Notice of Meeting

PENSIONS PANEL

Wednesday, 14 December 2016 - 6:00 pm
Committee Room 2, Barking Town Hall

Members: Cllr Dominic Twomey (Chair), Cllr Faraaz Shaukat (Deputy Chair), Cllr Sade Bright, Cllr Edna Fergus, Cllr James Ogungbose, Cllr Jeff Wade and Cllr John White

Independent Advisor: John Raisin

Observers: Gavin Palmer, Bernie Hanreck and Dusty Amroliwala

Date of publication: 6 December 2016

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Chief Executive

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AGENDA

1. **Apologies for Absence**

2. **Declaration of Members' Interests**

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

3. **Minutes - To confirm as correct the minutes of the meeting held on 14 September 2016 (Pages 3 - 7)**

4. **Triennial Valuation Draft Results (Pages 9 - 12)**

5. **Presentation by Hyams Robertson- Triennial Valuation**

6. **Pension Fund Quarterly Monitoring- July to September 2016 (Pages 13 - 41)**

7. **Administration and Governance Report (Pages 43 - 47)**

8. London Borough of Barking and Dagenham Admission Policy (Pages 49 - 133)

9. Business Plan Update 2016 (Pages 135 - 138)

10. London Borough of Barking and Dagenham Pension Fund Business Plan 2017 (Pages 139 - 162)

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

12. 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.

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

Our Vision for Barking and Dagenham

One borough; one community; London's growth opportunity

Our Priorities

Encouraging civic pride

- Build pride, respect and cohesion across our borough
- Promote a welcoming, safe, and resilient community
- Build civic responsibility and help residents shape their quality of life
- Promote and protect our green and public open spaces
- Narrow the gap in attainment and realise high aspirations for every child

Enabling social responsibility

- Support residents to take responsibility for themselves, their homes and their community
- Protect the most vulnerable, keeping adults and children healthy and safe
- Ensure everyone can access good quality healthcare when they need it
- Ensure children and young people are well-educated and realise their potential
- Fully integrate services for vulnerable children, young people and families

Growing the borough

- Build high quality homes and a sustainable community
- Develop a local, skilled workforce and improve employment opportunities
- Support investment in housing, leisure, the creative industries and public spaces to enhance our environment
- Work with London partners to deliver homes and jobs across our growth hubs
- Enhance the borough's image to attract investment and business growth

Well run organisation

- A digital Council, with appropriate services delivered online
- Promote equalities in the workforce and community
- Implement a smarter working programme, making best use of accommodation and IT
- Allow Members and staff to work flexibly to support the community
- Continue to manage finances efficiently, looking for ways to make savings and generate income
- Be innovative in service delivery

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MINUTES OF
PENSIONS PANEL

Wednesday, 14 September 2016
(6:00 - 7:28 pm)

Members Present: Cllr Faraaz Shaukat (Deputy Chair in the Chair), Cllr Sade Bright, Cllr Edna Fergus, Cllr James Ogungbose, Cllr Jeff Wade and Cllr John White

Observers Present: Bernie Hanreck

Advisors Present: Colin Cartwright, John Raisin and Gayathri Varatharajan

Apologies: Cllr Dominic Twomey

10. Declaration of Members' Interests

There were no declarations of interest.

11. Minutes (8 June 2016)

The minutes of the meeting held on 8 June 2016 were confirmed as correct.

12. Pension Fund Quarterly Monitoring- 1 April to 30 June 2016

This report provided information for employers, members of London Borough of Barking and Dagenham Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 April 2016 to 30 June 2016 ("Q2"). The report updated the Panel on the Fund's investment strategy and its investment performance. Due to the technical nature of this report, Appendix 2 provides a definition of terms used in this report and Appendix 3 sets out roles and responsibilities of the parties referred to throughout this report.

The UK's decision in the referendum to leave the EU was the main event in the second quarter. This shocked investment markets with initial reactions in markets pronounced: Sterling fell, safe haven assets (Government bonds) rallied and equities were lower. Equity markets generally staged a recovery in the final days of the quarter, supported by expectations that interest rates would stay lower for longer, the Bank of England could cut rates and the next political steps around the Referendum lack clarity.

The Group Manager, Pensions and Treasury (GMPT) summarised the performance of the Fund and its managers for the quarter, over one and over two years. The GMPT also highlighted individual Fund Manager performance and noted that two managers, Kempen and Schroders, had significantly underperformed their benchmarks.

A verbal update on the unaudited performance of the Fund for the period 1 July to 13 September 2016 was also provided to the Panel.

The GMPT advised Members that the performance of one of the Fund's underperforming managers, Kempen, had improved since the end of the quarter.

The GMPT and the Strategic Director, Finance and Investments (SDFI) advised Members that Schroder's poor quarterly performance was based on the markets view of UK property following the referendum results. This poor performance did not reflect a change in the property Net Asset Value (NAV) but were a reflection of an 8.5% discount implemented by Schroders to stabilise the Fund. The discount is reflected in the bid price, which is the price that is reported in their performance report. When investing in property, it is more usual to pay a premium above the NAV. As there was an 8.5% discount on the NAV this reflected an opportunity to increase the Fund's investment in property at an attractive entry point. Due to the significant discount being offered and due to its underweight position the Chair and the SDFI, in consultation with the Fund's investment advisors, agreed to invest £5m with Schroders to rectify the underweight position.

Colin Cartwright (Aon Hewitt) provided his views on the current market situation. He stated that the referendum result in June 2016 had been a shock to the markets and there was a degree of volatility around the UK and global economy although there had been some rallying in equity markets to pre-referendum levels. At this stage it was too early to know the long term effect of the referendum on the markets in light of the shape that Brexit would take however he considered that the Pension Fund benefitted from its diverse investment strategy and there were opportunities to invest in areas such as property.

The Independent Adviser stated that it was difficult to 'second guess' the markets although the diverse strategy was the sensible option.

The Panel 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;

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

(iv) That the Fund held an underweight position in property of 6.5% against a strategic allocation of 7%;

(v) That due to a significant discount being offered and due to its underweight position the Chair and the Strategic Director, Finance and Investment, in consultation with the Fund's investment advisors, agreed to invest £5m with SIRE to rectify the underweight position; and

The Panel agreed:

To delegate authority to the Strategic Director, Finance and Investment, in consultation with the Chair and the Fund's investment advisors, to implement a hedge where appropriate within the Fund's global equity mandates. (See minute 13).

13. Presentation by Aon Hewitt

The Panel received a presentation from Colin Cartwright (Aon Hewitt). He covered the following areas in his presentation:

- Overview
- The strategic rationale to currency hedge
- Aon Hewitt's view on sterling
- Recommendation and next steps

He stated that sterling had seen considerable falls (13%) relative to the key currencies since the referendum on 23 June 2016 when the UK decided to leave the European Union. This had presented an opportunity for investors including pension schemes to hedge the currency of any non-GBP denominated investments, to benefit from the current low foreign exchange rate levels.

The Independent Adviser supported the proposed Currency hedging and felt that the diverse investment strategy was the right approach and the Panel sought clarification on the detail involved. This would be an investment decision which could be flexible and be amended.

Aon Hewitt recommended that the Pensions Panel considered hedging some of its currency exposure in its equity holdings. This could be implemented via the custodian (or third party) or preferably by shifting equities from an unhedged to hedged share class.UBS have a hedged share class through which the hedge could be implemented.

Aon Hewitt suggested a number of currency hedge triggers are based on USD/GBP exchange rate:

i. 25% of the equity portfolio be implemented with immediate effect (currently around $1.33);
ii. Increase to 50% of the equity portfolio to be implemented when USD reaches $1.25 per GBP; and
iii. Increase to 70% of the equity portfolio to be implemented when USD reaches $1.20 per GBP

Aon Hewitt proposed this be implemented by way of moving assets from the UBS equity unhedged share class to hedged share class.

A 25% hedge of equities would require approximately 75% of the Fund's UBS holdings to be transferred into the hedged share class.

The GMPT advised Members that the Fund currently held a 40% exposure to currency risk through the three unhedged equity strategies and that two of the equity funds are actively managed. The actively managed strategies could adjust their strategy to reflect currency changes and the GMPT recommended that, at current levels, a hedge was not put on the actively managed strategy.

The GMPT recommended that the currency hedge triggers suggested by Aon Hewitt were adopted but that the hedge were placed on the passive strategy as outlined below:

i. 50% of the passive equity portfolio managed by UBS to be implemented when USD reaches $1.30 per GBP;
ii. 75% of the passive equity portfolio managed by UBS to be implemented when USD reaches $1.25 per GBP; and
iii. 100% of the passive equity portfolio managed by UBS to be implemented when USD reaches $1.20 per GBP.

14. Administration and Governance Report

It is best practice for the Panel to receive regular administration data and governance updates. Administration data included cash flow, member numbers, governance and consultations. The SDF&I presented the Administration and Governance report, covering four main areas, including:

i. Council contribution prepayment 2016/17;
ii. LGPS Reforms;
iii. Pension Fund Budget 1 April 2016 to 31 March 2019; and
iv. Cash flow to 31 July 2016.

The Panel noted:

i. That the Fund is cash flow positive;
ii. The update on progress in setting up the CIV; and
iii. The Fund's 2015/16 actual cash flow compared to the budgeted cash flow.

15. Business Plan Update 2016

The report updated the Pension Panel on progress regarding the Pension Fund's 2016 business plan. This included that there would be the Pension Fund Stakeholder meeting on 17 November 2016 in the Council Chamber, Barking Town Hall.

The Panel noted the progress on the delivery of the 2016 Business Plan at Appendix 1 to the report.

16. Pension Fund Annual Report 2015/16

This report presented the Pension Panel with the Annual Report for the year ended 31 March 2016 and included the 2015/16 Audited Pension Fund Accounts.

The Local Government Pension Scheme (Administration) Regulations 2008 (No. 239) required each administering authority to prepare an annual report for the pension fund. The regulations prescribe that the following should be included in the annual report:

- a report on the management and financial performance of the fund during the year;
- an explanation of the investment policy;
- a report on the administrative arrangements for the fund;
- a statement from the actuary on the latest funding level;
- the current version of the governance compliance statement;
- the fund account and net asset statement with supporting notes and disclosures;
- the extent to which the fund has achieved its required performance levels; and
- the current version of the funding strategy statement, the statement of investment principles and communications policy and any other information the authority considers appropriate.

The Annual Report was available on the Council's website at:

http://www.lbbdpensionfund.org/about-us/forms-and-publications.aspx

The Panel noted the Pension Fund Annual Report for 2015/16.

17. Application for Admitted Body Status - Cleantec Services Limited

The Panel were requested to consider the application for Admitted Body status from Cleantec Services Limited (CSL) to the Local Government Scheme (LGPS).

The Panel agreed:

The application for Admitted Body Status by Cleantec Services Limited, as a ‘closed’ agreement, subject to the requirements outlined in the report are put in place to the satisfaction of the SDFI.

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PENSIONS PANEL

14 December 2016

Title: Triennial Valuation Draft Results	
Report of the Strategic Director, Finance & Investment	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Group Manager Pensions and Treasury	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Jonathan Bunt, Strategic Director – Finance and Investment	

Recommendations

The Panel is recommended to note:

i. the initial results of the actuarial valuation, including the improved funding level and reduced deficit recovery period;

ii. that the Funding Strategy Statement will be updated where necessary for the assumptions made by the actuary and consulted with admitted and scheduled bodies together with their proposed employer contribution rates; and

iii. that the final actuarial valuation results be reported to the March 2017 Pension Panel meeting

1. Introduction

1.1 Every three years the Pension Fund is required to have a full valuation of its liabilities carried out by its actuary.

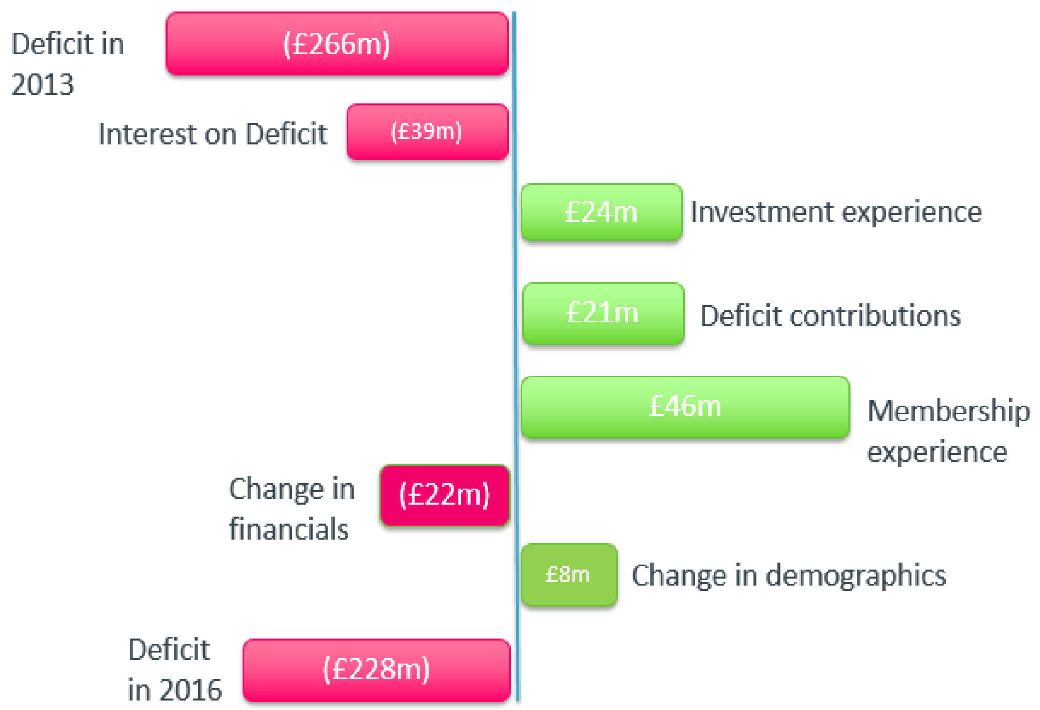
1.2 The Fund's actuary, Hymans Robertson, will provide a presentation to Members at this Panel on the Triennial Valuation process, the draft results and the process that needs to be followed prior to the valuation being signed off in March 2017.

2. Whole Fund Valuation Results

2.1 Officers have discussed the valuation assumptions with the actuary and agreed the main assumptions, including the deficit contributions rate, the discount rate and salary increase assumptions. As a result of these discussions the actuary could produce the whole fund valuation calculations. The results show that, at a whole Fund level, the deficit has reduced from £266m to £228m and the funding level has improvement to 77.2% from the 2013 level of 70.6%.

2.3 The main contributors to the reduced deficit and improved funding level are outlined in the chart below:

Chart 1: Movements in Triennial Valuation Assumptions



2.4 Overall the fund has adopted a prudent discount rate of 4.1%. This is lower than the 4.7% used in the 2013 valuation. Members are asked to note that if the Fund used a discount rate of 5%, as used by the government's actuary, that its funding level would be 91%. The deficit recovery period has reduced from 20 years to 17 years and this reflects improvements within the performance of the Fund.

2.5 Below is a summary of the agreed financial assumptions and the results:

Valuation Date	2004	2007	2010	2013	2016
Past Service Liabilities	£Ms	£Ms	£Ms	£Ms	£Ms
Employees	-£193	-£285	-£298	-£316	-£324
Deferred Pensioners	-£48	-£81	-£117	-£180	-£221
Pensioners	-£175	-£239	-£314	-£406	-£456
Total Liabilities	-£416	-£605	-£729	-£902	-£1,001
Assets	£360	£530	£549	£636	£772
Surplus / (Deficit)	-£56	-£75	-£180	-£266	-£229
Funding Level	87.0%	88.0%	75.4%	70.6%	77.2%
Discount Rate	6.3	6.1%	6.1%	4.7%	4.1%
Salary Increases	4.4	4.7%	5.3%	3.8%	2.6%
Price Inflation	2.9	3.2%	3.3%	2.5%	2.1%

3. Employer draft results

3.1 A meeting was held on the 17th November 2016 with the with the actuary and the Fund's various employers to discuss the draft Triennial Results. Representatives from the University of East London, Barking College and a representative for many of the Fund's academies were present.

3.2 The draft triennial results indicated that most employers within the scheme will see a drop or will maintain the same level of contribution rate.

3.3 The UEL, which is the second largest employer within the Fund after the Council, has effectively closed its Local Government Pension Scheme to new entrants. This makes the deficit recovery plan riskier as there are less members contributing to the deficit recovery. To reduce this risk, but also to ensure that their contribution rate remains affordable, the UEL has advised that they would be willing to provide a charge against their assets to cover the deficit.

3.4 Officers are currently working with the UEL on ways that this can be implemented and will bring back full details for Members to discuss at the March Pension Panel.

4. Next Steps

4.1 The actuary is in the process of finalising the contribution rates for the borough and all the admitted and scheduled bodies. The actuary and officers will produce a draft Funding Strategy Statement that will then be distributed to Fund employers for their views as part of a consultation.

4.2 Once this has been completed the final report can be prepared and the contribution rates certified. Any agreed changes to the Funding Strategy Statement can also be made. Both documents will then be reported back to the Committee's meeting in March 2017 for agreement.

4.3 In addition an Investment Strategy review will be carried out by Aon Hewitt, in consultation with the Independent Advisor, the Actuary and officers. A training session will be held in January for the Advisors and officers to go through the recommendations with Members as part of Member training. The Investment Strategy Statement (previously the Statement of Investment Principles) will be reported back to the Committee's meeting in March 2017 for agreement.

4.4 Subject to any amendments, a final version will be taken to the Pension Panel in March for agreement.

5. Consultation

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

The Strategic Director, Finance & Investment and the Fund's Chair have been informed of the commentary in this report.

6. Financial Implications

Implications completed by: Jonathan Bunt, Strategic Director, Finance & Investment

6.1 The triennial valuation is a legal requirement and the cost of the actuarial valuation is met by the Pension Fund.

7. Legal Implications

Implications completed by: Paul Feild Senior Governance Solicitor

7.1 Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 requires triennial valuations to be carried out by an actuary.

8. Other Implications

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

Background Papers Used in the Preparation of the Report:

- LGPS Consultation on investment reform.

List of appendices: None

PENSIONS PANEL

14 December 2016

Title: Pension Fund Quarterly Monitoring 2015/16 – July to September 2016	
Report of the Strategic Director, Finance & Investment	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Group Manager Pensions and Treasury	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Jonathan Bunt, Strategic Director – Finance and Investment	

Recommendations

The Panel is recommended to note:

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

(ii) the currency hedges that were placed on the Fund's passive equity mandate on the 30th of September and 7th of October 2016;

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

(iv) the quarterly performance of pension funds collectively and the performance of the fund managers individually;

1. Introduction and Background

1.1 This report provides information for employers, members of London Borough of Barking and Dagenham Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 July 2016 to 30 September 2016 ("Q3"). The report updates the Panel on the Fund's investment strategy and its investment performance. Due to the technical nature of this report, Appendix 2 provides a definition of terms used in this report and Appendix 3 sets out roles and responsibilities of the parties referred to throughout this report.

