge funds. There were notable contributions from two hedge fund holdings, Concordia G-10 Fixed Income Relative Value and Complus Asia Macro Fund, as well as profits from the private equity investments in NaviMed Capital Fund II, Archimed III and Med Platform II SLP. The main detractors were the hedge funds Frere Hall and AIS Crater Lake. Over one year the return of 6.1% underperforms the benchmark return of 10.4% by 4.3%. Since inception the strategy has returned 6.7%, outperforming the benchmark by 1.2%.

ASAM have built a portfolio of hedge funds, private equity funds and co-investments, which can offer a balanced return not wholly dependent on traditional asset class returns. In the case of private equity, the intention is to be able to extract an illiquidity premium over time.

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

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

Outlook

The manager continues to see a broad opportunity set for discretionary macro managers, which in the near term will continue to be driven by inflation dynamics and tight monetary policy. Macro managers remain closely aligned in their views on the path for interest rates, yet the destination and timing differ. Some discretionary specialists, however, are particularly focused on idiosyncratic country-level opportunities, especially within EM as opposed to the bigger macro picture. Rates-focused managers continue to see pockets of value trading G3 rates as well as emerging markets, where some central banks have already started cutting, potentially starting a new multi-year trading opportunity.

The manager outlook for fixed income relative value strategies remains positive. The manager sees dispersion across fixed income instruments in developed markets, with G7 central banks having notably tightened monetary policy, persistent uncertainty on inflation and economic growth (and thus the future course of monetary policy), reduced liquidity and dealers’ ability to warehouse risk, as well as on-going geopolitical tensions.

Abrdn Acquisition

On 20th July, Abrdn announced that it has entered into an agreement to transfer the management of approximately $4 billion in assets under management and 30 employees to HighVista Strategies LLC. Abrdn concluded following a comprehensive business review of its private markets business that the US Private Equity and Venture Capital capabilities (from the acquisition of FLAG Capital Management) would be best developed under a different ownership and management structure. The sale is expected to complete later this year. Officers are in talks with Abrdn about the potential impact this would have on the funds investment and will keep the committee updated.

Abrdn recently announced that it has entered into an agreement to sell its European headquartered private equity business ("abrdn Private Equity") to Patria Investments ("Patria"), a leading private markets asset management firm. Patria is a Nasdaq-listed, entrepreneurial global partnership with assets under management in excess of $28 billion and over 30 years of experience in direct private equity, infrastructure, real estate and credit. The sale includes all of the European and Global private equity funds and mandates managed or advised by abrdn Private Equity, representing approximately £7.5 billion in total assets. Officers are currently in discussion with Abrdn and the fund's investment advisor to establish the full impact of this acquisition on the fund and will keep members updated. It The Patria/abrdn transaction is not expected to formally close until March or April 2024.

5.9 Pyrford

Pyrford	2023				2022				One Year	Three Years	Since Start 28/9/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£99.80m	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**4.5**	1.4	(1.7)	1.4	3.2	(2.4)	(0.8)	1.5	**5.6**	3.6	3.4
Benchmark	**1.3**	1.7	3.7	3.1	4.7	3.3	6.3	3.1	**9.8**	13.7	8.7
Difference	**3.2**	(0.3)	(5.4)	(1.7)	(1.5)	(5.7)	(7.1)	(1.6)	(4.2)	(10.1)	(5.3)

Reason for appointment

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

Performance

The value of the Sub-fund increased by 4.5% in the fourth quarter of 2023. Over one year, the Sub-fund has gained 5.6%, whereas the RPI plus 5% benchmark has increased by 16.9%. On an annualised basis, the Sub-fund has returned 3.4% since inception.

The investment manager increased the duration, or sensitivity to changes in interest rates, of the Sub-fund to five years from three years at the beginning of Q4. This was painful in October, but profitable over the last two months of Q4, when yields on government bonds fell sharply.

Gilts are the biggest block of assets in the Sub-fund (47.3% of NAV at the end of 2023). This segment contributed 3% of the gains (source: investment manager) in Q4. Holdings in government bonds issued by the U.S., Canada, and Australia (15.6% in aggregate) also performed well in absolute terms, adding 0.4% to the performance of the Sub-fund.

Equities contributed +0.9% to performance. The equity portfolio is biased to companies which are expected to deliver stable earnings and cash flows, and which are trading at discounts to headline market valuations. The UK an overseas portions of the stock portfolio lagged the FTSE All Share and FTSE All World ex-UK Indices respectively in Q4 and 2023 as a whole.

The shortfall was particularly large in the overseas segment because allocations to U.S. stocks are small, and the Sub-fund has no exposure to the American technology and technology-related companies which led global equity markets in 2023. Interest rate sensitive companies such as Legal & General, National Grid, and Power Assets Holdings (Hong Kong) performed well, but oil companies (BP and Woodside Petroleum) detracted from returns in Q4 as Brent crude futures dropped by 19%.

5.10 Newton

Newton	2023				2022				One Year	Three Years	Since Start 31/8/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£81.49m	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**5.2**	0.3	(1.8)	(1.3)	3.7	(4.3)	(2.1)	(4.4)	2.5	0.7	3.4
Benchmark	**2.0**	2.0	1.8	1.7	1.4	1.1	0.9	0.8	7.6	5.4	4.7
Difference	**3.2**	(1.7)	(3.6)	(3.0)	2.3	(5.4)	(3.0)	(5.2)	(5.1)	(4.7)	(1.3)

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 5.2% in Q4, outperforming its benchmark by 3.2%. Over one year the strategy has returned 2.5%, underperforming its benchmark by 5.1%, although the return over three years is 0.7% against a benchmark of 5.5%. Newton's performance since inception is 3.4% per annum.

The main performance drivers in Q4 were the segments of the 'Return Seeking' layer of the portfolio with global equities adding 3.5%, followed by the allocation to EM Debt and Alternatives which added 0.7% and 0.6% respectively (source: investment manager). In total, the 'Return Seeking' assets added 5.2% with the remainder coming from the corporate bonds segment.

The global equities segment consists of a basket of stocks predominantly in the technology, financials, and consumer related sectors. Over the quarter performance was dominated by those companies closely associated with the excitement around artificial intelligence (AI), notably Microsoft, Amazon, Nvidia, and Lam Research.

Elsewhere within the return seeking layer, alternatives were a positive contributor, primarily owing to a recovery in the performance of renewable infrastructure assets and alternative risk premia positions.

The stabilising layer also aided performance, with indirect hedges helping returns. Government bonds benefited from a cooling in inflation while gold's performance reflected an easing in monetary conditions and weakness in the U.S. Dollar. Equity-market protection through out-of-the money put options represented a cost as markets rallied sharply. The total contribution from this layer came in at +0.7%.

The main performance drivers in Q4 were the segments of the ‘Return Seeking’ layer of the portfolio with global equities adding 3.5%, followed by the allocation to EM Debt and Alternatives which added 0.7% and 0.6% respectively (source: investment manager). In total, the ‘Return Seeking’ assets added 5.2% with the remainder coming from the corporate bonds segment.

5.11 Insight (Mellon Corporation / Standish)

Insight	2023				2022				One Year	Three Years	Since Start 20/8/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£73.88m	%	%	%	%	%	%	%	%	**%**	**%**	**%**
Actual Return	**7.6**	2.2	1.5	2.8	5.7	(1.3)	(3.8)	(2.6)	14.1	3.7	1.9
Benchmark	**1.0**	1.0	1.0	1.0	1.0	1.0	1.0	1.0	4.0	4.0	4.8
Difference	**6.6**	1.2	0.5	1.8	4.7	(2.3)	(4.8)	(3.6)	10.1	(0.3)	(2.9)

Reason for appointment

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

Performance

Q4 saw the BNY Mellon Targeted Return Bond Fund outperform its reference benchmark by 6.6%, providing a positive return of 7.6%. Over one year the strategy has returned 14.1% and over three years it has returned 3.7%, with a return of 1.9% since inception.

During December the investment remained positioned with a small long risk position overall. Over the month the manager increased its exposure to Euro IG credit with the purchase of Deutsche Bahn, Illiad and Piraeus Bank. As the property sector enjoyed a nice outperformance run thanks to the market pricing in lower future interest rates, it reduced its overweight position selling some Hammerson, Logicor, and Realty. It had on a long physical bonds vs short in index CDS after the CDS market had strongly outperformed over the quarter (97th percentile historically). This was a small drag to performance in December but the manager has retained the position.

In emerging market sovereigns, the manager sold some exposure to South Africa and Mexico taking profits. Regarding interest rate risk, it moved from being 0.8 of a year short duration vs the benchmark to being 0.40 of a year short by the end of

December. It was positioned with a short duration position in Europe which the manager closed out as inflation data was improving and the market was likely to price in rate cuts. It closed out the short in Canada vs Australia at a small profit.

The fund's large overweight to corporate credit and other risk assets during the spread tightening environment made a large positive contribution to returns on the quarter, and almost offset the underperformance from duration. Specifically material positions in banking, communications, and non-cyclical consumer companies lead the outperformance in spread products. Active FX positioning was not a meaningful source of performance throughout the quarter.

5.12 Currency Hedging

No new currency hedging positions were placed in Q4 2023.

6. Consultation

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

7. Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

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

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

8. Legal Implications

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

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

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

9. Other Implications

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

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

Background Papers Used in the Preparation of the Report:

- Northern Trust Quarterly Q4 2023 Report; and
- Fund Manager Q4 2023 Reports.

List of appendices:

Appendix 1 - Definitions
Appendix 2 - Roles and Responsibilities

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APPENDIX 1

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 St Vincents Sydney Russell Thames View Infants Academy Thames View Junior Academy University of East London Warren Academy
Admitted Bodies	
	Aspens Aspens 2 BD Corporate Cleaning BD Schools Improvement Partnership BD Together Be First BD Trading Partner Lewis and Graves

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

B Roles & Responsibilities

B.1 Administering Authority

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

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

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

B.2 Pensions Committee

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

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

Responsibilities

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

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

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

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

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

(v) To receive actuarial valuations of the Fund;

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

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

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

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

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

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

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

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

B.3 Fund Administrator

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

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

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

B.4 Fund Actuary

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

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

- Undertaking an Actuarial Valuation of the Fund every three years. The next Valuation will be as at 31 March 2025 and the Actuary must complete his report by March 2026. The results of this Valuation will result in the setting of the Employer Contribution Rates for the three years 2026-2027, 2027-2028 and 2028-2029

- 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

20 March 2024

Title: Administration and Governance Report	
Report of the Chief Operating Officer	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: Jesmine Anwar, Pension Fund Accountant	**Contact Details:** Tel: 020 8227 3763 E-mail: jesmine.anwar@lbbd.gov.uk
Accountable Director: Jo Moore, Interim Strategic Director Finance and Investment (S151 Officer)	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive	

Summary

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

Recommendations

The Committee is recommended to note:

i. Pension Fund Budget 1 April 2023 to 31 March 2026,
ii. that the Fund is cash flow positive,
iii. London CIV update, and
iv. Review of early retirement strain factors.