1.2 A verbal update on the unaudited performance of the Fund for the period 1 October to 12 December 2016 will be provided to Members at the Pension Panel.

2. Third Quarter Market Performance

The latest quarter opened with the British vote to leave the European Union still reverberating through markets. The initial shock passed quickly enough and equity markets rebounded; within three weeks, the US stock market was at a record high and while European markets took longer to regain pre-Brexit levels, most achieved strong returns in the quarter. Accommodative central banks bolstered equity investors; the Bank of England (BOE) followed through on its commitment to cut interest rates to cushion the impact of Brexit, while the European Central Bank (ECB) and US Federal Reserve (Fed) kept interest rates unchanged.

The IMF reacted to the Brexit vote by trimming its global growth forecast, along with a more sizeable downgrade of UK prospects, but the macro-economic backdrop has since proven resilient. Data releases indicate the UK economy has held up better than expected, although how much is due to a weak pound and lower interest rates remains to be seen. The British pound stabilised over the quarter, although it still lost ground against the major currencies as the BOE cut its key lending rate to 0.25% from 0.50% in August and signalled a further cut if necessary. Over the quarter Sterling lost 4% against the Euro and the Yen and 3% against the US Dollar.

Across asset markets, there was a bias for riskier assets. From a UK investor perspective, Emerging market and Pacific ex Japan equity markets were the best performers, returning more than 12% over the quarter. Europe returned 9%, North America 7% and the FTSE All Share returned just short of 8% - mining, technology and bank stocks outperformed, while telecoms and utilities lagged the market.

Fixed income markets began the quarter with yields close to record lows, falling further for a time as a US rate hike seemed unlikely and as the Bank of England cut its benchmark rate to 0.25%. In the absence of particularly negative post-Brexit economic data, the investor dash for fixed income assets began to unwind. There was some reversal of bond market gains as Q3 progressed, although many still posted positive returns. The BAML Broad market index returned nearly 4% and the FTSE Index Linked >5 year index returned 11%.

Property returned -2% over the quarter, the first negative quarterly return since Q2 2009. Three-month GBP LIBOR fell from 0.56% to 0.38% as the Bank of England cut interest rates.

3. Overall Fund Performance

3.1 The Fund's externally managed assets closed Q3 valued at £844.2m, an increase of £53.4m from its value of £790.8m as at 30 June 2016. The cash value held by the Council as at 31 March 2016 was £19.6m giving a total Fund value of £863.8m.

3.2 For Q3 the Fund returned 5.3%, net of manager and custodian fees, outperforming its benchmark return of 4.4% by 0.9%. Over one year the Fund returned 17.4%, outperforming its benchmark of 16.6% by 0.8%. Over three years the Fund trails its benchmark by 0.7%, providing a return of 9.4, which exceeds the actuarial return target for the fund of 4.7%.

3.3 The Fund's 2014, 2015 and Q3 2016 quarterly returns, its 1, 2, 3 and year returns are provided in table 1 below:

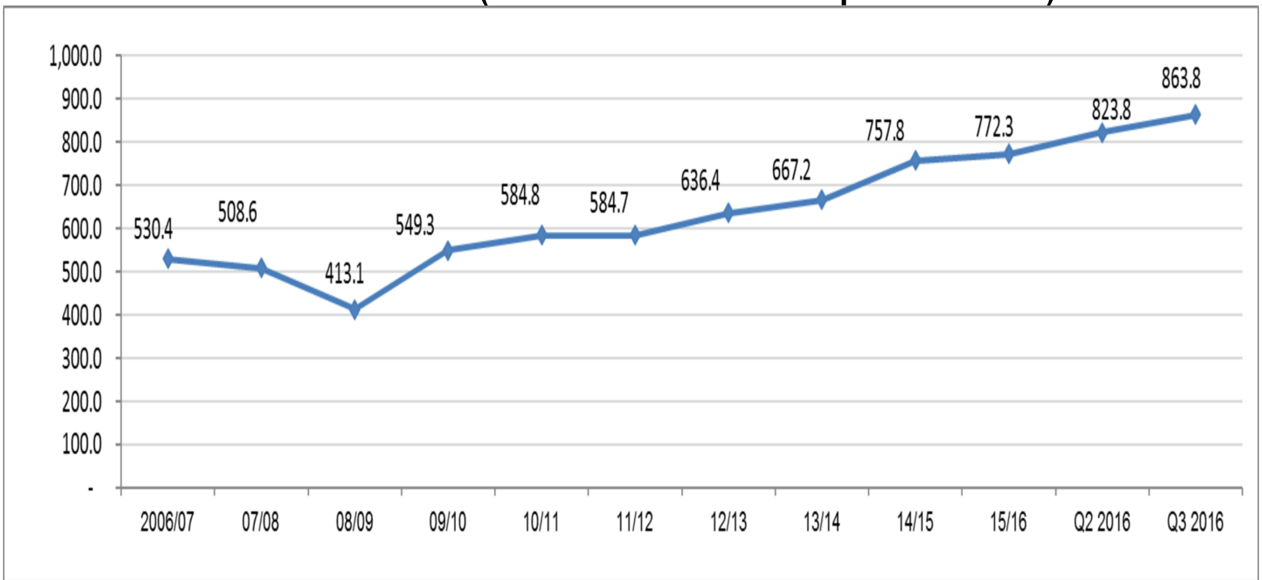
Table 1: Fund's Q3 2016, 2015 and 2014 Quarterly Returns and yearly returns

Year	2016			2015				2014	1	2	3	5
Period	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	yr	yrs	yrs	yrs
Actual Return	5.3	4.2	2.5	4.4	(2.5)	(3.3)	10.0	3.6	17.4	12.1	9.4	10.0
Benchmark	4.4	4.7	2.0	4.5	(1.4)	(1.8)	10.7	3.3	16.6	13.2	10.1	10.7
Difference	0.9	(0.5)	0.5	(0.1)	(1.1)	(1.5)	(0.7)	0.3	0.8	(1.1)	(0.7)	(0.7)
WM Position*	N/A	N/A	18th	41st	23rd	74th	N/A	34th	N/A	N/A	N/A	N/A

* Figures for the LGPS comparisons, provided by State Street, which have previously been provided are no longer available from 1 July 2016 due to State Street exiting the market.

3.4 Appendix 1 illustrates changes in the market value, the liability value, the Fund's deficit and the funding level from 31 March 2013 to 25 November 2016. Members are asked to note the significant changes in value and the movements in the Fund's funding level. Chart 1 below shows the Fund's value since 1 July 2007.

Chart 1: Fund value in millions (31 March 2009 to 30 September 2016)



3.5 Stock selection contributed 0.7% of the overall, with asset allocation contributed 0.2% for the quarter. Table 2 shows the change in market value during the quarter by each fund manager, including transactions and profits/ (losses).

Table 2: Fund manager market value and asset allocation at 30 September 2016

Fund Manager	Mandate	Value at 31/03/2016	Trans-actions	Gain / loss	Value at 30/06/2016
		£000s	£000s	£000s	£000s
Aberdeen	Diversified Alternative	52,020	55	421	52,496
Baillie Gifford	Global Equities	131,386		15,860	147,246
BlackRock	Property	40,089	235	(1,635)	38,689
Hermes GPE	Infrastructure	59,881	3,840	991	64,712
Kempen	Global Equities	119,731	90	12,165	131,986
M&G	Senior Loans	5,787	(249)	60	5,598
Newton	Absolute Return	57,129		852	57,981
Pyrford	Absolute Return	78,083		2,414	80,497
Schroders	Property	16,812	5,151	487	22,450
Standish	Global Credit	62,719	66	871	63,656
UBS Bonds	Passive Bonds	35,681		824	36,505
UBS Equities	Passive Equities	131,443		10,769	142,212
London CIV	Equity Investment	150		0	150
	Cash	32,238		(12,652)	19,586
Total Fund		823,149	9,188	31,428	863,765

3.6 The fund manager's performance has been scored using a quantitative analysis compared to the benchmark returns, defined below. Based on these criteria the fund manager Q3 performances are shown in table 3.

	RED- Fund underperformed by more than 75% below the benchmark
Δ	AMBER- Fund underperformed by less than 75% below the benchmark.
O	GREEN- Fund is achieving the benchmark return or better

3.7 Table 3 highlights the best performers during Q3 were unhedged equity, bonds and diversified growth. Schroders provided a good return following the previous quarters underperformance. Blackrock and Aberdeen underperformed their benchmark and meetings have been arranged with both managers to discuss the underperformance.

Table 3 – Fund manager Q3 performance

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Aberdeen	0.3	1.1	(0.8)	Δ
Baillie Gifford	12.1	8.5	3.6	O
BlackRock	(3.5)	(0.7)	(2.8)	Δ
Hermes GPE	1.6	1.4	0.2	O
Kempen	10.2	7.9	2.3	O
M&G	1.1	1.1	0.0	O
Newton	1.5	1.1	0.4	O
Pyrford	3.1	1.9	1.2	O
Schroders	3.8	0.1	3.7	O
Standish	1.4	1.1	0.3	O
UBS Bonds	2.3	2.3	0.0	O
UBS Equities	8.2	8.2	0.0	O

3.8 Over one year, (table 4 below), equities, bonds, diversified growth and infrastructure provided double digit returns. Standish significantly underperformed its benchmark but has met its target over the two quarters since they presented at the June Panel.

Table 4 – Fund manager performance over 12 months

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Aberdeen	3.3	4.4	(1.1)	Δ
Baillie Gifford	29.7	28.3	1.4	O
BlackRock	1.5	3.5	(2.0)	Δ
Hermes GPE	10.3	5.6	4.7	O
Kempen	29.4	28.2	1.2	O
M&G	4.4	4.4	0.0	O
Newton	11.3	4.4	6.9	O
Pyrford	10.9	6.9	4.0	O
Schroders	1.7	3.3	(1.6)	Δ
Standish	(1.0)	5.2	(6.2)	
UBS Bonds	12.3	12.3	0.0	O
UBS Equities	27.9	27.9	0.0	O

3.9 Over two years, (table 5 below), all mandates are positive, with returns ranging from 0.6% with Standish to 17.3% with Baillie Gifford. Standish has significantly underperformed its benchmark by 5% over the two-year period.

Table 5 – Fund manager performance over two years

Fund Manager	Actual Returns (%)	Benchmark Returns (%)	Variance (%)	Ranking
Aberdeen	3.4	4.4	(1.0)	Δ
Baillie Gifford	17.3	14.7	2.6	O
BlackRock	6.1	8.5	(2.4)	Δ
Hermes GPE	9.3	5.6	3.7	O
Kempen	13.9	15.3	(1.5)	Δ
M&G	4.5	4.4	0.1	O
Newton	6.3	4.4	1.9	O
Pyrford	6.4	6.3	0.1	O
Schroders	7.0	8.4	(1.4)	Δ
Standish	0.6	5.6	(5.0)	
UBS Bonds	10.3	10.3	0.0	O
UBS Equities	15.3	15.0	0.3	O

4. Asset Allocations and Benchmark

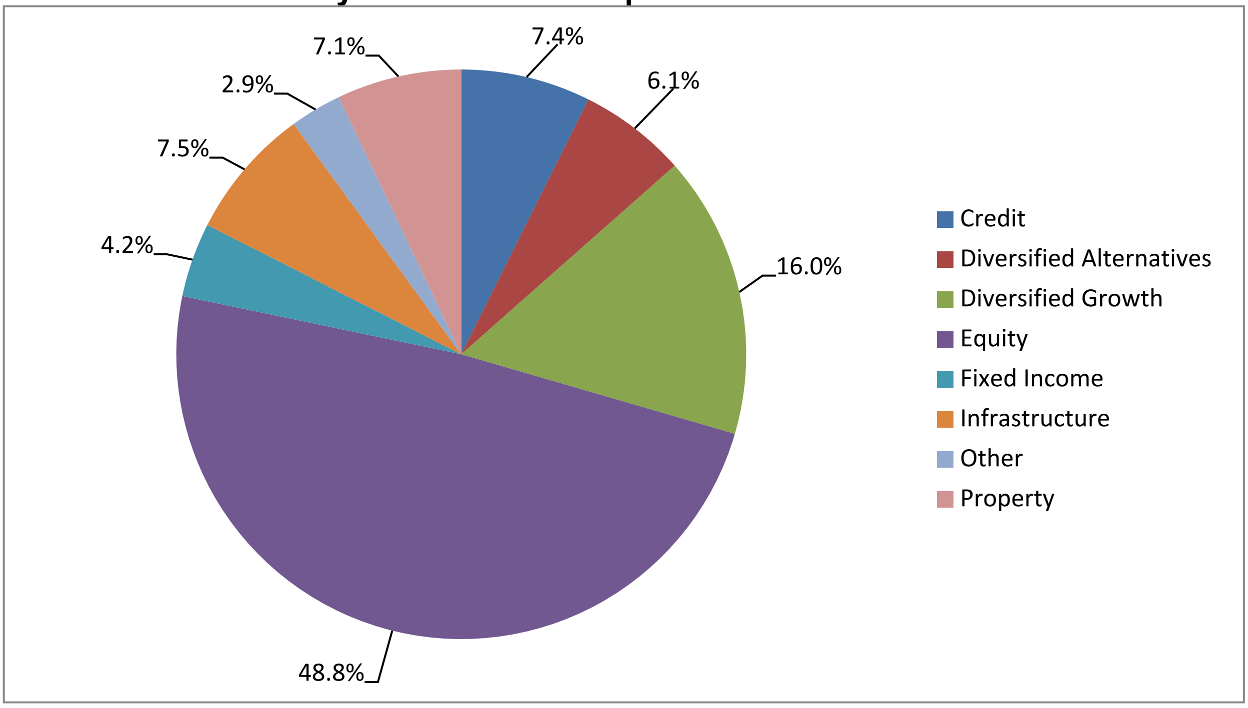
4.1 Table 6 outlines the Fund's strategic asset allocation, asset value and benchmarks:

Table 6: Fund Asset Allocation and Benchmarks as at 30 September 2016

Fund Manager	Asset (%)	Market Values (£000)	Benchmark
Aberdeen	6.1%	52,496	Libor + 4% (net of fees)
Baillie Gifford	17.0%	147,246	MSCI AC World Index
BlackRock	4.5%	38,689	IPD PPF All Balanced Property Funds
Hermes GPE	7.5%	64,712	Target 5.9% per annum
Kempen	15.3%	131,986	FTSE All World Developed
M&G	0.6%	5,598	None
Newton	6.7%	57,981	Libor + 4% (net of fees)
Pyrford	9.3%	80,497	One month LIBOR plus 4%
Schroders	2.6%	22,450	RPI plus 5%
Standish	7.4%	63,656	IPD PPF All Balanced Property Funds
UBS Bonds	4.2%	36,505	6% Target Return
UBS Equities	16.5%	142,212	FTSE All Stock Gilt Index
London CIV	0.0%	150	MSCI World NDR Index
Cash	2.3%	19,586	One month LIBOR
Total Fund	100.0%	863,765	

4.2 The percentage split between managers is graphically shown in the pie chart below.

Chart 2: Fund Asset by Asset as at 30 September 2016



5. Fund Manager Performance

5.1 Kempen

	2016			2015				2014	One	Two	Since Start
Kempen	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**6/2/2013**
£131,986	**%**	%	%	%	%	%	%	%	%	%	%
Actual Return	**10.2**	5.8	5.9	7.5	(5.8)	(5.7)	7.7	2.1	29.4	13.9	9.4
Benchmark	**7.9**	9.7	2.2	8.4	(4.8)	(5.3)	7.5	5.0	28.2	15.3	13.1
Difference	**2.3**	(3.9)	3.7	(0.9)	(1.0)	(0.4)	0.2	(2.9)	1.2	(1.5)	(3.7)

Reason for appointment

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

Performance Review

During the quarter Kempen completed their quarterly rebalance, buying and selling nine companies. Purchases included:

- Wells Fargo - franchise is intact despite its current reputational headwinds.
- Severstal (Russian steel operator) - low production costs and limited net debt.
- SKF (industrial ball bearings) - new CEO, undergoing a transformation;
- BT Group as the share price offered a compelling entry point
- Abbvie, Exelon Corp, JSR Corp, Life Storage and AMEC Foster Wheeler.

Most of the disposals were driven by stocks crossing their 3% threshold, due to strong share price performance, including Procter & Gamble, Cullen/Frost Bankers, Merck, Copa Holdings; and Hancock Holdings. Telenor, Royal Mail, Boardwalk Real Estate and LaSalle Hotel Properties were sold as the investment case no longer offered a good risk adjusted return.

Outlook

Kempen have seen high volatility among their holdings despite there being limited changes the firms intrinsic value. Kempen believe that their rebalancing process continues to add value by taking advantage of this volatility. Overall market multiples remain elevated, but the dispersion both within and between sectors has increased.

Kempen focus is on finding companies with sustainable dividends that can be bought at a discount to their estimate of intrinsic value. Kempen base their estimate on the Earnings Power Value (EPV) framework of the Columbia Business School. EPV allows us to separate the three valuation components: asset value, earnings power and growth value. This framework improves their ability to analyse what Kempen are paying for, and gives insight into whether a stock is priced with a margin of safety.
The Fund now has a forward yield of around 4.9%.

5.2 Baillie Gifford

	2016			2015				2014	One	Two	Since Start
Baillie Gifford	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**6/2/2013**
£147,246	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**12.1**	6.9	0.3	10.4	(5.8)	(4.9)	9.1	6.5	29.7	17.3	15.6
Benchmark	**8.5**	8.8	2.9	8.1	(5.9)	(5.1)	7.6	4.5	28.3	14.7	13.0
Difference	**3.6**	(1.9)	(2.6)	2.3	0.1	0.2	1.5	2.0	1.4	2.6	2.6

Reason for appointment

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

The manager was appointed as it is a long-term stock picker but with a high emerging market weighting. The lower number of stocks held compared to the Fund's previous equity managers is also seen as an advantage. The active share of the portfolio remains very low. The Fund holds its investment with BG through the London CIV, following the transfer of its assets on the 11th July 2016.

Performance Review

Prior to the unexpected triumph of the Leave campaigners BG considered which companies in the mandate would be most affected by the Referendum. BG identified five UK-listed holdings (Prudential, Wolseley, Rolls Royce, Hays and Aggreko) which might suffer from post referendum uncertainty. However, these companies generate most their profits and revenues overseas.

Of the European holdings in the portfolio, BG felt the most affected would be Irish companies, Ryanair, Bank of Ireland and CRH along with two other stocks with material UK and other Western European exposure in Carlsberg and Svenska Handelsbanken. This analysis was broadly correct in that the stocks mentioned above include most of the companies whose share prices were the hardest hit immediately following the referendum result.

Performance during the quarter was behind the index. Whilst this is disappointing, BG hold the view that they cannot accurately anticipate the outcome of a closely fought referendums, or hedge against its outcome but focus on the fundamentals and, in the short run, politics can swamp these.

BG remains confident in the portfolio's positioning, which continues to be well-diversified across a range of growth companies, and are pleased with the operational performance. BG holds a view that the market weakness has created some exciting opportunities to invest in high quality companies at attractive valuations.

5.3 UBS Equities

	2016			2015				2014	One	Two	Since Start
UBS Equities	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**31/8/2012**
£142,212	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**8.2**	8.7	2.4	8.6	(4.8)	(5.2)	7.7	4.9	27.9	15.3	15.8
Benchmark	**8.2**	8.7	2.4	8.6	(5.0)	(5.3)	7.6	4.8	27.9	15.0	15.8
Difference	**0.0**	0.0	0.0	0.0	0.2	0.1	0.1	0.1	0.0	0.3	0.0

Reason for appointment

UBS were appointed as the Fund's passive equity manager to reduce the risk from underperforming equity managers and provides a cost-effective way of accessing the full range of developed market equity growth. UBS track the developed world market benchmark and there will only be an issue with performance were the manager to vary significantly from the benchmark, either positively or negatively.

Performance

Global equities had risen earlier in the quarter, as economic data in the US and Eurozone improved from the weaker data seen in the first three months of the year. Central bank activity remained in focus, with an increased likelihood of further rises in interest rates in the US. The oil price continued to rally sharply from February's lows, and investors' concerns over the pace of growth in China eased.

Post the EU referendum in the UK, it was noticeable that after initial sharp losses, equities enjoyed one of their best weeks of the year. US equity markets benefited from a resetting of interest rate expectations back to a 'lower for longer' outlook.

Japanese equities had a difficult quarter on a relative basis, as the failure of the Bank of Japan to meet expectations for further policy initiatives in the wake of weak economic data saw the Japanese yen strengthen sharply. European equities fared poorly later in the quarter due to increased political uncertainties.

UBS Bonds

	2016			2015				2014	One	Two	Since Start
UBS Bonds	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**20/8/2013**
£36,505	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**2.3**	6.2	5.0	(1.2)	3.1	(3.4)	2.2	6.3	12.3	10.3	8.4
Benchmark	**2.3**	6.2	5.0	(1.2)	3.1	(3.4)	2.2	6.3	12.3	10.3	8.4
Difference	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Reason for appointment

UBS were appointed as the Fund's passive bond manager to allow the Fund to hold a small allocation (5%) of UK fixed income government bonds.

Performance

Government bond yields fell to record lows reflecting their safe-haven status amidst market turmoil post the referendum result and expectations for lower growth globally.

5.4 BlackRock

BlackRock	2016			2015				2014	One	Two	Since Start
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Year	Years	30/11/2012
£38,689	%	%	%	%	%	%	%	%	%	%	%
Actual Return	**(3.5)**	**1.3**	**1.2**	**2.5**	**2.5**	**2.9**	**2.2**	**3.1**	**1.5**	**6.1**	**9.2**
Benchmark	**(0.7)**	0.1	1.1	3.0	3.0	3.1	2.8	4.6	3.5	8.5	11.4
Difference	**(2.8)**	1.2	0.1	(0.5)	(0.5)	(0.2)	(0.6)	(1.5)	(2.0)	(2.4)	(2.2)

Reason for appointment

In March 2012, a large 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.

Transactions

The Fund transacted four sales for a total of £140m, the most significant of which was a strategic move to down weight its exposure to Central London Office. A substantial portfolio sale of 11 smaller, secondary assets was exchanged after the quarter end, which had the effect of cleaning up most the remaining non-core holdings in the Fund.

Referendum Result Impact on UK Property

Given the volatility after the Brexit vote was caused by a political crisis rather than a financial one, the Conservative party's ability to fill its leadership void swiftly, had a significant stabilising effect.

Reactions to political events continue to dominate as the UK government and the EU determine what Brexit looks like. This creates periods of volatility and the need for a defensive approach is a preferable position. There is a significant amount of capital moving around the global financial markets seeking investments looking for yield. This is magnified in the UK by lower for even longer interest rates and a fall in Sterling.

UK real estate offers a relatively high yield, a balanced supply and demand dynamic, benefits from expansionary monetary policy and is less fully valued than other asset classes. It therefore looks set to continue to attract domestic and international capital.

Valuations

Although values reduced post the referendum vote, the depth of capital returning to the market helped put a floor under pricing declines, which ended up surprising on the upside. For much of Q3 valuers maintained a caveat expressing a greater risk around the accuracy of valuations due to the market uncertainty following the referendum and a lack of transactional evidence. As the quarter progressed these caveats were watered down and eventually removed, as valuations were adjusted, and what turned out to be a relatively liquid market started to provide post referendum evidence.

BlackRock experienced a 2.5% reduction in values over Q3, with a broad dispersion between Student Housing, Primary Healthcare and Industrials, which experienced little or no decline, and Central London Offices which averaged a 7.5% reduction.

5.5 Schroders Indirect Real Estate

	2016			2015				2014	One	Two	Since Start
Schroder	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**06/08/2010**
£22,450	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**3.7**	(5.2)	0.8	2.4	3.0	2.6	2.8	3.9	1.7	7.0	6.3
Benchmark	**(0.7)**	0.1	1.1	2.8	3.0	3.1	2.8	4.6	3.3	8.4	8.1
Difference	**4.4**	(5.3)	(0.3)	(0.4)	0.0	(0.5)	0.0	(0.7)	(1.6)	(1.4)	(1.8)

Reason for appointment

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

Market summary

While early indications are that the UK economy has fared better in the quarter following the EU referendum than predicted, market uncertainty has unsurprisingly led to value declines in UK commercial real estate. However, occupier demand has remained firm since June 2016, reflecting low vacancy rates and a limited level of new building in recent years. During the quarter, increased political stability, a cut in interest rates and signs of continued economic growth calmed investor sentiment. This has been reflected in increased liquidity, smaller discounts in secondary market and a decrease in the fair value adjustments to fund pricing.

Strategy

Over recent quarters SIRE's strategy has been to increase the defensive qualities of the trust, favouring allocations such as core balanced funds, where returns are underpinned by income; and decreasing holdings where returns are driven by capital growth. In the third quarter, we selectively trimmed positions in funds where yields are low (West End of London Property Unit Trust) and where secondary market liquidity and pricing was relatively attractive (Threadneedle Property Unit Trust and UNITE UK Student Accommodation Fund).

Performance

Performance improved against benchmark over the quarter. Over 1 and 3 years, SIRE has underperformed its benchmark.

The top performing allocation over the quarter was the Ishares UK Property which returned 5.5% as real estate securities rebounded from their post-Brexit sell off. Although specialist funds such as the Industrial Property Investment Fund and The Leisure Fund Unit Trust outperformed, in aggregate value add holdings detracted.

Core balanced funds outperformed, led by Metro Property Unit Trust, Schroders' partnership vehicle investing in South East business space. The BlackRock UK Property Fund also outperformed, based on the mid-price valuation methodology used by the Trust, as the adjustment to its bid price was removed (bid -5%).

5.6 M&G / Prudential UK

	2016			2015				2014	One	Two	Since Start
M&G / Prudential	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**31/05/2010**
£5,598	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**1.1**	1.1	1.1	1.1	1.1	1.1	1.2	1.1	4.4	4.5	4.7
Benchmark	**1.1**	1.1	1.1	1.1	1.1	1.1	1.1	1.1	4.4	4.4	4.4
Difference	**0.0**	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.3

Reason for appointment

This investment seeks to maximise returns using a prudent investment management approach with a target return of Libor +4% (net of fees) and provides diversification from active bond management by holding the loans until their maturity. The strategy continues to meet its objectives and there were no issues in the quarter.

The portfolio maintained its seven senior loan investments with several medium sized institutions, with no changes to their respective credit ratings. The date of the last loan maturity is 2021, after which the investment will be wound up and the final distributions made.

5.7 Hermes

	2016			2015				2014	One	Two	Since Start
Hermes	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**19/11/2012**
£64,712	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**1.6**	2.5	5.9	0.3	1.7	1.1	1.3	4.1	10.3	9.3	11.0
Benchmark	**1.4**	1.4	1.4	1.4	1.4	1.4	1.4	1.4	5.6	5.6	6.0
Difference	**0.2**	1.1	4.5	(1.1)	0.3	(0.3)	(0.1)	2.7	4.7	3.7	5.0

Reason for appointment

Hermes were appointed as the Fund's infrastructure manager to diversify the Fund away from index linked fixed income, with the Fund's index linked government bonds used to fund Hermes. The investment duration is a five-year investment period and a base term of 18 years. At the March 2015 Panel, Members agreed to increase the Fund's allocation to Hermes to 10%, accessed via two limited liability partnerships. As the Fund already had an allocation of 5% to the Hermes Core partnership and a 2% allocation to the value-added partnership, the additional 3% was invested in the value-added partnership.

Holdings and performance

Hermes is invested directly in a variety of UK based infrastructure investments, including water companies, wind farms, solar energy, PFI and ports. The strategy also invests in value added investments include Eurostar, a secondary investment with Goldman Sachs and RREEF and an allocation to a water company. The strategy has performed well since initial funding with an average return of 11.0%. Each asset provides significant cash yields, which will provide a steady return both in terms of cash and capital appreciation.

5.8 Aberdeen Asset Management

	2016			2015				2014	One	Two	Since Start
Aberdeen	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**15/09/2014**
£52,496	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**0.3**	0.9	2.2	(0.1)	0.4	(0.6)	1.4	2.2	3.3	3.4	3.4
Benchmark	**1.1**	1.1	1.1	1.1	1.1	1.1	1.1	1.1	4.4	4.4	4.4
Difference	**(0.8)**	(0.2)	1.1	(1.2)	(0.7)	(1.7)	0.3	1.1	(1.1)	(1.0)	(1.0)

<u>Reason for appointment</u>

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

<u>Market Update and Performance Summary</u>

The trading environment continues to be dominated by central bank policy actions. Speculation that the Bank of Japan (BOJ) would try engineer a steeper yield curve by reducing purchases of longer maturity bonds sparked a global sell-off in long term rates. There was a marked increase in the correlation between stocks and bonds during this period, with declines in bond prices occurring simultaneously with declines in high dividend sectors of the market such as real estate, utilities, and telecoms.

Financials benefited from the rise in long term rates and outperformed. The BOJ surprised markets in September by announcing an intention to use asset purchases to set the level of ten-year bond yields and global yield curves reversed much of the steepening that had occurred prior to the meeting. In addition, the Federal Reserve kept rates on hold in September, which also helped to stabilise demand.

In Europe and Japan, following a rally in July and August, equities faced headwinds from the strength of the euro and the yen, and both regions saw equities decline modestly in September. Emerging markets had stronger performance supported by both a rise in the price of oil and the dovish stance taken by the Federal Reserve. The holdings and a summary of the strategy and style is included in the table below:

Fund	Strategy / Style
Hedge Funds	
Field Street Fund	Fixed Income, Global Macro
Horizon Portfolio Ltd	Market Neutral
Kohinoor Series Three	Tail-risk protection
Obsidian Fund	Fixed Income Relative Value
Pharo Gaia Fund	Discretionary global macro, invests in emerging markets
Alteaus Overseas Fund	Discretionary global macro, focused on FX / commodities
Complus Asia Macro	Discretionary macro fund focused on Asia
Renaissance IDA	Statistical Arbitrage
BlackRock Fixed Income	Relative Value
Private Equity	
PAI Europe VI	Buyout Midcap
MML Capital Partners VI	Lower Mid Market

5.9 Pyrford

	2016			2015				2014	One	Two	Since Start
Pyrford	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**28/09/2012**
£80,497	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**3.1**	3.2	2.4	2.2	(0.5)	(2.5)	2.8	2.0	10.9	6.4	4.9
Benchmark	**1.9**	2.0	1.4	1.6	1.5	1.9	1.1	1.2	6.9	6.3	6.1
Difference	**1.2**	1.2	1.0	0.6	(2.0)	(4.4)	1.7	0.8	4.0	0.1	(1.2)

Reason for appointment

Pyrford were appointed as the Fund's absolute return manager (AR) to diversify from equities. The manager's benchmark is a fixed benchmark, which means that the manager is likely to outperform the benchmark significantly during market rallies.

AR managers can be compared to equities, which have a similar return target. When compared to equities, absolute return is likely to underperform when markets increase rapidly and to outperform equities during periods when markets suffer a sharp fall. 2013 and into 2014 could be classified as a significant market rally and therefore, in comparison to equities, Pyrford have underperformed.

Market Update and Performance Summary

At the end of July Pyrford reduced the equity exposure, after considering continued strength in equity markets, both domestic and global, by 5% to a model allocation of 30% equities, 67% bonds and 3% cash. The portfolio is now back to the same equity weighting as it was going into the financial crisis in 2008. This reflects the view that there is very little fundamental value in either equities or longer duration quality sovereign bonds and that capital market valuations do not discount the significant structural economic problems and material risks that exist.

The equity portfolio remains defensively invested in utilities, energy and telecommunications. Pyrford views these sectors as offering predictable revenue streams and attractive valuations. The focus of the portfolio is on balance sheet strength, profitability, earnings visibility and value.

No changes were made to the portfolio's currency hedging programme in the quarter, although Pyrford did sell US government bonds based on the team's view of the US dollar being significantly overvalued versus Sterling. In line with Pyrford's purchasing power parity analysis, only the Swiss franc exposure within the portfolio remains fully hedged, insulating the portfolio against any fall in the value of the currency.

High quality sovereign bond yields continued to fall in the quarter of the year. Pyrford retains a defensive stance by owning only short duration securities to protect the capital value of the portfolio from expected rises in yields. At the end of the quarter the modified duration of the fixed income portfolio stood at 1.9 years. As noted above, there was a change to the geographical allocation of the fixed income portion of the portfolio during the quarter as US bonds were sold from the overseas bond portfolio. Only 10% of the portfolio remains invested in overseas bonds, with 5% in Canada and 5% in Australia.

5.10 Newton

	2016			2015				2014	One	Two	Since Start
Newton	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**31/08/2012**
£57,981	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Actual Return	**1.5**	4.3	4.0	1.5	(1.3)	(2.7)	4.4	0.9	11.3	6.3	5.0
Benchmark	**1.1**	1.1	1.1	1.1	1.1	1.1	1.1	1.1	4.4	4.4	4.5
Difference	**0.4**	3.2	2.9	0.4	(2.4)	(3.8)	3.3	(0.2)	6.9	1.9	0.5

Reason for appointment

Newton was appointed, with Pyrford, as the Fund's absolute return (AR) manager 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. The years 2013 and 2014 could be classified as a significant market rally and therefore, in comparison to equities, Newton has underperformed.

Performance:
The Mandate generated a return more than its performance reference. Since the turn of the year and since initial funding, the Mandate has outperformed its return objective and has kept pace with global equities (in sterling terms), while managing to deliver reduced levels of volatility and demonstrating an impressive ability to preserve capital. The Mandate's exposure to gold made a positive contribution to performance.

The Mandate's positive return was also partly founded on strong performance by the government bond exposure. The exposure to global equities proved beneficial, with Novartis, CMS Energy, Wolters Kluwer and Merck making positive contributions. The Mandate's exposure to alternative assets, principally through UK infrastructure and renewable-energy assets, along with convertible bonds, also aided performance.

Activity:
Throughout the quarter Newton tactically traded the Mandate's exposure to long-duration US Treasuries, as well as utilising shorter-dated US Treasuries for cash management purposes. Following sustained strong performance Newton implemented put options on the US long bond future, and set up similar positions on the Euro-Bund future. Volatility during the quarter enabled Newton implement new positions in Dixons Carphone, Dong Energy and Samsung SDI.

Following strong performance Newton have rebalanced its gold exposure, taking profits from some of the gold-mining equities and increasing exposure to the physical metal.

Outlook and Strategy:
Newton believe that the prospect of a permanent loss of capital is more and more likely to occur. Newton continue to be cautiously positioned, using their proven ability to select securities to enable a much greater exposure to return-seeking assets with solid fundamental prospects, at much better valuation levels, enabling them to deliver returns over the long term.

5.11 BNY Standish

	2016			2015				2014	One	Two	Since Start
Standish	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Year**	**Years**	**20/08/2013**
£63,656	**%**	%	%	%	%	%	%	%	%	%	%
Actual Return	**1.4**	0.9	(1.9)	(1.4)	(2.7)	(1.5)	3.7	2.7	(1.0)	0.6	1.1
Benchmark	**1.1**	1.1	1.5	1.5	1.5	1.5	1.5	1.5	5.2	5.6	5.8
Difference	**0.3**	(0.2)	(3.4)	(2.9)	(4.2)	(3.0)	2.2	1.2	(6.2)	(5.0)	(4.7)

Reason for appointment

Standish 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.

Performance

The US yield curve flattened over the quarter, with 10-year Treasury rates lower than two-year rates. The 10-year Treasury ended lower for the quarter. Spread sectors were mixed, while commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) were both weak, with each underperforming Treasuries. Despite the unexpected Referendum vote, US investment-grade corporate bond spreads were wider in September, which resulted in excess returns. High-yield bonds fell while emerging-market local currencies rose, and the S&P 500 was more or less unchanged on the quarter.

Outperformance in emerging-market currencies was offset by underperformance in developed-market currencies. While duration underweight in Japan and Europe underperformed, they were counterbalanced by overweight positions in South Korea, Canada, the US, Australia, Hungary, and Poland. Overall, the duration versus yield-curve positioning added during September. Asset allocation was slightly negative, with underperformance in investment-grade bonds and high-yield corporate bonds offset by outperformance in hard-currency emerging-market debt and ABS.

Outlook

The lack of a precedent to rely on for assessing the fallout for the UK or the global economy means the effect of the Referendum may not be known for some time; however, Standish believe the overall direct global economic consequences of the Referendum vote are likely to be limited. The UK's share of world GDP stood under 4% last year, and its bilateral trading relationships are mostly diversified by region and limited in scope.

Because of the referendum, Standish trimmed their 2016 forecast of the UK's real GDP growth. Standish believe the UK will avoid a recession because domestic demand, especially from households, provides a floor for growth.

Sterling is the asset most exposed to a vote to leave the EU. The BOE will undoubtedly monitor the situation closely but Standish does not expect a knee-jerk reaction. On balance, Standish believe the central bank is likely to leave the door open to an easier stance of monetary policy through dovish communication.

5.12 Currency Hedging

At the September Pension Panel Members received a presentation from Aon Hewitt on currency hedging within the Fund. Aon stated that sterling had seen considerable falls (13%) relative to the key currencies since the referendum on 23 June 2016 when the UK decided to leave the European Union. This had presented an opportunity for investors including pension schemes to hedge the currency of any non-GBP denominated investments, to benefit from the current low foreign exchange rate levels.