1. Introduction

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

i. Pension Fund Budget 1 April 2023 to 31 March 2026,
ii. Cashflow to 31 December 2023,
iii. London CIV update, and
iv. Review of early retirement strain factors.

2. Pension Fund Budget 1 April 2023 to 31 March 2026

2.1 Table 1 provides Members with the Fund's three-year budget to 31 March 2026.

Table 1: Pension Fund Budget 1 April 2023 to 31 March 2026

	2023/24	2024/25	2025/26
Income	**£000s**	**£000s**	**£000s**
Council	9,529	9,720	9,914
Admitted bodies	453	416	382
Scheduled bodies	2,016	1,954	1,893
Total contributions from members	**11,998**	**12,089**	**12,189**
Council - Normal	30,226	30,830	31,447
Admitted bodies - Normal	1,868	1,715	1,574
Scheduled bodies - Normal	7,692	7,454	7,222
Pension Strain	500	250	250
Total contributions from employers	**40,286**	**40,249**	**40,494**
Total Contributions	52,284	52,338	52,683
Individual Transfers	3,000	3,000	3,000
Total Income Before Investments	**55,284**	**55,338**	**55,683**
Expenses			
Pensions			
Council	-33,937	-34,955	-36,004
Admitted Bodies	-288	-296	-305
Scheduled Bodies	-7,875	-8,111	-8,354
Total	**-42,100**	**-43,363**	**-44,664**
Lump sums			
Council	-4,540	-4,676	-4,817
Admitted Bodies	- 1,139	-1,173	-1,208
Scheduled Bodies	- 213	-219	-226
Total	**- 5,892**	**-6,069**	**-6,251**
Death grants	- 1,500	- 1,600	- 1,600
Payments to and on account of leavers	- 4,500	- 4,500	- 4,500
Total Expense	**-53,991**	**- 55,531**	**-57,014**
Net Income / (Expenditure) Excl Investments and Management Costs	1,293	**- 193**	**- 1,331**
Total Management Costs (cash)	**- 1,887**	**- 1,958**	**- 2,032**
Net Income / (Expenditure) Excluding Investments	**- 594**	**- 2,151**	**- 3,363**
Investment Income			
BlackRock	2,472	2,546	2,623
Hermes	515	530	546
Total	**2,987**	**3,077**	**3,169**
Net Income / (Expenditure) - cash	**2,939**	**926**	**- 194**

2.2 The three-year budget has fairly stable member numbers. A forecast 8.0% increase in pensions in 2023/24 due to the current high level of inflation has risen the total expenses forecasted. There is an average salary increase of 6.0%, however as the council contribution also fell from 23% to 22%, this partially offset the increase in income in 2023/24. Employer contribution will remain at 22% in the next 2 two years. Pension Strain is forecasted to increase in 2023/24 as a result of the council's savings programme due to central government funding cuts then this forecasted to fall in the following years.

2.3 Excluding investments, the fund is expected to be cashflow negative for the next 3 years. There is investment income expected from two investments managers of approximately £3m per annum. Overall, the Fund is expected to be cashflow positive, after investment income, for 2023/24 and 2024/25 and negative in the following year.

3. Cash flow to 31 December 2023

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

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

	2023/24 Budget £000's	2023/24 Forecast £000's	Over / Under £000's
Contributions			
Employee Contributions			
Council	9,500	9,800	800
Admitted bodies	450	420	-30
Scheduled bodies	2,000	2,150	150
Employer Contributions			
Council	30,000	30,000	0
Admitted bodies	1,800	1,770	-30
Scheduled bodies	7,700	8,100	400
Pension Strain	500	500	0
Transfers In	3,000	4,300	1,300
Total Member Income	**54,950**	**57,040**	**2,590**
Expenditure			
Pensions	-42,100	-41,750	350
Lump Sums and Death Grants	-7,500	-7,900	-400
Payments to and on account of leavers	-4,500	-4,150	350
Administrative expenses	-800	-800	0
Total Expenditure on members	**-54,900**	**-54,600**	**300**
Net additions for dealings with members	**50**	**2,440**	**2,890**
Returns on Investments			
Investment Income	15,000	15,000	-
Profit (losses)	35,000	35,000	-
Investment management expenses	-4,500	-4,500	-
Net returns on investments	**45,500**	**45,500**	**-**
Net increase (decrease) in the net assets	**45,550**	**47,940**	**2,890**
Asset Values	**1,406,180**	**1,406,180**	
Liabilities	**1,305,583**	**1,305,583**	
Funding Level	**107.71%**	**107.71%**	

4. London Collective Investment Vehicle (LCIV) Update

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

	30/09/2023	Market Move	31/12/2023
Active Investments	£	£	£
LCIV Global Alpha Growth Fund	195,798,780	15,777,986	211,576,766
LCIV Global Total Return Fund	95,526,939	4,268,831	99,795,770
LCIV Real Return Fund	77,429,923	4,059,996	81,489,919
LCIV Global Bond Fund	68,715,907	5,153,664	73,869,571
Total	437,471,549	29,260,477	466,732,026

4.2 Update from the London CIV

At 31 December 2023, the total assets deemed pooled stood at approximately £29.4bn which is a £2bn increase from the previous quarter. Assets under management in the ACS stood at £14.3bn. The value of 'pooled' passive assets was £15.9bn, which is managed by L&G and BlackRock.