Members agreed to implement a currency hedge based placed on the passive strategy as outlined below:

i. 50% of the passive equity portfolio managed by UBS to be implemented when USD reaches $1.30 per GBP;
ii. 75% of the passive equity portfolio managed by UBS to be implemented when USD reaches $1.25 per GBP; and
iii. 100% of the passive equity portfolio managed by UBS to be implemented when USD reaches $1.20 per GBP.

On the 30th September 2016, a 50% hedge was placed on the Fund's passive equity holding with UBS. This hedge was placed at $1.29.

Subsequently a further 25% of the passive equity allocation was hedged on the 7th of October 2016. This hedge was placed at $1.29.

At this Panel Aon Hewitt will provide a verbal update on the Fund's currency positions.

6. Consultation

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

7. Financial Implications

Implications completed by: Jonathan Bunt, Strategic Director, Finance & Investment

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

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

8. Legal Implications

Implications completed by: Paul Feild, Senior Governance Solicitor

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

8.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3903) ("the 2009 Regulations") are the primary regulations that set out the investment framework for the Pension Fund. These regulations are themselves amended from time to time. The Regulations are made under section 7 of and Schedule 3 to the Superannuation Act 1972. They set out the arrangements which apply to the management and investment of funds arising in relation to a pension fund maintained under the Local Government Pension Scheme.

9. Other Implications

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

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

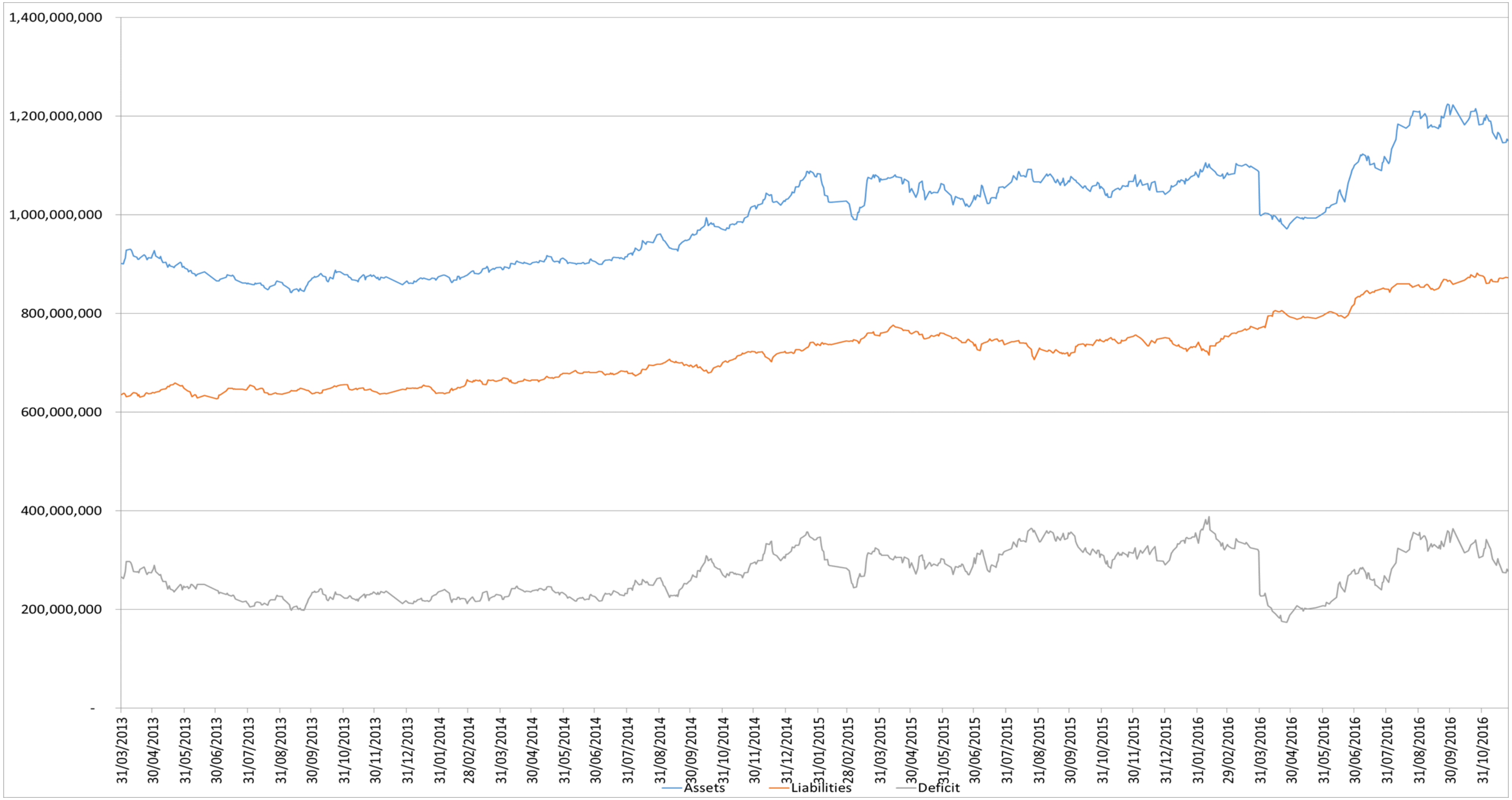
Background Papers Used in the Preparation of the Report:

- WM Quarterly Q3 2016 Report; and
- Fund Manager Q3 2016 Reports.

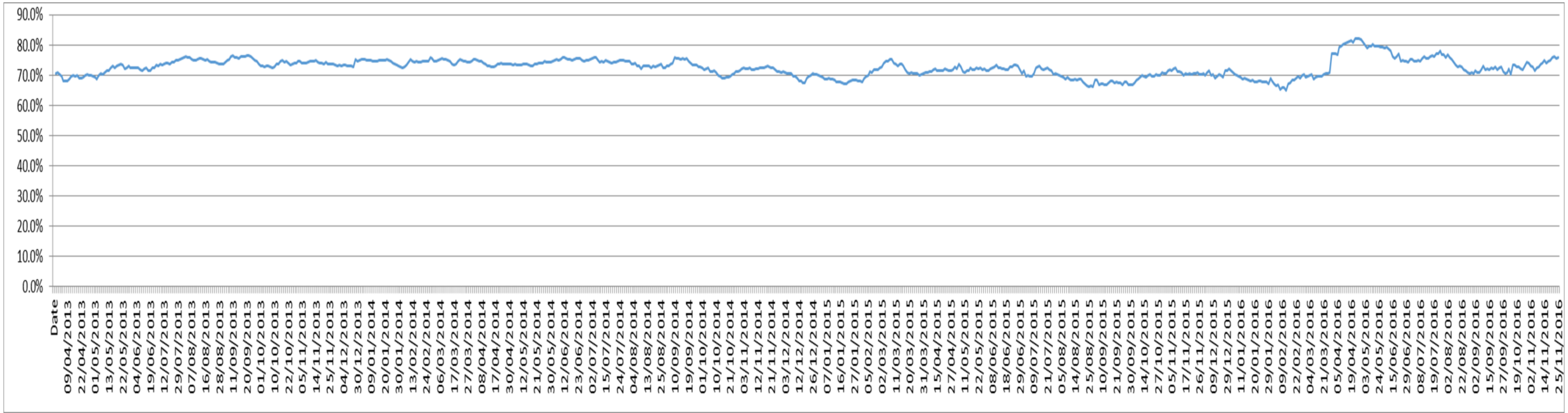
List of appendices:

Appendix 1 - Fund Asset and Liability Values 31 March 2013 to 25 November 2016
Appendix 2 - Definitions
Appendix 3 - Roles and Responsibilities

APPENDIX 1 - Fund Asset Values 31 March 2013 to 25 November 2016



Funding Level between 31 March 2013 to 25 November 2016



APPENDIX 2

A Definitions

A.1 Scheduled bodies

Scheduled bodies have an automatic right, and requirement, to be an employer in the LGPS that covers their geographical area. Therefore, scheduled bodies do not need to sign an admission agreement

Scheduled bodies are defined in the LGPS Regulations 2008 (Administration) 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	**Admitted Bodies**
University of East London	Age UK
Magistrates Court	Abbeyfield Barking Society
Barking College	Barking and Dagenham Citizen's Advice Bureau
Thames View Infant Academy	Council for Voluntary Service
Thames View Junior School	Disablement Association of Barking and Dagenham
Sydney Russell Academy	East London E-Learning
Riverside Academy	Elevate
Riverside Bridge	Kier
Riverside Primary	London Riverside
Dorothy Barley Academy	Laing O'Rourke
Warren Academy	RM Education
Goresbrook Free School	CRI
Elutec (from April 2016)	CleanTech
Eastbury	SOS LTD

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B Roles & Responsibilities

B.1 Investment or Pensions Committee

This is the decision-making body within the LGPS scheme. It will probably meet quarterly and could have sub-committees for examining more detailed aspects i.e. investment performance, audit etc.

Membership of the committee will reflect the constitutional nature of the committee within the local authority and the multi–employer nature and size of the local scheme. A county scheme might have the leader of the council, four other councillor members from the host local authority, two district councillors and a staff representative.

As another example, the London Pension Fund Authority, which has separate legal responsibility for certain pensions' administration and investment within London, has a membership of seven to eleven members appointed by the Mayor of London. The Mayor is required to consult local government representatives in London on at least half of the appointments excluding the chairman.

Although appointments from host local authorities will be made on a political basis, a key feature of pensions or investments committees is the non-political nature of much of the decision-making. While sitting on the pensions or investments committee, members will be exercising a duty of care and have a fiduciary responsibility to the fund, employers and potential beneficiaries of the fund.

Responsibilities

The responsibility of an investments or pensions committee may include:

- ensuring all investment activity complies with the requirements of current regulations and best practise;
- approving the statement of investment principles, funding strategy statement, communications strategy and governance policy;
- reviewing and taking action on actuarial valuations;
- appointing investment managers, a fund actuary, custodian(s) and professional advisers;
- agreeing asset allocation strategies following asset liability modelling and a policy for investment in different assets with the investment managers;
- agreeing a rebalancing strategy between different portfolios when asset allocations change due to different market movements of different sectors;
- regularly reviewing investment managers' performance and expertise against agreed benchmarks and determining any action required;
- ensuring that the fund investments are sufficiently diversified and that the fund is investing in suitable investments;
- monitoring budgets for the fund ensuring there is adequate budgetary control;
- promoting the fund within the authority; and
- ensuring the administration of the fund is appropriately resourced, is effective and meets performance standards.

The committee will also have responsibility for selecting and appointing external additional voluntary contribution (AVC) providers for use by members in purchasing additional benefits. At retirement the accumulated value of the members AVC fund is used to purchase an annuity on the appropriate market, or the value may be taken as a cash sum under specific circumstances.

CLG has reminded administering authorities that elected councillors 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.

Under Section 101 of the Local Government Act 1972, a local authority can choose to delegate their pension investment functions to the council, a committee, a sub-committee or to officers. CLG guidance states that under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and the Local Authorities Executive Arrangements (Functions and Responsibilities) (Wales) Regulations 2001, statutory decisions, taken under schemes made under Sections 7, 12 or 24 of the Superannuation Act 1972, are not the responsibility of the executive arrangements introduced by the Local Government Act 2000.

This means that the executive arm of the council cannot make decisions in relation to discretions to be exercised under the LGPS, or make decisions relating to the investment of the pension fund and related matters.

B.2 Quasi Trustees

As the LGPS has a different background, in comparison to corporate pension schemes, members of investments or pensions committees do not have the legal responsibilities of a trustee in a corporate scheme. Nevertheless they still have considerable responsibilities and a general duty of care. Investments or pension's committee members are often referred to as quasi trustees. Due to the complexity of investment practises, pension benefits, actuarial and funding issues, a high level of knowledge and skills is required and continual training is essential.

LGPS quasi-trustees are responsible for the:

- oversight of the management and resourcing of all fund activities;
- achieving the requirements set out by The Pensions Regulator's codes of practice;
- ensuring the best possible outcome for the fund, employers and members; and
- taking decisions in accordance with the standing orders of the investments or pensions committee.

B.3 Fund Administrator

The Strategic Director, Finance & Investment is responsible as fund administrator for:

- ensuring compliance with the statutory rules governing the investment of LGPS assets, including the various policy documents and statements required under the regulations;
- acting as a professional advisor to the fund;

- as section 151 officer alerting the investments or pensions committee or the council to any problems with the funding level or the administration of the fund in accordance with section 151 responsibilities;
- ensuring effective audit and governance arrangements; and
- ensuring the effective administration and preparation of the accounts including the annual statement of accounts.

B.4 Administering Authority

There will be a separate pension's function within a host local authority with responsibility for investment and scheme administration. With a few exceptions, it will not be a separate legally constituted body.

Consequently, subject to LGPS regulations, the legal and administrative processes of the local authority will apply to the fund i.e. employees of the fund will be employees of the local authority and be subject to the local authorities pay and conditions of employment.

Although not a separate body in law, good practice would suggest that the fund should have a title relating to the overall fund, rather than the host authority.

The responsibilities of the administering authority include:

- collecting and accounting for employer and employee contributions;
- investing monies not required for payment benefits, transfers and administration costs;
- paying pension benefits and ensuring cash is available to meet the funds future liabilities;
- managing the fund valuation process;
- preparing and maintaining the statutory statements;
- monitoring and managing all aspects of the fund's performance; and
- Managing communications with employers, members and pensioners.

B.5 Employers

These will range from the host local authority, which in a county scheme will be the county council, to many other employers, both large and small. Following out-sourcing by local authorities, an increasing feature of LGPS schemes is the extent to which commercial companies are becoming employers (as admitted bodies) within the scheme.

Employers fall into three categories:

- <u>Scheduled</u>

  These are the organisations listed in the Local Government Pension Scheme (Administration) Regulations 2008 (Schedule 2, Part 1) and include county councils and district councils.

- <u>Designated (resolution) bodies</u>

  These are employers that have the power to decide if an employee or a group of employees can belong to the LGPS and they pass a resolution accordingly. They are listed in the Local Government Pension Scheme (Administration) Regulations 2008 (Schedule 2, Part 2).

- Admitted bodies

  These are bodies whose staff can become members of an LGPS fund, if the administering body agrees, under provisions of governing regulations by virtue of an admission agreement between the administering authority and the relevant body.

  Responsibilities of employers include:
  - deducting pension contributions and together with employer contributions, remitting to the administering authority in accordance with the required timescale;
  - exercising benefit discretions in accordance with the agreed policy and keeping the administering authority informed;
  - notifying the administering authority of all relevant membership changes (e.g. retirement etc) and other required issues; and
  - Complying with the valuation timetable.

Employers have a particular responsibility for notifying the administering authority as soon as it becomes evident that an outsourcing or external partnership arrangement might be a possibility. There are many complex issues to be considered by the administering authority which could involve seeking actuarial and financial advice. Employers need to ensure that tender documents clarify pension funding obligations which should be covered subsequently in a commercial contract.

Contact should be made at an early stage with the administering authority if consideration is being given to an employee retiring early or being made redundant. When considering early retirement, employers need to ensure that they identify the need to make a payment to the pension fund for the early release of pension benefits. This is called the pension fund strain; it can be a significant cost and normally needs to be funded immediately by the employer.

B.6 Investment Managers

With some exceptions, in larger LGPS funds most investment managers are external appointments. A feature of the LGPS is the extent to which the majority of mandates are held by a relatively few managers. In 2006 over 50 percent of LGPS funds were managed by the top five managers. In total there were over 80 different external managers involved with LGPS funds.

Investment manager responsibilities include:

- investment of pension fund assets in compliance with current LGPS legislation, any constraints set by the investments or pensions committee in the statement of investment principles and investment management agreement;
- asset allocation if a balanced manager, otherwise as directed by the investments or pensions committee;
- selection of securities within asset classes;
- attending meetings and presenting reports to the investments or pensions committee as required, including regular reports on performance, voting and transactions;
- active management of any cash balances (unless this responsibility is delegated to the custodian); and

- engaging with companies and taking shareholder action in accordance with the fund's policy.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 contain clauses on:

- the requirements for being an investment manager;
- choice of investment manager;
- terms of appointment for an investment manager; and
- Reviewing the performance of an investment manager.

B.7 Custodian(s)

The custodian(s) is responsible for the safekeeping of the fund's securities. This function may be carried out by a custodian appointed directly by the fund, or via appointed fund managers. Current best practice is for funds to appoint their own custodian(s).

The duties may include:

- settlement of purchases and sales;
- advising managers of cash available for investment;
- safe custody of securities and cash;
- acting as banker to the fund;
- cash reconciliations;
- collection of dividends, income and overseas tax reclaims;
- ensuring correct actions including rights issues, bonus issues and acquisitions are correctly dealt with;
- ensuring the necessary approvals are in place to invest in certain overseas markets; and
- Providing (monthly) valuations of scheme assets, details of all transactions and accounting reports.

The custodian may also offer access to commission recapture, security lending programmes, comparative performance measurement and voting of shares in accordance with an agreed policy.

The appointment of a custodian might require specialist advice to be obtained. The risks to be addressed include:

- financial risk around the financial viability and stability of the custodian including ability to support long term investment in the business and withstand operational losses;
- asset risk including risk that in the event of default, client securities are treated as part of the assets of the bank which has gone into default and belong to creditors rather than clients, and cash risk that in the event of default clients are exposed to losses of cash placed with the bank; and
- Asset servicing risk such that a client is exposed to a loss due to a weakness in the custodian's operations.

Funds need to consider the importance of ensuring that all these areas are considered. This might involve using specialist advisers. Particular consideration should be given to risks if a sub-custodian is involved.

B.8 Actuary

The scheme actuary is an independent and appropriately qualified adviser who carries out statutorily required fund valuations and other valuations as required and who will also provide general actuarial advice.

The actuary will:

- prepare fund valuations, including setting employers contribution rates, after agreeing valuation assumptions with the administering authority;
- agree a timetable for the valuation with the administering authority; and
- Prepare timely advice and calculations in connection with bulk transfers and benefit matters.

The results of the valuation determine the rate of the employer's contribution for the subsequent three years. The actuary is required to certify employer's contribution rates that will achieve full solvency over the longer term, while keeping contribution rules as stable as possible.

The contribution rate will consist of a common rate for the fund and an individual employer rate. To achieve this, the actuary needs to ensure compliance with legislative requirements, assess current solvency levels, monitor actual experience compared with previous assumptions, and assess reserves needed for accrued liabilities. In carrying out this work, the actuary must have regard to the funding strategy statement, which might need to be revised to incorporate any new approach to be followed in the valuation.

The administering authority may also instruct the actuary to carry out an interim valuation if stock market conditions change, or if the characteristics of the membership changes e.g. as a result of a large transfer of staff.

The actuary will advise on other scheme matters, e.g. funding levels and the funding strategy statement and asset liability reviews. The most recent valuation of LGPS funds in England and Wales was at 31 March 2013 with revised employer contribution rates payable from April 2014.

The Myner's report (Institutional Investment in the United Kingdom: A Review) highlighted the need for funds to consider whether the roles of actuary and investment adviser should be held by separate companies. Notwithstanding this, many continue to have these roles provided by the same company, although there will be separate contracts.

B.9 Professional Advisers

Professional advisers should be appointed to advise the pensions or investments committee and the fund administrator on scheme matters. As in the case of investment managers, these appointments tend to be held by a relatively few appointees. Professional advisors should not be committee members.

Funds usually have a sole investment adviser. Consideration might be given to using a framework list of consultants, in order to use specific advisers to reflect each firm's strength and fees. In comparison with the usual approach of advertising in the EU journal, subject to the size of the fee, framework lists afford much more flexibility in procuring these services.

Advisers may be needed for advice on:

- asset allocation strategies;
- the selection of new managers and custodians;
- the preparation of the various strategy documents required under LGPS regulations; and
- To assist in reviewing and monitoring managers' performance.

Legal advice will need to be available to the fund, which might involve the appointment of specialist legal advisers for particular aspects of fund management i.e. appointing a private equity manager.

PENSIONS PANEL

14 December 2016

Title: Administration and Governance Report	
Report of the Strategic Director, Finance & Investment	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Group Manager Pensions and Treasury	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Jonathan Bunt, Strategic Director – Finance and Investment	

Recommendations

The Panel is recommended to note:

i. that the Fund is cash flow positive;
ii. the Fund's three year budget for the period 1 April 2016 to 31 March 2019; and
iii. the Fund's 2016/17 cash flow is forecast to be significantly higher than the budgeted cash flow, predominantly due to investment returns.

1. Introduction

1.1 It is best practice for Members to receive regular administration data and governance updates. Administration data includes cash flow, member numbers, governance and consultations. This paper covers three main areas including:

i. Pension Fund Budget 1 April 2016 to 31 March 2019;
ii. Cash flow to 31 July 2016; and
iii. Pension Fund Stakeholder Meeting.

2. Pension Fund Budget 1 April 2016 to 31 March 2019

2.1 Table 1 provides Members with the Fund's three-year budget to 31 March 2019.

Table 1: Pension Fund Budget 1 April 2016 to 31 March 2019

	2016/17 £000's	2017/18 £000's	2018/19 £000's
Contributions			
Employee Contributions			
Council	6,700	6,000	5,500
Admitted bodies	400	800	1,200
Scheduled bodies	2,300	2,400	2,500
Employer Contributions			
Council	24,500	22,500	20,000
Admitted bodies	1,000	2,000	3,000
Scheduled bodies	8,500	8,900	9,300
Pension Strain	3,000	500	500
Transfers In	2,500	2,500	2,500
Total Member Income	48,900	45,600	44,500
Expenditure			
Pensions	-29,000	-30,000	-31,000
Lump Sums and Death Grants	-10,000	-6,000	-6,000
Payments to and on account of leavers	-3,500	-3,500	-3,500
Administrative expenses	-600	-550	-550
Total Expenditure on members	-43,100	-40,050	-41,050
Net additions for dealings with members	5,800	5,550	3,450
Returns on Investments			
Investment Income	5,000	6,000	7,000
Profit (losses)	35,000	35,000	35,000
Investment management expenses	-3,500	-3,300	-3,100
Net returns on investments	**36,500**	**37,700**	**38,900**
Net increase (decrease) in the net assets	**42,300**	**43,250**	**42,350**
Asset Values	**814,597**	**857,847**	**900,197**

2.2 The cash flow forecast shows a movement from members being directly employed by the Council to some members being funded by admitted bodies and academies.

2.3 A significant increase in lump sum payments has been projected but this will be mitigated by an increase in pension strain contributions.

2.4 Overall the Fund is expected to remain cash flow positive for the duration of the three years but for the net dealing with members to reduce to £3.5m by 2019. Fund manager fees are forecast to drop from £3.5m to £3.1m by 2019 as a result of savings obtained from pooling investments via the London CIV.

3. Cash flow to 31 October 2016

3.1 Table 2 below provides Members with the Fund's Cash flow to 31 October 2016.

Table 2: 2016/17 Forecast Pension Fund Cash Flow

	2016/17 Budget £000's	2016/17 Forecast £000's	Over / Under £000's
Contributions			
Employee Contributions			
Council	6,700	7,095	395
Admitted bodies	400	313	(87)
Scheduled bodies	2,300	2,410	110
Employer Contributions			
Council	24,500	24,666	166
Admitted bodies	1,000	979	(21)
Scheduled bodies	8,500	9,701	1,201
Pension Strain	3,000	3,000	-
Transfers In	2,500	2,500	-
-			
Total Member Income	**48,900**	**50,665**	**1,765**
Expenditure			
Pensions	(29,000)	(29,376)	(376)
Lump Sums and Death Grants	(10,000)	(11,638)	(1,638)
Payments to and on account of leavers	(3,500)	(2,500)	1,000
Administrative expenses	(600)	(650)	(50)
Total Expenditure on members	**(43,100)**	**(44,164)**	**(1,064)**
Net additions for dealings with members	**5,800**	**6,501**	**701**
Returns on Investments			
Investment Income	5,000	6,000	1,000
Profit (losses)	35,000	100,000	35,000
Investment management expenses	(3,500)	(3,000)	500
Net returns on investments	36,500	103,000	36,500
Net increase (decrease) in the net assets	**42,300**	**109,501**	**37,201**
Asset Values	**814,597**	**881,798**	
Liabilities	**(1,100,000)**	**(1,135,000)**	
Funding Level	**74.1%**	**77.7%**	

3.2 Contributions, including transfers in and pension strain are expected to end the year £1.8m higher than the budget, with expenditure £1.1m lower than budgeted. The net additions for dealing with members are forecast to end the year £0.7m higher than budgeted. This is a decrease in net income and is predominantly due to the significant lump sum payments being made as part of the voluntary redundancy scheme implemented by the Council and Elevate.

3.3 Fund management fees are forecast to be £3.0m, which is lower than the budget due to savings made by investing through the London CIV. These savings are summarised in Appendix 1 of this report but at a summary level this saving equates to £127k for 2016/17 and £232.4k for 2017/18.

3.4 Administration costs are forecast to be £50k higher than budget as a programme of converting paper files to electronic records is completed.

3.5 Both returns and liabilities are forecast to be higher, with the returns better due to fund manager performance and the weakening of Sterling against all major currencies. Liabilities are higher due to a decrease in gilt yields.

3.6 Overall the Fund is forecast to end the financial year at around 77.7% funded based on a prudent gilt plus model. This compares favourably with the triennial valuation results where the fund is 77.6% funded.

4. Pension Fund Stakeholder Meeting

4.1 The Pension Fund Stakeholder Meeting was held on the 17th November at 12:00 in the Council Chambers, Barking Town Hall.

4.2 A total of 24 stakeholders attended, including current members, employers and members of the Pension Board.

4.3 Two presentations were provided covering the Fund's performance and key statistics and the Fund's governance, developments and the impact on the Fund of Brexit and the US elections.

4.4 Copies of the presentation can be found at the following address:

5. Actuary Meeting

5.1 A meeting was held on the 17th November with the with the Fund's employers to discuss the draft Triennial Results.

5.2 Representatives from the University of East London, Barking College and a number of the Fund's academies were present.

5.3 The Fund's independent advisor, John Raisin, also provided a presentation on the expectations of the employers by both the Fund and also by the pensions regulators.

6. Consultation

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

The Strategic Director, Finance & Investment and the Fund's Chair have been informed of the commentary in this report.

7. Financial Implications

Implications completed by: Jonathan Bunt, Strategic Director, Finance & Investment

7.1 The Pension Fund is a statutory requirement in order to provide a defined benefit pension to scheme members. The management of the administration of benefits and governance of the Fund rests with the Pension Panel.

8. Legal Implications

Implications completed by: 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. Other Implications

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

Background Papers Used in the Preparation of the Report:

- LGPS Consultation on investment reform.

List of appendices: None

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PENSIONS PANEL

14 December 2016

Title: London Borough of Barking and Dagenham Admissions Policy	
Report of the Strategic Director, Finance & Investment	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Group Manager Pensions and Treasury	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Jonathan Bunt, Strategic Director – Finance and Investment	
Summary: Changes within the London Borough of Barking and Dagenham and within schools is likely to lead to a number of admission agreements into the Pension Fund being agreed over the coming year. This report provides a comprehensive Admissions Agreement policy for Members to agree.	
The Panel is asked to • agree the Pension Fund's Admission Policy for 2017; and • delegate responsibility to the Finance Director to carry out the due diligence and implementation of the Admission Policy.	

1 Introduction and Background

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

1.2 As Administering Authority, the Council has the discretion to allow Admission Agreements with organisations that fit the criteria within the Local Government Pension Scheme ("the LGPS").

1.3 To ensure potential admitted bodies are aware of the requirements prior to joining the Fund an Admissions Policy has been drafted. The Admissions Policy will provide the structure and the governance requirements necessary to ensure the risks associated with allowing Admitted Bodies into the Fund are reduced.

1.4 All applications to be an Admitted body within the Fund will be required to be agreed by the Pension Panel, with the recommendation that the due diligence and implementation of the Admission Policy is delegated to the Finance Director.

2. Consultation

2.1 None.

3. Financial Implications

Implications completed by: Jonathan Bunt, Strategic Director, Finance & Investment

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

3.2 The 2016 CIPFA Guidance on preparing and maintaining a FSS includes several items to balance. One is the short and long term effects of high contribution rates on non-local authority employers in terms of their financial viability.

4. Legal Implications

Implications completed by: Paul Feild, Senior Governance Solicitor

4.1 As outlined in this report and the Admission Strategy, there is an obligation to administer the fund soundly and that includes the need to ensure the potential risk to the fund of organisations which seek to be admitted or are admitted default in their obligations under the admission agreement. Thus, charges may be levied if additional costs or measures need to be taken due to underperformance of an Admitted Body. Furthermore, from time to time it may be necessary to seek an agreement backed by a guarantor or a bond to cover possible losses if the organisation cannot meet its liabilities to ensure that the body does not present additional risks to the fund. Finally, there is no automatic right for a body to join the fund. The decision as to whether to allow admission is discretionary and ought to be based on an objective assessment of whether any risk to the fund is mitigated to acceptable levels by the admission agreement terms.

Appendices:

Background Papers Used in the Preparation of the Report:

- LGPS Consultation on investment reform.

List of appendices:

- Appendix 1 - Administration Strategy
- Appendix 2 - Funding Strategy Statement
- Appendix 3 - Admission Agreement

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London Borough of
Barking & Dagenham

Admissions Policy 2016

1. Introduction

1.1 Background and Policy

The London Borough of Barking and Dagenham Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme, established by an Act of Parliament and governed by regulations made under the Superannuation Act 1972.

This is the Fund administrator's policy for the treatment of admission bodies in the Fund and it should be read in conjunction with relevant legislation, such as the LGPS Regulations 2013 and the Fund's Funding Strategy Statement (http://moderngov.barking-dagenham.gov.uk/documents/s98715/Agenda%20Item%205%20Appendix%202%20FSS.pdf).

All applications for admission to the Fund must be agreed by the Pension Panel and this policy document should be included in all future tender documents, effective from the 15th December 2016.

This policy will be reviewed from time to time and at least following changes in the regulations pertaining to admission bodies or employees transferring pension rights.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate. Any queries should be directed to Group Manager for Treasury and Pensions (david.dickinson@lbbd.gov.uk) or the Pension Manager (Justine.spring@lbbd.gov.uk).

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (the Best Value Authorities Staff Transfer (Pensions) Direction 2007 and Fair Deal guidance) as they pertain to admission agreements are adhered to and, apart from in exceptional circumstances, the Fund's terms included within their admission agreements will be non-negotiable.

1.2 Key Fund Statistics as at 31 March 2016

Fund Type:	LGPS Defined Benefit Career Average
Funding Level:	77.2%
Discount Rate:	4.1%
Asset Value	£772m

Total employers:	28 (14 scheduled bodies and 14 admitted bodies)
Governance:	The Fund is overseen by a Pension Panel (Committee of LBBD

The Panel currently consists of:

Chair:	Councillor Dominic Twomey
Deputy:	Councillor Faraaz Shaukat
Councillor:	Sade Bright
Councillor:	Edna Fergus
Councillor:	James Ogungbose
Councillor:	John White
Councillor:	Jeff Wade

2. Admission Bodies

2.1 Principles

The purpose of an admission policy is to ensure that only appropriate bodies are admitted to the Fund and that the financial risk to the Fund and to employers in the Fund is identified, minimised and managed accordingly.

The Fund's policy is drafted based on the following key principles:

i. to ensure the long-term solvency of the Fund and of each individual employer;
ii. to ensure sufficient funds are available to meet all benefits as they fall due;
iii. to ensure employers agree to and then meet the requirements outlined in the Fund's Administration Strategy (Appendix 1).
iv. to assist employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business;
v. to reduce the risk to other employers from an employer ceasing participation or defaulting on its pension obligations;
vi. to address the different characteristics of the various employers or groups of employers to the extent that this is practical and cost-effective; and
vii. to maintain the affordability of the Fund to employers as far as is reasonable.

2.2 Funding Strategy Statement (FSS)

The FSS (Appendix 2) sets out high level policies in several areas relating to admission agreements. The keys areas covered by the FSS are:

- Purpose of the FSS;
- Aims and purpose of the Pension Fund;
- Responsibilities of the key parties;
- Solvency issues and target funding levels;
- Link to investment policy set out in the Statement of Investment Principles;
- Identification of risks and counter-measures; and
- Monitoring and review.

The information contained within the FSS applies equally to admission bodies. This admission body policy further clarifies the operation of the FSS within the Fund.

2.3 Guidance and the Regulatory Framework

The following bodies are admission bodies with whom an administering authority may make an admission agreement:

i. a body which provides a public service in the UK which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);

ii. a body, to the funds of which a Scheme employer contributes;

iii. a body representative of:

    - any Scheme employers, or

- local authorities or officers of local authorities;

iv. a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of:

  - the transfer of the service or assets by means of a contract or other arrangement,
  - a direction made under section 15 of the Local Government Act 1999 **(a)** (Secretary of State's powers),
  - directions made under section 497A of the Education Act 1996 **(b)**;

v. a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for admission to the Scheme.

When an administering authority is considering permitting a body to become an admission body, the LGPS Regulations include some discretions relating to the creation and management of admission agreements. The discretionary areas are:

- Part 3 of Schedule 2 (para 1) – Whether or not to proceed with admission agreements;
- Part 3 of Schedule 2 (para 9(d)) – Whether to terminate the admission agreement; and
- Regulation 541 - If the Fund will set up separate pension funds in respect of admission agreements.

2.4 Fair Deal, ODOM Code of Practice and the direction

HM Treasury has issued guidance, often referred to as 'Fair Deal', which addresses the pension position for employees being compulsorily transferred from the public sector to private sector delivering public sector services. The main requirements in Fair Deal are:

- for transferring employees:

  i. protection of future service by provision of a broadly comparable pension scheme or becoming an admission body in the LGPS;
  ii. payment of a bulk transfer and protection of past service by provision of day for day service credits (or equivalent allowing for differences in the benefit structure); and
  iii. protection of other pension related terms and conditions of employment, such as enhancement of benefits on redundancy.

- for new employees: provision of a good quality employer pension scheme. If this is through a defined contribution scheme there should be matching employer contributions of up to 6% of pay.

- the continuation of these protections in second and subsequent transfers of staff.
- these pension requirements to be notified at the earliest possible stage of the procurement exercise.

In addition, the Office of the Deputy Prime Minister's ("ODPM") Circular 03/2003 includes the Code of Practice on Workforce Matters in Local Authority Service Contracts which must be adhered to where staff are transferred by a local authority to a contractor. This Circular clarifies that the Fair Deal provisions must be adhered to in these circumstances.

Finally, the Best Value Authorities Staff Transfers (Pensions) Direction 2007 came into force on 1 October 2007. The direction applies to all "Best Value Authorities" in England

and Police Authorities in Wales (which therefore applies to all local authorities in England). The purpose of the Direction was to provide legal enforcement to some of the provisions covered by Fair Deal. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those he had as an employee of the authority; and

- provides that the provision of pension protection is enforceable by the employee.

The Direction also requires similar pension protection in relation to those former employees of an authority, who were transferred under TUPE to a contractor, in respect of any re-tendering of a contract for the provision of services (i.e. second and subsequent rounds of outsourcing). Because of Fair Deal, the ODPM Code of Practice and the Direction, LGPS funds are often asked to admit service providers to their Fund. The December 2009 CLG Admission Body Guidance consequently sets out pension considerations that arise when employees transfer from a local authority and the contractor's preferred route of providing broadly comparable pension benefits.

On 7 October 2013 HM Treasury issued revised Fair Deal guidance. This reset the pension protection for staff compulsorily transferred from the public sector and applies directly to central government departments, agencies, NHS, maintained schools (except local authority maintained schools), and academies where staff are eligible to be a member of a public service pension scheme. However, beyond academies, the new guidance does not apply to best value authorities in England and Wales.

2.5 <u>Background and policies</u>

It is essential for the administering authority to establish its fundamental approach to the risks involved in the admission of new employers to the Fund.

The admission body is responsible for any surplus or deficit arising during the period of participation in the Fund so that if or when that participation ceases, it is 100% funded. However, ultimately, if the body was to fail or cease to exist and any deficit cannot be met by the body or claimed from any bond, indemnity or guarantor, the liability will fall to other employers in the Fund (either the awarding authority on the failure of a service provider, any guarantor employer or all other employers, depending on the circumstances and the type of body). It is prudent therefore for the Fund to ensure any such risks are minimised and mitigated.

Although the risks may not be able to be eliminated completely, there are several options that can be considered to try and mitigate these risks. These are summarised below and considered in more detail as part of this policy:

- Allocating assets on entry;
- Consideration of who can become admission bodies;
- Requirements for a bond/indemnity or guarantor;
- Potentially levying a higher contribution rate e.g. due to a change of circumstances at the admission body during the contract term that increases the risk of termination and/or under-funding;
- Having clear termination clauses;
- Putting in place a wide ranging and unambiguous admission agreement;
- Reviewing the bond regularly;

- Monitoring individual employer experience and status (e.g. salary experience and the continued ability of employees to join the Fund); Requiring the cost of all early retirements and topped up benefits to be paid as a lump sum;
- Monitoring other costs and levying a lump sum where necessary;
- Additional valuations in the final lead up to termination and adjusting contributions accordingly;
- Funding basis for cessation calculations; and
- Including a requirement to reimburse all actuarial, legal and other appropriate fees relating to the admission.

The following sections will consider these further in relation to the various stages of the admission body cycle.

3. Entry conditions and requirements of the Fund

3.1 Background and policies

London Borough of Barking and Dagenham (as administering authority) is responsible for deciding which admitted body applications should be declined or accepted. The overriding requirement is that the body meets the entry requirements outlined within the LGPS Regulations. Beyond that the Council can:

- for a body with links to a Scheme employer, have complete flexibility in deciding whether or not to accept applications. It is therefore appropriate for the Council to determine what entry criteria exists for employers to become admission bodies within the Fund; and

- for outsourced service providers, in line with the regulations, must admit a contractor if the contractor and the awarding authority agree to meet the requirements of the LGPS Regulations and the terms of the Fund's admission agreement.