5. Review of Early Retirement Strain Factors

5.1 To ensure strain contributions sought from employers are reflective of the ongoing funding cost, Barnett Waddingham have updated the strain factors to be in line with the 2022 funding basis. A strain on the Fund arises when a member retires earlier than planned without any reduction being applied to their benefits to reflect early payment. They have provided factors for calculating the strain on the Fund arising from members taking unreduced early retirement.

5.2 Barnett Waddingham have derived factors to be applied to a member's pension that can be used to determine the cost of paying immediate benefits on an unreduced basis. The two main factors are Early retirement reduction factors and Augmentation factors.

5.3 Barnett Waddingham have produced a detailed report which is included as appendix 1 to this report for members to note.

6. Financial Implications

Implications completed by: David Dickinson, Investment Fund Manager

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.

Background Papers Used in the Preparation of the Report:

None

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London Borough of Barking and Dagenham Pension Fund

Review of early retirement strain factors

Barnett Waddingham LLP

18 January 2024

Contents

Introduction

This report is addressed to London Borough of Barking and Dagenham as the administering authority to the London Borough of Barking and Dagenham Pension Fund (the Fund). The purpose of this report is to provide factors for calculating the strain on the Fund arising from members taking unreduced early retirement. We also provide a summary of these factors in the supplementary spreadsheet: *LBBD Strain factor review 2023 - factors*.

The factors provided are intended for use by the administering authority to determine the cost that may be required to be paid by a Scheme employer to the Fund should one of its employees who is a member of the Fund retire immediately under Regulation 30(6) or Regulation 30(7).

The factors set out in the Appendix should not be used for any purpose other than that set out above, nor should they be used for any Fund other than the London Borough of Barking and Dagenham Pension Fund as these have been calculated to be consistent with the method and assumptions adopted for the Fund's 2022 valuation.

This advice is provided in our capacity as Fund Actuary. It complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) and Technical Actuarial Standard 300: Pensions (TAS 300) as issued by the Financial Reporting Council (FRC).

The London Borough of Barking and Dagenham Pension Fund participates within the Local Government Pension Scheme (the LGPS). The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2013, as amended.

A strain on the Fund arises when a member retires earlier than planned without any reduction being applied to their benefits to reflect early payment. Under Regulation 68, the administering authority may require a Scheme employer to make additional payments in respect of benefits becoming payable immediately to its employees without any reduction. The factors provided in this note can be used for the purposes of determining the amount to be required from a Scheme employer.

Method

We have derived factors to be applied to a member's pension that can be used to determine the cost of paying immediate benefits on an unreduced basis.

Due to the different aspects of the different tranches of benefits within the Scheme (final salary or CARE, guarantee periods, scope for commutation etc.) then the number of factors required to try and reflect these differences would be considerable and require some significant re-programming of systems. The additional "accuracy" is likely to be spurious given the purpose of the calculations in the first place and in the context of the liabilities of the Fund as a whole.

We have therefore estimated an approximate split of a member's benefits across the different tranches of benefit averaged over the next three years and would suggest that this split and indeed the methodology is therefore reviewed in a further three years' time.

The factors are unisex factors weighted by the pensions of the active membership at the 2022 valuation.

Early retirement reduction factors (ERFs)

The reduction factors used in the calculation take account of the actual factors that would be applied to members' benefits had the reduction not been waived. The latest factors were issued by the Government Actuary's Department (GAD) (in guidance dated 3 July 2023) and are set out in Appendix 1.

Augmentation factors (AugF)

Augmentation factors are then applied to give the capital value of the reduction to the member's pension and these are set out in Appendix 2.

The factors should be applied to the member's unreduced pre-commutation benefits as follows:

Strain = Unreduced pension × ERF (pension) × AugF + Unreduced lump sum × ERF (lump sum)

Accuracy

There are several reasons why the factors we have calculated cannot easily replicate the exact funding cost of the additional benefits awarded and so they are not strictly "cost neutral". Some of these ideas are explored below however we do not expect these differences would lead to a material impact on the funding of early retirement costs.

- As the financial assumptions on the funding basis are linked to market conditions, the assumptions will change each day due to market movements and therefore so too will the theoretical strain cost factors. For example, we calculate that a 0.1% reduction in the discount rate (net of inflation) would increase the factors by approximately 1%. However, variable factors would clearly not be practical from an administrative perspective and so the aim is to find a fixed set of robust factors which can be used over the long term, with periodic reviews to ensure they remain appropriate.

- Furthermore, the additional liability measured on the Fund's funding basis is measured with reference to an assumed retirement age which is the weighted average of the individual retirement ages for each tranche of benefit, with early and late retirement factors applied as appropriate. The methodology underlying the calculation of the actual strain payment outlined in this note takes a more simplified approach in order to reduce the administrative complexity.

- The strain as measured on the funding basis should theoretically be the difference between the value of the immediately payable pension and the projected pension that would have been payable at the assumed normal retirement age under the funding basis. The approach taken in this note is more simplified, instead measuring the cost of the waived reduction that has come into payment. The two approaches will lead to different answers although we do not expect the differences to be material from a long term funding perspective.

Comparison with previous factors

The table below sets out the recommended augmentation factors and compares them with the previous factors.