The Fund will only enter an admission agreement with a body that provides services linked to one of the scheme employers in the Fund where such an arrangement is beneficial to the relevant scheme employer. The interests of the body must be closely aligned to the work of the scheme employer and meet the requirements in the LGPS regulations; or provides services on behalf of one of the scheme employers in one of the ways prescribed in the LGPS regulations.

Termination can be for several reasons, including the natural end of a contract, a takeover, liquidation or the last active member ceasing membership. In such cases the admission body becomes an 'exiting employer' and is liable to pay an 'exit payment'. Under the terms of the LGPS Regulations, a termination valuation is carried out at the point of cessation to ascertain the exit payment due relating to any deficit. Where the admission body is unable to meet the payment, it must be collected from:

- any insurer or person providing an indemnity or bond on behalf of that body; or
- alternatively, a guarantor (i.e. sponsoring employer or government department).

and where that is not possible:

- for a service provider, from the awarding authority for that service provider; or
- any other admission body, from each other employing authority within the Fund.

The outstanding liability at the point of termination may largely exist already due to a variety of circumstances such as adverse investment experience. Any deficit could be increased further by additional liabilities resulting from the termination. The risks relating to the potential of a deficit arising at the point of termination include:

- asset underperformance;
- a lower outlook for future investment returns due to changes in market conditions, leading to a higher value being placed on the liabilities;
- conservative nature of financial assumptions used in cessation calculations;
- greater than expected salary increases over the term of the contract;
- unfavourable changes in membership profile;
- redundancy early retirements, on premature termination of the contract;
- unpaid contributions; and
- the cost of ceasing participation in the Fund (e.g. termination costs covering the need for a cessation valuation and all necessary additional administration costs).

The LGPS Regulations include some requirements to reduce these risks, including the need for the admission body, to the satisfaction of the administering authority (and awarding scheme employer where appropriate), to carry out an assessment taking account of actuarial advice on the level of risk arising on premature termination on insolvency, winding up or liquidation and, where considered necessary taking into consideration the results of that assessment, require the admission body to put in place either:

1. a bond or indemnity to cover the level of risk identified; or
2. where considered desirable, a guarantor.

As the potential deficit relating to the above risks can fluctuate, often daily, there is no guarantee that any bond or indemnity pay-out (which is based on a fixed level of cover that is renewed periodically) will be sufficient to secure 100% funding of the departing employer's liabilities in the Fund. Similarly, there is no guarantee any guarantor will pay out to secure 100% funding of the exiting employer's liabilities in the Fund. Any remaining shortfall would fall on the guarantor, awarding authority or on all other employers in the Fund, as appropriate under the LGPS Regulations and the admission agreement.

The Fund will require any potential admission body to provide:

- a guarantor considered by the Fund to be strong, secure, and financially durable (generally only a local authority or central government department) or a bond/indemnity the Fund considers to have equivalent strength.

- for a service provider, a preference for a bond or indemnity although this is not a mandatory requirement as the awarding authority is in effect a guarantor already under the terms of the LGPS Regulations. The awarding authority will be required to stipulate a bond or will provide a guarantee.

In all circumstances where a bond or indemnity is provided, the bond or indemnity must be re-evaluated and renewed on an annual basis at the provider's cost.

3.2 <u>Risk sharing</u>

Subject to obtaining the appropriate legal advice and as part of the main contract negotiations between the Transferor Scheme Employer and the New Admission Body, it is possible for alternative arrangements to be considered and agreed between the two parties.

For example, **'pass through'** is where the cost of providing a defined benefit contribution scheme such as the LGPS is shared between the Transferor Scheme Employer and the New Admission Body. The Transferor Scheme Employer may consider a fixed employer contribution rate for the New Admission Body for the duration of the contract with any excess being paid by the Transferor Scheme Employer. Or the Transferor Scheme Employer and the New Admission Body may agree an upper or lower employer contribution rate and providing the rate calculated by the actuary falls within the range agreed, the New Admission Body pays all the contributions. However, where the actuarial rate is either side of the range an adjustment is made to the cost of the service provided by the New Admission Body to the Transferor Scheme Employer.

It must be noted that any arrangement made between the Transferor Scheme Employer and the New Admission Body will not impact upon the Pension Fund liabilities identified by the actuary and any such arrangements must be included in the main service contract. The Pension Fund will not be a party to the arrangements and so they will not be included as any part of the pension admission agreement.

3.3 <u>Approval process for becoming an admission body</u>

The officers of the Fund will be responsible for ensuring any potential admission bodies meet the criteria set out above, having regard to the appropriate legal and actuarial advice. The Fund's admission agreements (see appendix 3) is standard and non-negotiable, drawn up on advice from the Fund actuary and legal advisor. These terms include the provisions required by the LGPS regulations details on commencement, transfer, payment, bond/indemnity or guarantor requirements, termination clauses to protect the other beneficiaries and participants in the Fund.
Officers will carry out an assessment of each admitted body and if they are satisfied the criteria are met then a report will be submitted to the Pension Panel for agreement.

For all new Admission Bodies the security must be to the satisfaction of the Pension Panel as well as the letting employer and will be reassessed on a regular basis.

The Pension Panel will also consider requests from Admission Bodies with links to a Scheme employer (or other similar bodies such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers guaranteeing their liabilities and providing a suitable form of security as set out above.

Any applications departing materially from these criteria and/or the standard terms of the admission agreement will be considered by the Pension Panel on a case by case basis for agreement, and may be refused.

3.3 <u>Allocation of assets</u>

On initial admission, each body will be notionally allocated assets. Thereafter the body's assets and liabilities will be tracked and employer contributions set with a view to achieving solvency at the end of the targeted deficit recovery period. The assets that are notionally allocated for new service providers are usually set equal to 100% of the value of the past service liabilities of any transferring employees on the Fund's ongoing funding basis, updated for market conditions on entry. For others, there may or may not be a deficit in respect of the past service liabilities; where there is, the service provider will be set a 10-year recovery period (or length of fixed term contract whichever is lower) or other period as may be determined by the Fund's actuary acting reasonably unless a sponsoring authority can guarantee payments over a longer recovery period.

The allocation of assets at the commencement of an admission agreement will be as follows (unless a pooling arrangement is entered as described later in this policy):

- For new service providers – 100% of the value of the past service liabilities of any transferring employees;

- For others - to be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer. Past service liabilities will be expected to recovered over a 10 year (or length of fixed term contract) unless a sponsoring authority can guarantee payments over a longer period. Any application departing from this will be reported to the Pension Panel for agreement, and may be refused.

In both cases, the assets will be calculated using the Fund's ongoing funding basis updated for market conditions at entry as set out in the Fund's Funding Strategy Statement.

This asset share will be tracked during the period of the admission agreement and adjusted at each formal triennial valuation to take account of cashflows paid and received in respect of the employer, and investment returns earned by the Fund over the period. This approach allows the funding position of the employer to be assessed regularly and on a basis that reflects its actual experience in the Fund.

The assets will remain within the main Fund (i.e. no separate admission body fund will be set up).

Providing the flexibility for an employer to ensure a matched investment strategy is followed may reduce the risk of under-funding due to market movements, as the assets and liabilities would be expected to move in the same way. However, implementing, monitoring, and managing separate investment strategies for each employer is currently labour intensive, and accordingly matched investment strategies have not been adopted. The investment strategy is set for the Fund not for each employer's notional share of the Fund.

3.4 Contribution rates and other costs

When a new employer joins the Fund the actuary will calculate the employer contribution rate payable by the new employer. The employer contribution rate will be set in accordance with the FSS, taking into consideration elements such as:

i. any past service deficit;
ii. whether the Fund is closed or open; and
iii. the deficit spread period.

The approach taken is to calculate an individual contribution rate based on the cost of pension accrual for an employer's own membership plus an adjustment for any deficit transferred to them. In addition, the designating employer will be required to pay additional payments including, but not limited to:

- lump sums for early retirements or early payment of pension benefits;
- lump sums in relation to any award of additional benefits;
- lump sum payments in respect of early payment and/or enhancements for early retirements on ill-health grounds;
- any actuarial, legal, administration and other justifiable costs; and
- reimbursement of the administering authority's or other bodies costs due to poor administration by the academy.

3.5 Termination requirements

One of the most significant risks to the Fund is that a body ceases to exist with an outstanding deficit that it cannot pay and which will not be met by any bond, indemnity or guarantor. The Fund may take legal advice where a cessation event has occurred on the appropriate termination requirements. Termination of a designating body would be considered to take place, though not limited to, the following circumstances:

- Where no further active members exist; or
- Where the employer is wound up, merged or ceases to exist.

When a designating body ceases, the employer's assets should equal its liabilities on an appropriate basis. A provisional cessation valuation will be carried out on premature termination of a designating body as soon as the Fund become aware of this likelihood unless the termination is likely to take place in the immediate future.

3.6 Basis of termination valuation

The purpose of a termination valuation is to assess how much the Fund should hold based on current assumptions to meet the future expected benefit payments. The amount required is predominantly influenced by the basis used for the calculation of the liabilities, which in turn will ultimately depend on the circumstances of the cessation. The range of bases can include the ongoing funding basis and a buy-out or cessation basis.

The Fund will ask the departing employer will make additional contributions to the Fund to ensure any deficit is extinguished on payment of the termination deficit calculated on an appropriate basis.

The Fund's policy in relation to the calculation of cessation valuations in various circumstances is shown below, albeit each case will be considered on its own merits in accordance with the Scheme of Delegation.

Designating bodies - the cessation liabilities and final deficit will normally be calculated using a gilts basis with an allowance for further future mortality improvements. If for some reason the Fund is not able to recover the full amount of the final deficit, then together with any future deficit arising in respect of the membership it will be the responsibility of all the employers in the Fund. In some circumstances (e.g. where employees are transferring to another LGPS employer such as the local authority), an ongoing valuation approach may be adopted for any transferring liabilities.

The approach used to carry out a provisional or indicative cessation valuation should be the same as would be used if the body were ceasing on the calculation date.

The administering authority reserves the right to use different funding assumptions if they are deemed to be appropriate.

3.7 Payment of cessation deficit

When an employer ceases to have any active Members within the scheme then the Fund's actuary carries out a cessation valuation to certify the contributions due to the Fund. The LGPS regulations do not specify if this exit payment should be paid as a lump sum or whether it is paid in instalments but it is the Fund policy to collect the exit payment by way of a lump sum where it is the academy that is making the payment.

When the fund actuary carries out a cessation valuation, he or she is also required to certify the contributions due to the Fund. The LGPS regulations do not specify if this exit payment should be paid as a lump sum or whether it is paid in instalments.

Designating employers, subject to meeting the requirements of the LGPS regulations, can allow some or all their staff to be eligible for membership of the LGPS. Under Part 2 of Schedule 2 to the Local Government Pension Scheme Regulations 2013 a body listed in this Part can designate which employees, or class of employees, are eligible for membership of the LGPS.

All designating employers will be entitled to join the Fund on passing an appropriate resolution confirming which workers or category of workers are eligible for membership of the LGPS. All designating employers that pass a resolution will be classified as an individual scheduled body within the Fund.

However, the designating employer must still make the Fund aware of their creation by writing to pensions@lbbd.gov.uk.

All notifications will be reported to the Pension Panel for information only.

3.8 Pooling

There may be circumstances where a designating employer is created from an existing scheme employer and the links between both employers remain strong, at least at the outset of the arrangement. In these circumstances, the scheme employer may consider that they are willing to share some pension risks with the designating employer as if the employees were part of their own workforce. In these circumstances, the scheme employer and the designating body may both agree that a pooling arrangement is appropriate. In simple terms, this will allow the two bodies to effectively be treated as if it were one employer. As a result the same employer contribution rate and other funding arrangements will apply (generally equally) in relation to all members.

Where the number of members under a proposed designating employer is eight or less, the scheme employer and the Fund will allow that employer to be pooled with the scheme employer. The new designating body and the scheme employer would need to agree in writing to this arrangement and confirm that they understand the pros and cons compared with being a standalone body outside of the pool. Whilst the designating body is in the pool:

- its contribution rate will be the same as the pool except for any additional contributions required due to excessive pay awards to its own employees;
- its ill-health experience will be shared with that of the pool; and
- it will pay strain costs in respect of non-ill-health early retirements.

In the event of exit from the pool it will not be required to pay any cessation shortfall.
The designating body would be removed from the pool and be treated as a stand-alone scheme employer if the number of members increases above eight.

It is important that monitoring of a designating body is carried out throughout the term of its participation of the Fund and, where considered necessary, appropriate remedial action taken to safeguard all employers within the Fund. This can be carried out in many ways, including:

- Regular reviews of the employer funding level;
- Regular reviews of the potential risk on early termination (incl. redundancy costs);

- Requirements on the designating body to notify changes in their circumstances;
- Assessment against actuarial assumptions in areas such as pay growth; and
- Checks to see whether an employer has failed to notify the Fund of relevant changes.

The Fund reserves the right to review contribution rates for bodies annually or more frequently. Furthermore, the Fund will carry out ongoing monitoring and/or put in place processes to assist with ongoing monitoring. If it appears that the liabilities relating to a body have increased more than had been allowed for at the preceding triennial valuation, the Fund may review the employer contribution rate (i.e. out with the formal triennial valuation cycle).

3.9 Academy Pooling

To avoid the risks and additional costs to the various academies of cross-subsidy the Fund does not allow Pooling by academies and multi-academy trusts.

This position will be reviewed as and when guidance and regulations change.

Appendix I

ADMINISTRATION STRATEGY

2016/17

1. Introduction

1.1 The London Borough of Barking and Dagenham Pension Fund ("the Fund") is a Local Government Pension Scheme (LGPS), which is administered by the London Borough of Barking and Dagenham ("the Council"). This Administration Strategy ("AS") has been produced to outline the roles and responsibilities of the key parties in the Fund.

1.2 Charging for outsourcing payroll for Local education authority (LEA) schools is being introduced to cover the additional administration costs incurred by the pension section but also to bring the Fund in line with a number of other LGPSs.

1.3 Charging for delays in submitting key returns and for not providing details of changes to member details in a timely manner has been introduced as a small number of employers consistently miss deadline dates for submission of monthly and annual returns. In addition employers are failing to advise the pension section of changes to member details in a timely manner.

1.4 Given the increased emphasis, by the Pensions Regulator, on maintaining accurate and up-to-date records, the Fund will seek to significantly improve this area to prevent any possible fines that could be imposed.

1.5 A charge will be levied on employers who do not provide returns in the prescribed pro-forma, which can be found in appendix 2 and 3. This charge has been introduced to cover the additional costs of reformatting the various returns. Standardising returns will improve the level of analysis of the returns data, allowing for issues to be flagged immediately. It will also allow the Fund to adapt to potentially significant increase in the number of employers brought about by the increase in Academies and outsourcing of services.

1.6 The AS outlines the Key Performance Targets that the Pension Fund Administration section is expected to meet and quarterly and annual performance reports will be produced and reported to the Pension Panel and Pension Board.

1.7 Subject to agreement by the Pension Panel, the AS will be effective from 1 January 2015. The AS will go to the October Pension Board for discussion and a draft version will be sent to all employers and schools for consultation in November 2015. The final version of this document will be taken to the December Pension Panel for approval.

1.8 The ability to charge will be in place from 1 January 2016 but the pension administration section will look to support employers make the necessary adjustments.

2. Roles and Responsibilities

2.1 Below are the responsibilities of the key stakeholders affected by the AS:

2.2 ADMINISTERING AUTHORITY: the Council is responsible for the following areas:

- Pensions Administration and valuations;
- Notification of Regulations and production of Policy Statements;
- Reporting Requirements;
- Employer Meetings and training, information for Scheme members; and
- Notification of Additional Fees.

2.3 EMPLOYING AUTHORITY: the scheduled and admitted bodies are responsible for:

- Changes to Scheme membership, monthly and year end returns;
- Pension Contributions within regulatory time scales;
- Discretions Policies;
- Payment of Invoices; and
- Communication with Scheme members and Pension Section.

2.4 The AS aims to set out the quality and performance standards expected of the Fund and its employers. The AS clarifies the roles and responsibilities of both the Employing Authorities (EA) and the Administering Authority (AA). Both parties are dependent on each other for effective communication and accurate flows of information without which the scheme cannot be administered effectively. Members are reliant on the AA and EA to ensure that their pension records are accurate and that they are well informed.

2.5 The following are some of the benefits to be had from having efficient pension scheme administration; the list is by no means exhaustive and is not in order of importance.

2.5.1 For the **Administering Authority**, effective administration means:

i. Can fulfil its obligations under the regulations for administering the scheme;
ii. Lower costs, improved use of resources and improve monitoring of performance;
iii. Easier and swifter provision of services to employers and scheme members;
iv. Clean data enabling faster / more accurate monitoring of the Fund by its actuaries;
v. Improved communication between AA, employers and members; and
vi. Improved decision making in relation to policies and investments.

2.5.2 For **Employing Authorities**, effective administration means:

i. Greater understanding of the Fund and its impact upon them as an employer;
ii. Improved communication and Employee satisfaction;
iii. Lower costs and improved decision making for budgeting; and
iv. Fulfilling its obligations as an EA under the LGPS regulations.

2.5.3 For **Scheme members**, efficient administration means:

i. Accurate records of their pension benefits;
ii. Earlier issuance of annual benefit statements;
iii. Faster responses to their pension record queries; and
iv. Improved communications and enhanced understanding of the pension scheme.

3. Regulatory Basis

3.1 The Scheme is a statutory scheme, established by an Act of Parliament. The following regulations governing the Scheme are shown below:

- LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- LGPS (Administration) Regulations 2008 (as amended)
- LGPS (Transitional Provisions) Regulations 2008 (as amended)
- LGPS Regulations 2013 – and any transitional regulations as and when issued.

3.2 Regulation 59(1) of the LGPS Regulations 2013, enables a Fund to prepare a written statement of the authority's policies as one of the tools which can help deliver a high quality administration service to its scheme members.