Age next birthday	Augmentation factors (AugF)				
	2022	Previous (M)	Diff	Previous (F)	Diff
56	22.63	20.99	7.8%	21.61	4.7%
57	22.12	20.55	7.6%	21.18	4.4%
58	21.62	20.10	7.6%	20.75	4.2%
59	21.11	19.64	7.5%	20.31	3.9%
60	20.60	19.18	7.4%	19.87	3.7%
61	20.08	18.71	7.3%	19.43	3.3%
62	19.57	18.24	7.3%	18.98	3.1%
63	19.04	17.77	7.1%	18.53	2.7%
64	18.52	17.30	7.1%	18.08	2.4%
65	17.99	16.83	6.9%	17.62	2.1%
66	17.47	16.35	6.8%	17.17	1.7%
67	16.95	15.88	6.7%	16.72	1.4%
68	16.44	15.42	6.6%	16.26	1.1%
69	15.94	14.95	6.6%	15.81	0.8%

As can be seen in the table above, the factors have increased at all ages. The previous factors were set by the Fund's previous actuary. We don't have details of how these have been set. Based on the financial assumptions set at the Fund's last few actuarial triennial valuations, we assume that the increase in factors can be explained by a reduction in the real discount rate used due to the updated financial assumptions and market conditions. However, given we don't have information of the previous factors have been set, this is just an assumption.

Implementation

The timing of introducing these new factors requires some thought as there will no doubt be some early retirements in progress where decisions are being made based on previously calculated strain numbers. So in terms of implementing the use of these new factors then we would suggest something along the following lines:

- All previous quotes remain valid for a period of time – 3 months?
- If the retirement does not go ahead in that period then a new strain on the revised factors will be required.
- All new early retirement quotes from say the start of the month once the new factors are loaded into the system will be on the new basis.

Final comments

It is also worth noting that any deviation between the strain costs that are charged to employers and the theoretical funding cost of the additional benefits will be fully considered at each triennial valuation and reflected in the certification of employers' contribution rates. Therefore, any "underpayment" or indeed "overpayment" by employers at the point of a member's early retirement would be expected to be fully recognised as part of the periodic valuations and so the difference is essentially only one of timing of the payments.

The factors we have provided may also be used for the purposes of ill-health calculations however please note that in such circumstances there may be an additional strain due to the enhanced benefits that may be awarded, particularly under Tier 1 or Tier 2 ill-health. The factors in this note may be used to calculate the cost of an ill-health enhancement, in addition to the standard strain cost, and we expect the relevant administration systems to be set up to accommodate this, however please let us know if this is not the case.

We recommend that periodic reviews of these strain factors are carried out and suggest that the next review is conducted following the 2025 actuarial valuation.

We would be happy to answer any questions arising from this note.

Liam Drysdale FFA
Associate

Appendix 1 Early retirement reduction factors

Factors to be applied to unreduced pension and lump sum before commutation. The early retirement reduction factors for pensions and lump sums are following the GAD guidelines up until 13 years and 10 years early, respectively. The factors beyond this are extrapolations using demographic assumptions consistent with the latest valuation and the SCAPE discount rate of 1.7% p.a. relative to CPI. These factors apply for male and female members.

Years early	Early retirement reduction (ERF)		Years early	Early retirement reduction (ERF)		Years early	Early retirement reduction (ERF)	
	Pension	Lump sum		Pension	Lump sum		Pension	Lump sum
0	0.0%	0.0%	17	49.5%	24.9%	34	70.8%	43.6%
1	4.9%	1.7%	18	51.2%	26.2%	35	71.6%	44.6%
2	9.3%	3.3%	19	52.9%	27.4%	36	72.4%	45.5%
3	13.5%	4.9%	20	54.6%	28.6%	37	73.2%	46.4%
4	17.4%	6.5%	21	56.1%	29.8%	38	73.9%	47.3%
5	20.9%	8.1%	22	57.6%	31.0%	39	74.6%	48.2%
6	24.3%	9.6%	23	59.0%	32.1%	40	75.3%	49.0%
7	27.4%	11.1%	24	60.3%	33.3%	41	76.0%	49.9%
8	30.3%	12.6%	25	61.6%	34.4%	42	76.6%	50.7%
9	33.0%	14.1%	26	62.8%	35.5%	43	77.2%	51.6%
10	35.6%	15.5%	27	64.0%	36.6%	44	77.8%	52.4%
11	39.5%	16.9%	28	65.1%	37.6%	45	78.4%	53.2%
12	41.8%	18.3%	29	66.1%	38.7%	46	78.9%	53.9%
13	43.9%	19.7%	30	67.1%	39.7%	47	79.5%	54.7%
14	44.8%	21.0%	31	68.1%	40.7%	48	80.0%	55.5%
15	45.7%	22.3%	32	69.1%	41.7%	49	80.5%	56.2%
16	47.6%	23.6%	33	70.0%	42.7%	50	80.9%	57.0%

Appendix 2 Augmentation factors

Age next birthday	Augmentation factors (AugF)	Age next birthday	Augmentation factors (AugF)	Age next birthday	Augmentation factors (AugF)
19	38.54	36	32.08	53	24.12
20	38.20	37	31.65	54	23.62
21	37.85	38	31.21	55	23.12
22	37.50	39	30.77	56	22.63
23	37.15	40	30.33	57	22.12
24	36.79	41	29.88	58	21.62
25	36.43	42	29.42	59	21.11
26	36.06	43	28.95	60	20.60
27	35.68	44	28.49	61	20.08
28	35.30	45	28.01	62	19.57
29	34.92	46	27.54	63	19.04
30	34.53	47	27.05	64	18.52
31	34.13	48	26.57	65	17.99
32	33.73	49	26.08	66	17.47
33	33.33	50	25.59	67	16.95
34	32.92	51	25.10	68	16.44
35	32.50	52	24.61	69	15.94

Please note that no uplift adjustment should be applied to these factors. These factors apply for male and female members.