3.3 In addition, Regulation 59(2)e of the 2013 regulations, allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

3.4 The regulations above are included with the AS in appendix 1 of this document.

4. Administering Authority Role and Responsibility

4.1 Communication

The Fund has a Communication Strategy which outlines how the Fund communicates with its various. This can be accessed at www.lbbdpensionfund.org. The table below summarises the methods the Fund uses to communicate:

Policy on promotion of the scheme with Employing Authorities

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Employers' Guide	Paper based	At joining	Post / email	Employer
Employers meeting	Face to face	As required	email	Employer
Annual Report	Paper / website	Annually	Post	Employer

Policy on Communication with Active, Deferred and Pensioner Members

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Scheme booklet	Paper/website	Joining	Post	Active
Annual Report	Paper/website	Annually	On request	All
Accounts Summary	Paper based	At valuation	Via employers	All Actives
Benefit Statements	Paper based	Annually	Post	Active / Deferred
Face to Face	Face to Face	On request	On request	All
Joiner Packs	Paper based	On joining	Post	Active members
LGPS leaflet	Paper based	On Joining	Via employers	New employees
Educational Session	Induction	On Starting	Face to face	New employees
Promotional flyers	Paper based	Ad Hoc	Via employers	All Employees

4.2 The Council has **delegated responsibility** for the management of the Fund to the Pension Panel ("the Panel"). The Panel, with support from the Strategic Director, Finance & Investment ("SDF&I"), ensure the implementation of this AS.

4.3 The Fund's objective for its administration is to deliver an efficient, quality and value for money service to its scheme employers and members. Administration is implemented by the in-house pension administration section (contact details are below).

Justine Spring	Manager (020 8227 2607 / justine.spring@lbbd.gov.uk)
Doreen Daly	Surnames beginning A – H (020 8227 3343 / doreen.daly@lbbd.gov.uk)
Kinny Phillips	Surnames beginning I – S (020 8227 2296 / kinny.phillips@lbbd.gov.uk)
Madhvi Dodia	Surnames beginning T – Z (020 8227 2039 / madhvi.dodia@lbbd.gov.uk)
David Edwards	Teachers' Pensions (020 8227 2095 / dave.edwards@lbbd.gov.uk)

Address: LB Barking & Dagenham Council, Pension Section, Ground Floor Annexe, Civic Centre, Dagenham, RM10 7BY

Opening hours: Monday to Friday: 08.30 - 16.30.

4.4 Performance Standards

Scheme employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations;
- Pensions Act 2011 and associated disclosure legislation;
- Freedom of Information Act 2000;
- Equality Act 2010;
- Data Protection Act 2003;
- Finance Act 2013; and
- Any other legislation that may apply at current time.

The Scheme prescribes that certain decisions be taken by either the Fund or the EA, in relation to the rights and entitlements of individual scheme members. To meet these obligations in a timely and accurate manner, while complying with overriding disclosure requirements, the Fund has agreed performance targets, which are set out below:

4.6 Internal quality standards: The Fund and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the Employers' Guide;
- all information required by the Fund to be provided in the required format as outlined in appendix 2, 3 and 4.
- information to be legible and accurate
- communications to be in a plain language style
- information provided to be authorised by an appropriate officer
- actions carried out within the timescales set out in this Administration Strategy.

4.7 Timeliness: legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various stakeholders.

Activity	Target Days
Starter Forms Processed	10
Transfer Value quotes	10
Transfer Value payment	10
Transfer Value outs quote	15
Transfer Value outs actual	13
Refunds	10

Activity	Target Days
Deferred benefits	15
Estimates	10
Retirements	5
Death in service	5
Death in Retirement	5

5. Scheme Employer Role and Responsibility

5.1 This section outlines the responsibilities of all scheme employers in the Fund and the performance standards scheme employers are expected to meet to enable the Fund to deliver an efficient, quality and value for money service.

5.2 All information must be provided in the format prescribed by the Fund within the prescribed timescales. Information and guidance is provided in the Employers' Guide which is available from the funds web site http://www.lbbdpensionfund.org

5.3 The Scheme regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the Scheme incurred as a result of the unsatisfactory level of performance of that Scheme Employer. Where a fund wishes to recover any such additional costs they must give written notice stating:

i. The reasons in their opinion that the Scheme Employer's unsatisfactory level of performance contributed to the additional cost.
ii. The amount of the additional cost incurred.
iii. The basis on how the additional cost was calculated.
iv. The provisions of the Administration Strategy relevant to the decision.

5.4 It is the policy of the Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the unsatisfactory level of performance of any scheme employer (including the Council). This includes the payment of fees levied against the scheme employer.

5.5 The circumstances where such additional costs will be recovered from the scheme employer are:

i. persistent failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this AS (either as a result of timeliness of delivery or quality of information)

ii. failure to pass relevant information to scheme member / potential members due to poor quality of information or not meeting the agreed timescales outlined in the AS.

iii. failure to deduct and pay over correct contributions within the stated timescales.

iv. instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator and/or Pensions Ombudsman.

6. Charges

6.1 Outsourcing of payroll

Where payroll is provided by the Council and is then outsourced to a third party, an administration cost will be charged due to the increase in workload incurred in dealing with returns, receipting and reconciling contributions and treasury actions.

Activity	Fees
Outsourcing of payroll by Local education authority (LEA) School	**£500 p.a -** infant / junior schools **£1000 p.a. -** all other LEA schools

6.2 General Charges

The table below sets out the fees which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. Charging is a last resort and the approach outlined above will be followed before a fee is levied.

Activity	Fees
Late payment of monthly contributions (after 19th Calendar month following deduction	***£50 plus interest** calculated on a daily basis.
Monthly Contributions – non provision of the correct schedule of payments in stipulated format and accompanying the respective contribution payment. This includes when the return does not match the contribution amount submitted or where the contribution breakdown is provided after the contribution has been received.	**£50 per occasion**
Change Notification – failure to notify administrators of a change to a members working hours, leave of absence with permission (maternity, paternity, career break) or leave of absence without permission (strike, absent without permission) – within 20 days of the change in circumstance.	**£50 per occasion**
Year End Data – failure to provide year end data by 30th April following the year end or the non provision of year end information or the quality of the year end data is poor requiring additional data cleansing	**£200 initial fee then £80** for every month the information remains outstanding.
Year End Data Queries – failure to respond to the administrators requests for information to resolve data queries within the prescribed timescale	**£50 initial fee then £20** for every month the information remains outstanding.
New Starter - failure to notify the administrator of a new starter and late / non provision of starter form (within 15 days of employee joining the scheme)	**£50 initial fee then £20** for every month the information remains outstanding.
Leaver – failure to notify the administrator of any leaver and the late / non provision of leaver form including an accurate assessment of final pay – within 15 days of employee leaving the scheme/ employment	**£50 initial fee then £20** for every month the information remains outstanding.
Retirees – failure to notify the administrators when a scheme member is due to retire 15 working days before the retirement date - including an accurate assessment of final pay and authorisation of reason for retirement.	**£50 initial fee then £20** for every month the information remains outstanding.
Late payment of pension benefits – if, due to an employer's failure to notify the administrator of a scheme members retirement, interest becomes payable on any lump sum paid. The administrator will recharge the total interest paid to the employer	Interest charged in accordance with regs 44 of the LGPS administration regulations

* Interest charged in accordance with regs 44 of the LGPS administration regulations (rate is Bank of England Base rate plus 1%).

7. Employer contribution rates and administration costs

7.1 Employers' contribution rates are not fixed. Employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

7.2 The Fund's employers require an actuarial valuation undertaken every three years by an actuary. The Fund has appointed Hymans Robertson as its actuary. The actuary balances the Fund's assets and liabilities in respect of each employer, and assesses the appropriate contribution rate for each employer to be applied for the subsequent three years.

7.3 The cost of running AA pension administration is charged directly to the Fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

7.4 If an employer wishes the Fund to carry out work not attributable to pension's administration they will be charged directly for the cost of that work at the rate quoted by the Fund's actuary. Prior to any work being carried out an estimation of the cost will be provided and the employer will need to agree to this charge before any work is commissioned.

7.5 The following functions have been designated Employer Functions – this means that they are outside of the normal scope of pension administration responsibilities for the Fund but the Administering Authority is willing to assist employers with these services, although they will be subject to a charge depending on the level of work required and whether external suppliers have to be engaged such as the Fund's Actuary, Occupational Health, etc.

1. **Redundancy & Severance / Efficiency Payments / Flexible Retirements -** Advice, calculations and the preparation of associated paperwork for employee signature and payroll instructions

2. **Ill health retirements - Tier 3 awards -** Monitor and review tier 3 ill health awards to cessation, liaise with Occupational Health Services, provide support at the IHRP meetings for the award of uplifted benefits.

3. **Injury payments -** Calculation and payment of injury awards

4. **FRS17/IAS19 -** Provision of data required for FRS17 calculations to the Actuary, plus any chargeable Actuary time. Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced plus standard administration charge £100.

5. **Admission Agreements -** Setting up and amendment of admission agreements for Contractors/new Employers admitted to the Fund

6. **Cessation & Interim Valuations -** Provision of data required for interim and/provision of data required for interim and/or cessation valuations

7. **Academy Conversions -** Any work related this requiring input from the AA

8. **Legal Work & non standard actuarial work -** Any work in relation to this requiring input from the Administering Authority – e.g. contract review on outsourcing,

employer policies, TUPE & future pension provision etc Pension Administration Strategy

Appendix 1: LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

The Regulations in relation to the Pension Administration Strategy are contained in the LGPS Regulations 2013, and are set out below:

Pension administration strategy

59. (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,
(ii) the making of agreements about levels of performance and associated matters, or
(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and
(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a) its pension administration strategy; and
(b)where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer

Payment by Scheme employers to administering authorities

69.—(1) Every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine—

(a) all amounts received from time to time from employees under regulations 9 to 14 and 16(contributions);

(b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;

(c) a contribution towards the cost of the administration of the fund; and

(d) any amount specified in a notice given in accordance with regulation 70(additional costs arising from Scheme employer's level of performance).

(2) But—

(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995(41); and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (management of pension fund)(42).

(3) Every payment under paragraph (1)(a) must be accompanied by a statement showing—

(a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),

(b) the total employee contributions deducted from the pensionable pay referred to in sub-paragraph (a),

(c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),

(d) the total employee contributions deducted from pensionable pay referred to in subparagraph (c),

(e) the total employer contributions in respect of the pensionable pay referred to in subparagraphs (a) and (c),

(f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and

(g) the total additional pension contributions paid by the employer under regulation 16(additional pension contributions) during the period covered by the statement.

(4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.

(5) If an amount payable under paragraph (1)(c) or (d) cannot be settled by agreement, it must be determined by the Secretary of State.

Additional costs arising from Scheme employer's level of performance

70. (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

(a)the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b)the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and Pension Administration Strategy

16 September 2015

Employer /School	Pay Period	Surname	Name	Pay No.	NI Number	Pensionable Pay this month	Pensionable Pay YTD	Assumed Pensionable Pay	EE's Conts this month	EE's Conts YTD	ER's Conts this month	ER's Conts YTD	Additional Conts this month	AVC's this month	Contribution %age rate	50/50 scheme

Employer Name	NI Number	Surname	Forenames	Payroll Reference	Contribution Rate	Basic Pension Contributions	NI CO Earnings	Additional Contributions (if applicable)	AVC Contributions (if applicable)	CARE Pay (actual pensionable earnings 2015/2016)	Final Pay (whole time equivalent pay earned 1.4.15-31.3.16)	Date Left/ Opted Out of LGPS	Member of 50/50 Scheme ? (Y) if a member

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Appendix II

Funding Strategy Statement

2014/15 – 2016/17

1. Introduction

This is the Funding Strategy Statement (FSS) of the London Borough of Barking and Dagenham Pension Fund (“the Fund”), which is administered by the London Borough of Barking and Dagenham, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers and investment adviser and is effective from 1 April 2014.

1.1 Regulatory Framework

Members’ accrued benefits are guaranteed by statute. Members’ contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The FSS forms part of a framework which includes:

- the Local Government Pension Scheme Regulations 1997 (regulations 76A and 77 are particularly relevant), replaced from 1 April 2008 with the Local Government Pension Scheme (Administration) Regulations 2008, regulations 35 and 36;
- the Rates and Adjustments Certificate, which can be found appended to the Fund actuary’s triennial valuation report. Details of the Rate and Adjustments Certificate has been included in Appendix A to this report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

(a) The key requirements relating to the FSS are that:
  - After consultation with all relevant interested parties involved with the Fund, the administering authority will prepare and publish their funding strategy.
  - In preparing the FSS, the Administering Authority must have regard to:
    - FSS guidance produced by CIPFA
    - its statement of investment principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.
- The Fund's actuary must have regard to the FSS as part of the Fund valuation.

1.2 Reviews of FSS

The FSS is reviewed in detail at least every three years as part of the triennial valuation being carried out, with the next full review due to be completed by 31 March 2017. More frequently, Appendix A is updated to reflect any changes to employers.

The FSS is a summary of the Fund's approach to funding liabilities and is not an exhaustive statement of policy on all issues. If you have any queries please contact David Dickinson in the first instance (david.dickinson@lbbd.gov.uk or 020 8227 2722).

2. Purpose

2.1 Purpose of FSS

The department for Communities and Local Government (CLG), formally the Office of the Deputy Prime Minister, has stated that the purpose of the FSS is:

- *"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain. This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

2.2 Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative. The roles and responsibilities of the key parties involved in the management of the pension Fund are summarised in Appendix B.

2.3 Aims of the Funding Policy

The objectives of the Fund's funding policy are as follows:

- to ensure the long-term solvency of the Fund and the long term solvency of shares of the Fund attributable to individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

3. Solvency Issues and Target Funding Levels

3.1 Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "*future service rate*"; plus

b) an adjustment for the funding position (or "solvency") of accrued benefits relative to the Fund's solvency target, "*past service adjustment*". If there is a surplus there may be a contribution reduction; if a deficit a contribution addition, with the surplus or deficit spread over an appropriate period (see 3.7.3 below for deficit recovery periods).

The Fund's actuary is required by the regulations to report the *Common Contribution Rate*,[1] for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the deficit under (b) is currently spread over a period of 20 years.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[2]. It is the adjusted contribution rate which employers are actually required to pay. The sorts of peculiar factors which are considered are discussed in Section 3.5.

[1] See regulation 36(4) of the 2008 Regulations
[2] See regulation 36(7) of the 2008 Regulations

In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer together with individual past service adjustments according to employer-specific spreading and phasing periods.

Employer contribution rates differ due to:

- Differing membership profiles;
- Differing salary rates, mortality rates, outsourcings and other demographic assumptions;
- Differing levels of maturity; and
- Previous contributions paid to recover deficit.

Appendix A contains a breakdown of each employer's contributions following the 2013 valuation for the financial years 2014/15, 2015/16 and 2016/17.

Any costs of non ill-health early retirements must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision).

Employers' contributions are expressed as minimum rates, with employers able to pay regular contributions at a higher rate. Employers should discuss the impact of making one-off capital payments with the Administering Authority before making such payments.

3.2 Solvency and Target Funding Levels

The Fund's actuary is required to report on the "solvency" of the whole fund at least every three years.

'Solvency" for ongoing employers is defined to be the ratio of the current market value of assets to the value placed on accrued benefits on the Fund actuary's *ongoing funding basis*. This quantity is known as a funding level.

The ongoing funding basis is that used for each triennial valuation and the Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the administering authority. The ongoing funding basis assumes employers in the Fund are an ongoing concern and is described in the next section.

(b) The ongoing funding basis has traditionally been used for each triennial valuation for all employers in the fund.

(c) Where an admission agreement for an admission body that is not a Transferee Admission Body and has no guarantor is likely to terminate within the next 5 to 10 years or lose its last active member within that timeframe, the fund reserves the right to set contribution rates by reference to liabilities valued on a gilts basis (i.e. using a discount rate that has no allowance for potential investment outperformance relative to gilts). The target in setting contributions for any employer in these circumstances is to achieve full funding on a gilts basis by the time the agreement terminates or the last active member leaves in order to protect other employers in the fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required when a cessation valuation is carried out.

(d) The Fund also reserves the right to adopt the above approach in respect of those admission bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease.

(e) The Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the administering authority.

The Fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. The time horizon of the funding target for Community and Transferee Admission bodies will vary depending on the expected duration of their participation in the Fund. Please refer to Section 3.8 for the treatment of departing employers.

3.3 Ongoing Funding Basis

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds advised by the Fund actuary. It is acknowledged that future life expectancy and in particular, the allowance for future improvements in mortality, is uncertain. Employers should be aware that their contributions are likely to increase in future if longevity exceeds the funding assumptions. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed statutory guarantee underpinning members' benefits. The demographic assumptions vary by type of member and so reflect the different profiles of employers.

The longevity assumptions that have been adopted at this valuation are a bespoke set of Vita Curves that are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided for the purposes of the 2013 valuation. Full details of these are available on request.

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption makes allowance for anticipated returns from equities in excess of bonds. There is, however, no guarantee that equities will out-perform bonds. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

In the light of the statutory requirement for the Actuary to consider the stability of employer contributions it is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.

Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken. For the 2013 valuation, it is assumed that the Fund's equity investments will deliver an average additional return of 1.7% a year in excess of the return available from investing in index-linked government bonds at the time of the valuation.

The same financial assumptions are adopted for all ongoing employers. All employers have the same asset allocation.

Details of other significant financial assumptions and their derivation are given in the Fund Actuary's formal valuation report.

3.4 Future Service Contribution Rates

The future service element of the employer contribution rate is traditionally calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The future service rate has been calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole.

Where it is considered appropriate to do so then the Administering Authority reserves the right to set a future service rate by reference to liabilities valued on a gilts basis (most usually for admission bodies that are not a Transferee Admission Body and that have no guarantor in place).The approach used to calculate each employer's future service contribution rate depends on whether or not new entrants are being admitted. Employers should note that it is only Admission Bodies that may have the power not to admit automatically all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

3.4.1 Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the *Projected Unit Method* of valuation with a one year control period.

If future experience is in line with assumptions, and the employer membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

3.4.2 Employers that do not admit new entrants

Certain Admission Bodies have closed the scheme to new entrants. This is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate is expected to increase as the membership ages.

To give more long term stability to such employers' contributions, the *Attained Age* funding method is adopted. This will limit the degree of future contribution rises by paying higher rates at the outset.

Both funding methods are described in the Actuary's report on the valuation.

Future service rates calculated under both funding methods will include related administration expenses, to the extent that they are borne by the Fund, and will include an allowance for benefits payable on death in service and ill health retirement.

3.5 Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's asset share.

The combined effect of these adjustments for individual employers applied by the Fund actuary relate to:

- past contributions relative to the cost of accruals of benefits;
- different liability profiles of employers (e.g. mix of members by age, gender, manual/non manual);
- the effect of any differences in the valuation basis on the value placed on the employer's liabilities;
- any different deficit/surplus spreading periods or phasing of contribution changes;
- the difference between actual and assumed rises in pensionable pay;
- the difference between actual and assumed increases to pensions in payment and deferred pensions;
- the difference between actual and assumed retirements on grounds of ill-health from active status;
- the difference between actual and assumed amounts of pension ceasing on death; and
- the additional costs of any non ill-health retirements relative to any extra payments made over the period between the 2010 and 2013 triennial valuation and each subsequent triennial valuation period.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation, including, but not limited to:

- the actual timing of employer contributions within any financial year;
- the effect of refunds of contributions or individual transfers to other Funds;
- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

3.6 Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The Fund's actuary is required to apportion the assets of the whole fund between the employers at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus". The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund. The asset apportionment is capable of verification but not to audit standard.