Appendix 3 Assumptions

For the purposes of this exercise, it is appropriate to use the method and assumptions consistent with those used for the 2022 actuarial valuation of the Fund. The factors in this note are based on market conditions as at 31 March 2022 and are summarised below:

Actuarial assumptions		
Discount rate (% p.a.)		4.3%
Rate of pension increases (% p.a.)		2.9%
Post retirement mortality		
	Member base table	2022 Club Vita tables
	Dependant base table	2022 Club Vita tables
	CMI Model	CMI 2021
	Long term rate of improvement	1.25%
	Smoothing parameter	7.0
	Initial addition parameter (% p.a.)	0.0
	2020 weight parameter	5%
	2021 weight parameter	5%
Commutation	It is assumed that members will exchange 50% of their commutable pension for cash at retirement.	

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. The approach to setting this assumption is in line with the Fund's 2022 actuarial valuation. Consistent with the method adopted for the 2022 valuation, we have included in the discount rate assumption an explicit prudence allowance of 1.8%. Further details of the assumptions can be found in the relevant Fund actuarial valuation report.

In calculating a set of unisex factors, we have taken into account the ratio of active members' pension between male and female members based on the ratio at the Fund's 2022 valuation. This was estimated to be 37% male and 63% female. The Fund's 2022 valuation membership data was checked for reasonableness as part of the 2022 valuation and we are happy that it is sufficient for the purpose of this report.

Appendix 4 Examples

Example 1

Consider a member with the following benefits

Example 1	
Gender	Male
Age at date of retirement	60
Pre-2008 pension	£5,000
Pre-2008 lump sum	£15,000
Post-2008, pre-2014 pension	£2,000
Post-2014 pension	£1,000
NRA for pre-2008 benefits	65
NRA for post-2008, pre-2014 benefits	65
NRA for post-2014 benefits	67

In this case, the member is retiring five years early with respect to their pre-2014 benefits and seven years early with respect to their post-2014 benefits. Note that the relevant augmentation factor in this case is 20.08, as the member's age at their next birthday will be 61.

The calculation of the strain cost would therefore be as follows:

(£5,000 x 20.9% + £2,000 x 20.9% + £1,000 x 27.4%) x 20.08 + 15,000 x 8.1% = **£36,094**

Example 2

Consider a member with the following benefits:

Example 2	
Gender	Female
Age at date of retirement	61.5
Pre-2008 pension	£3,000
Pre-2008 lump sum	£9,000
Post-2008, pre-2014 pension	£1,000
Post-2014 pension	£500
NRA for pre-2008 benefits	63
NRA for post-2008, pre-2014 benefits	65
NRA for post-2014 benefits	67

In this case, the member is retiring one and a half years early with respect to their pre-2008 benefits, three and a half years early with respect to their post-2008/pre-2014 benefits and five and a half years early with respect to their post-2014 benefits. It will therefore be required to interpolate the early retirement factors.

The member is 61.5 years old, i.e. her age next birthday is 62 so an augmentation factor of 19.57 is used.

(£3,000 x 0.5 x (4.9% + 9.3%) + £1,000 x 0.5 x (13.5% + 17.4%) + £500 x 0.5 x (20.9% + 24.3%)) x 19.57 + £9,000 x 0.5 x (1.7% + 3.3%) = **£9,628**

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PENSIONS COMMITTEE

20 March 2024

Title: Independent Advisors LGPS Update	
Report of the Chief Financial Officer	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: Jesmine Anwar, Pension Fund Accountant	**Contact Details:** Tel: 020 8227 3763 E-mail: jesmine.anwar@lbbd.gov.uk
Accountable Director: Jo Moore, Chief Financial Officer	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive	
Summary This report provides Members with the Independent Advisor's quarterly Local Government Pension Scheme update.	
Recommendations The Committee is recommended to note the General Code of Practice by the Pensions Regulator.	

1. Introduction

1.1 This paper by John Raisin informs and updates the Committee in respect of a number of important issues relating to the LGPS at a national level, specifically an update as to The Pensions Regulator: General Code of Practice.

2. Background

2.1 The Public Service Pensions Act 2013 extended the role of The Pensions Regulator (TPR) to include public service pension schemes including the Local Government Pension Scheme (LGPS) from 1 April 2015.

2.2 With regard to the LGPS The Pensions Regulator (TPR) now has responsibilities in relation to Governance and particularly Administration. However, the Pensions Regulator's role has not been extended to funding and investment issues within the LGPS which remain the responsibility of the particular Secretary of State whose remit includes the LGPS.

2.3 Schedule 4 of the Public Service Pensions Act 2013 requires TPR to issue a Code of Practice or Codes of Practice in respect of certain specified matters. In response to this requirement TPR issued Code of Practice No 14 **“Governance and administration of public service pension schemes.”** which came into effect from 1 April 2015. This Code of Practice is applicable both to the Barking and Dagenham Pension Fund and the individual Employers within the Fund.

2.4 The role of TPR in non-public service pension schemes is wider than in the public service schemes and also includes funding and investment issues. TPR has issued a total of fifteen of Codes of Practice which are applicable to various aspects of the governance and operation of non-public service pension schemes.

2.5 On 17 March 2021 TPR published a consultation on a new Code of Practice which it was proposed would convert and update the content of ten of the existing Codes including Code of Practice No 14. This Consultation closed on 26 May 2021. TPR issued an Interim Consultation response on 24 August 2021 and a Final Consultation response on 10 January 2024.

2.6 On 10 January 2024 TPR also published its **General Code of Practice** which is due to come into force on 27 March 2024. Although this new Code is 171 pages long it is significantly shorter than the ten codes it replaces. The General Code includes content which is both updated and new. Two issues of particular note for public service schemes, including the LGPS, are the (new) modules on “Cyber Controls” (pages 115 to117) and “Scams” (page 145).

3. Introduction to the General Code of Practice

3.1 The Pension Regulator (TPR) General Code of Practice seeks to introduce, as far as practical, comparable standards across all types of Pension Schemes and to make it easier to maintain and update these. The General code comprises five areas which are in turn broken down into fifty-one modules. The five areas are:

- The governing body
- Funding and investment
- Administration
- Communications and disclosure
- Reporting to TPR

3.2 It must however be clearly stated that not every part of the General Code applies to all pension schemes. As TPR states (page 6 paragraph 1) “*This code applies to governing bodies of occupational, personal, and public service pension schemes. Some legal obligations do not apply to all types of governing bodies or schemes.”*

3.3 In considering the General Code it is vital to draw a distinction between the governance requirements placed upon occupational pension schemes and public service schemes under Section 249 of the Pensions Act 2004 (As amended) in relation to scheme governance requirements. This issue is covered on pages 68 and 69 of the General Code. As is stated at Page 68 paragraph 2 *"The standards of governance required by law depend on the type of scheme the governing body operates."*

3.4 Section 249A (1) of the Pensions Act 2004 (As amended) states that "*The trustees or managers of an occupational pension scheme must establish and operate an effective system of governance including internal controls."* In contrast Section 249B (1) states that *"The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed…"* A clear difference is between the requirement for *"effective"* which applies to non-public service schemes and *"adequate"* which applies to public service schemes including the LGPS.

3.5 TPR make two statements, at page 69 paragraphs 6 and 7 regarding their *"expectations"* regarding non-public service schemes (covered by Section 249A) and public service schemes (covered by Section 249B). These are:

- *"We have broadly the same expectations for each type of scheme…However, the standard required to meet those standards frequently differs according to scheme type and size."*

- *Where an expectation is different or applies differently in law for a specific type of scheme, this is made clear in this code. Where an expectation does not apply to a scheme because the law doesn't apply, the governing body may wish to consider whether the principles should be adopted as good practice."*

3.6 The above statements clarify that while there is a different legal applicability of the Code between non-public and public service schemes the TPR anticipates high standards from all schemes and that where a provision does not apply legally the scheme *"may"* still *"wish to consider whether the principles should be adopted as good practice."* This however does not mean that a LGPS Fund should adopt aspects of the Code that specifically refer to a (non-public service) scheme required to operate an *"effective system of governance."*

4. Applicability of the General Code to the LGPS

4.1 As has been stated above not all of the General Code applies to the LGPS. Within the General Code TPR make references which seek to indicate the applicability of the contents of the Code to different schemes and which provide some clarity.

4.2 However, these references are not sufficient to define in all cases exactly which of the numerous requirements of the Code apply to the LGPS. Consequently, the Local Government Pension Scheme Advisory Board for England and Wales (SAB) stated on 19 January 2024 that *"The Secretariat is studying the Code* *closely to identify any new requirements for funds…*" and that *"Clarity is required on which parts of the Code specifically apply to the LGPS and what these mean for funds and how they should be applied in practice. The SAB will support funds in understanding any new requirements in the Code and where needed, will produce new or update existing guidance to assist funds with their responsibilities."*

4.3 While clarity is required on the exact applicability of the General Code to the LGPS it can be said those modules which subject content are also covered in the existing Code No 14 are, overall, those within the General Code where there will clearly (continue to) be significant requirements on LGPS Funds. These include, for example - Knowledge and understanding, Conflicts of interest, Publishing scheme information, Internal Controls, Record keeping, Data monitoring and improvement, Contributions (Receiving, Monitoring, Overdue), Benefit information statements, Dispute resolution procedures, and those modules (Who must report, Decision to report, How to report, Reporting payment failures) in the "Reporting to TPR: Whistleblowing – reporting breaches of the law" section of the General Code. Therefore, it can certainly be stated that significant aspects of the new General Code do apply to the LGPS.

4.4 In addition, there will certainly be additional requirements on LGPS Funds arising from the new General Code. The modules on Cyber security and Scams certainly have applicability to the LGPS.

4.5 Also even where an aspect of the General Code does not actually "apply" to LGPS Funds, as is the case in relation to establishing and operating an effective system of governance (ESOG) – see pages 68 to 71, or the Own risk assessment (ORA) pages 61 to 64, there are principles and practices which in reality could, or in some cases should, be adopted by the LGPS.

4.6 The area of the Code which clearly has the least applicability to the LGPS is that covering **Funding and investment** (pages 72 to 93). This is because TPR does not have responsibility in relation to LGPS funding and investment (which remains the responsibility of the Secretary of State whose remit includes the LGPS – at present the Secretary of State for Levelling Up, Housing and Communities) and also because from the narrative within this area it is clearly directed at non-public service pension schemes as is exemplified, for example by the legislative references utilised. However, even within this Funding and investment area it will be beneficial to LGPS Funds if the Local Government Pension Scheme Advisory Board for England and Wales (SAB) provides clear guidance – for example where LGPS Funds may or should apply elements as "good practice."

5. What should the Barking and Dagenham Fund be doing?

5.1 As explained above the exact applicability of the TPR General Code to the LGPS is not absolutely clear. The SAB however has stated (on 19 January 2024) that it *"will support funds in understanding any new requirements in the Code and where needed, will produce new or update existing guidance to assist funds with their responsibilities."* Therefore, the Barking and Dagenham Fund should pay particular attention to any guidance issued by SAB in relation to the TPR General Code.

5.2 However, the Barking and Dagenham Fund should not simply wait for SAB guidance but should seek to assess its compliance with those relevant requirements of the TPR General Code as soon as it comes into force which is expected to be on 27 March 2024. Actions that the Fund should take include:

- To go through the Code in detail to access, as far as it is able, which elements of the Code clearly apply to the LGPS.

- Assess the Fund's current compliance/arrangements against the General Code.

- Produce a plan to make changes or enhancements to ensure necessary compliance.

- Seek to determine which elements of the General Code though not applicable to the LGPS may represent good practice for the Fund and plan to make any consequent changes or enhancements.

- In doing the above the Fund should attend relevant seminars/webinars on the implications of the General Code for LGPS Funds (which may be held prior to 27 March 2024). These may be offered by organisations including SAB and the Actuarial/Investment Consultants who support the LGPS.

- Use, if/as the Fund considers appropriate any tools and/or LGPS specific training relating to the General Code available from the Actuarial/Investment Consultants who support the LGPS.

- Take particular cognisance of any relevant guidance when issued by SAB.

- Report to both the Pension Committee and the Pension Board on a regular basis progress towards compliance, and the maintenance of ongoing compliance, with those parts of the Code that are determined to be applicable to the Barking and Dagenham Fund and those which are considered to be good practice.

6. Conclusion

6.1 The TPR General Code seeks to ensure that pension schemes adhere to relevant legislation and guidance in their governance and operation and to promote good practice.

6.2 It will take time and effort to assess the exact applicability of the TRP General Code to the Barking and Dagenham Fund and to effect any necessary changes or enhancements.

6.3 However, all LGPS Funds must be aware that going forward, and having given time for assessment and implementation, where The Pension Regulator (TPR) find that any Fund is not doing what they should do under the General Code they could, and likely will, use their regulatory powers against the Fund in question.

7. Financial Implications

Implications completed by: Jo Moore, Chief Financial Officer

7.1 The Pension Fund is a statutory requirement to provide a defined benefit pension to scheme members. The management of the administration of benefits the Fund is supported and monitored by the Pension Board.

8. Legal Implications

Implications completed by: Dr Paul Feild Senior Governance Solicitor

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

9. Consultation

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

PENSIONS COMMITTEE

20 March 2024

Title: Business Plan Update 2024 to 2026	
Report of the Chief Operating Officer	
Public Report	Public Report
Wards Affected: None	**Wards Affected:** None
Report Author: Jesmine Anwar, Pension Fund Accountant	**Contact Details:** Tel: 020 8227 3763 E-mail: jesmine.anwar@lbbd.gov.uk
Accountable Director: Jo Moore, Interim Strategic Director Finance and Investment (S151 Officer)	
Accountable Strategic Leadership Director: Fiona Taylor, Chief Executive	
Recommendations The Committee is asked to note progress on the delivery of the 2024 to 2026 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 2024 to 2026 business plan. Appendix 1 provides a summary of the Business Plan actions from 1 April 2021 to 29 February 2024.

1.2 A Strategic Asset Allocation Review is being carried out by the funds Actuary and a full business plan for 2024 to 2026 has been drafted alongside this. This sets out the key tasks for the Pension Committee in respect to the Pension Fund issues for 2023/24 and was agreed by members in the December 2023 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

Appendix 1

Business Plan Update

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

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

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

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

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

	UBS	Officers	14th June 2023
July 23	UBS/Kempen Trade	Officers	
Aug 23	FRS102 Cashflows for UEL and Barking College	Officers	
	Billie Gifford/Pimco Trade	Officers	
Sep 23	Fund Manager Meetings:	Officers	
	Insight: Credit	Officers	7th September 2023
	FRS102 UEL and Barking College	Officers	
Oct 23	Fund Manager Meetings:		
	Hermes: Infrastructure	Officers	12th October 2023
	Abrdn: Alternatives	Officers	5th October 2023
Nov 23	Fund Manager Meetings:		
	Hermes AGM: Infrastructure	Officers	8th November 2023
Dec 23	Quarterly Pension Committee Meeting	All	13th December 2023
	CMA Compliance Statement submitted	Officers	
	Fund Manager Meetings:		
	Insight: Credit	Officers	18th December 2023
Jan 24	Fund Manager Meetings:		
	LCIV	Officer	9th January 2024
	Northern Trust Meeting	Officer	23rd January 2024
Feb 24	Audit Planning Commence	Officer	
	Fund Manager Meetings:		
	Insight: Credit	Officer	28th February 2024

By virtue of paragraph(s) 1, 3 of Part 1 of Schedule 12A
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