The Administering Authority recognises the limitations in the process, but having regard to the extra administration cost of building in new protections, it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

3.7 Stability of Employer Contributions

3.7.1 Solvency Issues and target Funding Levels

(f) A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, there are a number of prudential strategies that the Administering Authority may deploy in order to maintain employer contribution rates at as nearly a constant rate as possible. These include:-

- capping of employer contribution rate increases / decreases within predetermine range ("Stabilisation")
- the pooling of contributions amongst employers with similar characteristics
- the use of extended deficit recovery periods
- the phasing in of contribution increases/decreases

3.7.2 Stabilisation

(g) There can be occasions when, despite the deployment of contribution stabilising mechanisms such as pooling, phasing and the extension of deficit recovery periods, the theoretical employer contribution rate is not affordable or achievable. This can occur in times of tight fiscal control or where budgets have been set in advance of new employer contribution rates being available.

(h) In view of this possibility, the Administering Authority has commissioned the Fund actuary to carry out extensive modelling to explore the long term effect on the Fund of capping future contribution increases. The results of this modelling indicate that it is justifiable to limit employer contribution rate changes, subject to the following conditions being met:

- the Administering Authority is satisfied that the status of the employer merits adoption of a stabilised approach; and

- there were no material events occurring before 1 April 2014 which rendered the stabilisation unjustifiable.

(i) In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund actuary, believes that the results of the modelling demonstrate that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" and are currently paying less than their theoretical contribution rate should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

(j) The Fund currently has a strong net cash inflow and can therefore take a medium to long term view on determining employer contribution rates to meet future liabilities through operating a fund with an investment strategy that reflects this long term view. It allows short term investment markets volatility to be managed so as not to cause volatility in employer contribution rates.

(k) The Scheme regulations require the longer term funding objectives to be to achieve and maintain assets to meet the projected accrued liabilities within reasonably stable employer contribution rates. The role of the Fund actuary, in performing the necessary calculations and determining the key assumptions used is an important feature in determining the funding requirements. The approach to the actuarial valuation and key assumptions used at each triennial valuation form part of the consultation undertaken with the FSS.

3.7.3 Deficit Recovery Periods

The Administering Authority instructs the actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.
The Administering Authority has targeted the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out in the table below.

Type of Employer	***Maximum* Length of Deficit Recovery Period**
Statutory bodies with tax raising powers	a period to be agreed with each employer not exceeding 20 years
Community Admission Bodies with funding guarantees	a period not exceeding 20 years
Transferee Admission Bodies	the period from the start of the revised contributions to the end of the employer's contract subject to not exceeding expected future working lifetime
Community Admission Bodies that are closed to new entrants e.g. Bus Companies, whose admission agreements continue after last active member retires	a period equivalent to the expected future working lifetime of the employer allowing for expected leavers.
All other types of employer	a period equivalent to the expected future working lifetime of the remaining scheme

	members

This *maximum* period is used in calculating each employer's *minimum* contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate which for the 2013 valuation is 1 April 2014. The Administering Authority reserves the right to propose alternative spreading periods, for example to improve the stability of contributions.

3.7.2 Surplus Spreading Periods

Any employers deemed to be in surplus may be permitted to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the maximum periods shown above for deficits in calculating their **minimum** contributions.
However, to help meet the stability requirement, employers may prefer not to take such reductions.

3.7.3 Phasing in of Contribution Rises

The Administering Authority may allow some employers to phase in contribution rises over the period to which their contribution rates apply i.e. 1 April 2014 to 31 March 2017
Employers are notified of the results of the tri-annual actuarial valuation, and the implications that this has on employer contributions. These details have been summarised in Appendix A.

3.7.4 Phasing in of Contribution Reductions

Any contribution reductions between 2014/15 – 2016/17 will be phased in over three years for all employers except Transferee Admission Bodies who can take the reduction with immediate effect, however employers are recommended to phase contributions over the shortest time possible. Agreed contribution rates in the 2013 valuation have been phased over 3 years

3.7.5 The Effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period or to phase-in contribution changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term.
However any adjustment is expressed for different employers the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

3.8 Admission Bodies ceasing

Admission Agreements for Transferee Admission Bodies are assumed to expire at the end of the contract.

Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These Admission Agreements can however be terminated at any point subject to the terms of the agreement.
The Fund, however, considers any of the following as triggers for the termination of an admission agreement:

- Last active member ceasing participation in the LGPS;
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity or to confirm appropriate alternative guarantor as required by the Fund.

In addition either party can voluntarily terminate the Admission Agreement by giving the appropriate period of notice as set out in the Admission Agreement to the other party (or parties in the case of a TAB).

If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund actuary to carry out a special valuation as required under Regulation 78 of the 1997 regulations (38 of the 2008 regulations) to determine whether there is any deficit.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

(l) For Transferee Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with the assumptions used to calculate the initial transfer of assets to accompany the active member liabilities transferred.

(m) For admission bodies that are not Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or which triggers a cessation event, the Administering Authority must look to protect the interests of other ongoing employers and will require the actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. Where there is a guarantor, the cessation valuation will normally be calculated using an ongoing valuation basis appropriate to the investment strategy. Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a "gilts cessation basis" with no allowance for potential future investment outperformance and with an allowance for further future improvements in life expectancy. This approach results in a higher value being placed on the liabilities than would be the case under a valuation on the ongoing funding basis and could give rise to significant payments being required.

(n) For admission bodies with guarantors, it is possible that any deficit could be transferred to the guarantors in which case it may be possible to simply transfer the assets and liabilities relating to the former admission bodies to the respective guarantors, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

(o) In the event that the Fund is not able to recover the required payment in full directly from the admission body or from any bond or indemnity or guarantor, then:

a) In the case of Transferee Admission Bodies the awarding authority will be liable. At its absolute discretion, the Administering Authority may agree to recover any outstanding amounts via an increase in the awarding authority's contribution rate over an agreed period.

b) In the case of admission bodies that are not Transferee Admission Bodies and have no guarantor, the unpaid amounts fall to be shared amongst all of the employers in the Fund. This will normally be reflected in contribution rates set at the formal valuation following the cessation date.

As an alternative to (b) above where the ceasing admission body is continuing in business, the Fund, at its absolute discretion, reserves the right to enter into an agreement with the ceasing admission body to accept an appropriate alternative security to be held against any funding deficit and to carry out the cessation valuation on an ongoing valuation basis. This approach would be monitored as part of each triennial valuation and the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified.

3.9 Early Retirement Costs

3.9.1 Non Ill Health retirements

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable. The current cost of these is specified in the latest early retirement manual from Hymans Robertson.
Since the introduction of the new LGPS many members now have two tranches of pension - namely that which was accrued before and after 1 April 2008. In theory, these can be paid without reduction from two different retirement ages. In practice, the member can only retire once and so both pensions are paid from a single age. It is assumed that the member will retire at the age when all of the members pension can be taken without reduction.

The additional costs of premature retirement are calculated by reference to these ages.

3.9.2 Ill health monitoring

The Fund monitors each employer's, or pool of employers, ill health experience on an ongoing basis. If the cumulative number of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases.

4. Links to Investment Strategy

The Funding and the investment strategy are inextricably linked. The Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice.

4.1 Investment Strategy

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles. For details of this, please refer to Appendix C.

The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile. The Administering Authority has adopted a benchmark, which sets the proportion of assets to be invested in key asset classes such as equities, bonds and property.

The investment strategy of lowest risk – but not necessarily the most cost-effective in the long-term – would be 100% investment in index-linked government bonds.

The Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from index-linked bonds. The Administering Authority's strategy recognises the relatively immature liabilities of the Fund and the secure nature of most employers' covenants.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently have the facility to operate different investment strategies for different employers.

4.2 Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

4.3 Intervaluation Monitoring of Funding Position

The Administering Authority monitors investment performance relative to the growth in the liabilities by means of annual interim valuations, measuring investment returns relative to the returns on a least risk portfolio of index-linked bonds. It reports back to employers on an annual basis, following the production of the relevant information by the Fund's actuary. The table below shows the funding position as at 31 March 2013 and includes an updated valuation as at 31 December 2013.

Past Service Funding Position at 31 March	As at 31 March 2010	**As at 31 March 2013**	**As at 31 December 2013**
Past Service Liabilities	£m	**£m**	**£m**
Employees	(298)	**(316)**	**(306)**
Deferred Pensioners	(117)	**(180)**	**(163)**
Pensioners	(314)	**(406)**	**(373)**
	(729)	**(902)**	**(842)**
Market Value of Assets	549	**636**	**657**
Funding Deficit	(180)	**(265)**	**(185)**
Funding Level	75.4%	**70.6%**	**78.0%**

5. Key Risks & Controls

5.1 Types of Risk

The Administering Authority's has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory;
- governance; and
- longevity.

5.2 Financial Risks

Risk	**Summary of Control Mechanisms**
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	*Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing.* *Analyse progress at three yearly valuations for all employers.* *Inter-valuation roll-forward of liabilities between formal valuations at whole fund level, provided on an annual basis*
Inappropriate long-term investment strategy	*Set Fund-specific benchmark, informed by Asset-Liability modelling of liabilities.* *Measuring performance and setting managers' targets as set out in the "fund objective guidelines".*
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	*Inter-valuation monitoring, as above.* *Some investment in bonds helps to mitigate this risk.*
Active investment manager under-performance relative to benchmark	*Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark.*
Pay and price inflation	*The focus of the actuarial valuation process is on real*

significantly more than anticipated	*returns on assets, net of price and pay increases.* *Inter-valuation monitoring, as above, gives early warning.* *Some investment in bonds also helps to mitigate this risk.* *Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.*
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	*Seek feedback from employers on scope to absorb short-term contribution rises.* *Mitigate impact through deficit spreading and phasing in of contribution rises.* *Consideration of the effects of possible increases in employer rates in the Council's Medium Term Financial Strategy.*

5.3 Demographic Risks

Risk	Summary of Control Mechanisms
Ill-health retirements significantly more than anticipated.	Monitoring of each employer's ill-health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill-health assumptions built into the triennial valuation.
Pensioners living longer.	*Set mortality assumptions with some allowance for future increases in life expectancy.* *Fund actuary monitors combined experience of around 90 funds to look for early warnings of lower pension amounts ceasing than assumed in funding.*
Deteriorating patterns of early retirements	*Employers are charged the extra capital cost of non ill health retirements following each individual decision.* *Employer ill health retirement experience is monitored.*

5.4 Regulatory

Risk	Summary of Control Mechanisms
Changes to regulations, e.g. more favourable benefits package, removal of Rule of 85 for new entrants from October 2006 and for existing members from 1 April 2008 (with protections)	*The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself.* *It considers all consultation papers issued by the DCLG and comments where appropriate.* *The Administering Authority will consult employers where it considers that it is appropriate.*

5.5 Governance

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall	*The Administering Authority monitors membership movements on a quarterly basis, via a report from the administrator at quarterly meetings.*

in employee members, large number of retirements).	
Administering Authority not advised of an employer closing to new entrants.	*The Actuary may be instructed to consider revising the Rates and Adjustments Certificate to increase an employer's contributions (under Regulation 78 of the 1997 Regulations; 38 of the 2008 Regulations) between triennial valuations Deficit contributions are expressed as monetary amounts (see Appendix A).*
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.	*The Administering Authority monitors membership movements on a quarterly basis and employer and employee contributions on a monthly basis.* *Dialogue is maintained with all employers on a regular basis.*

An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: • *Seeking a funding guarantee from another scheme employer, or external body, where-ever possible.* • *Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.* • *Vetting prospective employers before admission.* • *Offering lower risk investment strategies – with higher employer contributions - for Best Value Admission Bodies to reduce the risk of volatile contributions and a significant debt crystallising on termination.*

5.6 Longevity (mortality)

Members live longer than expected due to improved health care and standard of living	The risk is mitigated by: • *Seeking detailed monitoring of longevity profile of the fund over the valuation period* • *Bringing to the attention of all employers the risk involved and the need to make provision.*

6.0. List of Appendices:

Appendix A – Employers' Contributions, Spreading and Phasing Periods
Appendix B – Responsibilities of Key Parties

APPENDIX A

Employers' Contributions, spreading and phasing periods:

Following the 2013 valuation, the minimum total employer contributions to be shown in the Rates and Adjustment Certificate attached to the 2013 valuation report are detailed in the table below:

	Employer Name	**Minimum Contribution for the Year Ending**					
		31 March 2015		**31 March 2016**		**31 March 2017**	
		% of Payroll	**£(000)**	**% of Payroll**	**£(000)**	**% of Payroll**	**£(000)**
1	LB Barking & Dagenham	22.5%	0	23.5%	0	24.5%	0
2	University of East London	25.1%	0	26.6%	0	28.1%	0
3	Barking College	22.7%	0	25.1%	0	27.5%	0
8	Disablement Association	22.9%	0	22.9%	0	22.9%	0
9	Barking & Dagenham CAB	33.1%	0	33.1%	0	33.1%	0
10	Elevate	21.3%	0	21.3%	0	21.3%	0
12	Kier	22.8%	0	22.8%	0	22.8%	0
13	Laing O'Rourke	14.0%	0	14.0%	0	14.0%	0
14	RM Education	22.8%	0	22.8%	0	22.8%	0
15	Thames View Infants School	22.3%	0	22.3%	0	22.3%	0
20	CRI	15.1%	0	15.1%	0	15.1%	0

APPENDIX B

Responsibilities of Key Parties

The Administering Authority should:-

- collect employer and employee contributions;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the fund's actuary;
- prepare and maintain and FSS and a SIP, both after proper consultation with interested parties;
- monitor all aspects of the fund's performance and funding and amend FSS/SIP; and
- advise the Actuary of any new or ceasing employers.

The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- provide annual reconciliation of pay and contributions promptly to the employer at the end of the financial year;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the administering authorities promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:-

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS; and
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

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Dated 2016

(1) THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF BARKING AND DAGENHAM

(2) **[**SCHEME EMPLOYER**]**

(3) **[**ADMISSION BODY**]**

Admission Agreement
To participate in the Local Government Pension Scheme

The LB of Barking & Dagenham Pension Fund

Strategic Director, Finance & Investment
LB of Barking & Dagenham
Civic Centre
Dagenham
RM10 7BN

CONTENTS

Schedule

Appendix

This Agreement is made on the day of 2016

Between:

(1) **THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF BARKING AND DAGENHAM** of Civic Centre, Dagenham RM10 7BN (the "**Administering Authority**"); **[**and**]**

(2) **[INSERT NAME]** of **[**insert address**]** (the "**Scheme Employer**"); and**]**

(3) **[INSERT NAME]** (company number: **[**insert company number**]**) whose registered office is at **[**insert address**]** (the "**Admission Body**").

Background

(A) The Administering Authority is an administering authority within the meaning of the Regulations. It administers and maintains the Fund in accordance with the Regulations.

(B) **[**The Scheme Employer is a Scheme employer within the meaning of the Regulations.**]** ***or*** **[**The Administering Authority is also a Scheme employer within the meaning of the Regulations and is referred to in this Agreement as the "Scheme Employer" when acting in its capacity as a Scheme employer.**]**

(C) **[**The Scheme Employer and the **[**Principal Contractor/Admission Body**]** entered into the Contract. **[**Pursuant to the Contract, the Principal Contractor and the Admission Body entered into the Sub-Contract.**]]**

(D) **[*INSERT DETAILS OF BASIS OF ADMISSION e.g.*** [1]***:***

In accordance with paragraph 1(d)(i) of Part 3 of Schedule 2 to the 2013 Regulations and as a result of the **[**Contract/Sub-Contract**]**, the Admission Body will provide services or assets in connection with the exercise of a function of the Scheme Employer.

or

In accordance with paragraph 1(e) of Part 3 of Schedule 2 to the 2013 Regulations, the Admission Body is a body which provides a public service in the United Kingdom and is approved by the Secretary of State for the purposes of admission to the Scheme as evidenced in the letter dated **[**insert date**]** included in the Appendix (Secretary of State Letter).

or

In accordance with paragraph 1(a) of Part 3 of Schedule 2 to the 2013 Regulations, the Admission Body is a body which provides a public service in the United Kingdom otherwise than for the purposes of gain. The **[**Scheme Employer**]** and the Admission Body confirm**[**s**]** that the Admission Body has sufficient links with the Scheme Employer for the Admission Body and the Scheme Employer to be regarded as having a community of interest, whether because the operations of the Admission Body are dependent on the operations of the Scheme Employer or otherwise.**]**

(E) The Administering Authority **[**, the Scheme Employer**]** and the Admission Body have agreed to enter into this Agreement to allow the Admission Body to be admitted to the Scheme and to participate in the Fund so that the Eligible Employees can be members of the Scheme.

(F) The terms and conditions of such admission have been agreed by the parties to this Agreement as follows.

1 This may need to be altered – there are other grounds of admission.

NOW IT IS AGREED as follows:

1. **INTERPRETATION**

This Clause sets out the definitions and rules of interpretation which apply to the Agreement.

1.1 The following expressions have the following meanings:

"2013 Regulations"	The Local Government Pension Scheme Regulations 2013.
"Actuary"	an actuary appointed by the Administering Authority.
"Business Day"	any day other than a Saturday or a Sunday or a Public or Bank Holiday in England.
"Commencement Date"	**[**insert date on which Admission Agreement is due to commence**]**.
["Contract"][2]	a contract dated **[**insert date contract was completed**]** between the Scheme Employer and the **[**Principal Contractor/Admission Body**]** to **[**provide the Services**]** **[**which is anticipated to expire on **[**insert date on which contract expires**]**.**]**[3]
"Eligible Employee"	an employee of the Admission Body who is listed in the Schedule **[**, or a New Eligible Employee**]**[4].
"Fund"	the LB Barking & Dagenham Pension Fund.
"Member"	an Eligible Employee who joins the Scheme as an active member and who remains an active member or subsequently becomes a deferred member or a pensioner member. Where applicable, this term shall also include a Member's spouse, civil partner, nominated partner, eligible child or dependant whether actual or prospective.
["New Eligible Employee"][5]	an employee of the Admission Body (other than an employee listed in the Schedule) designated by the Admission Body **[**with the consent of the Scheme Employer and Administering Authority**]**[6] as eligible for Scheme membership.
["Payment Notice"	is defined at **Clause 10.3** (Service of Payment Notice and Payment)**]**[7]

[2] Only applicable for a paragraph 1(d)(i) AB

[3] Where the Admission Body is exercising the functions of a Scheme employer in connection with more than one contract there needs to be a separate admission agreement for each contract.

[4] Only applicable for an open agreement.

[5] Only applicable for an open agreement.

[6] Include if controls are required on admission of further employees (ie. agreement is not to be fully open).

[7] Only applicable if **Clause 10** (Guarantee from Scheme Employer) applies

["Principal Contractor"][8]	**[**Insert name and company/registered number of principal contractor**]**.
"Registered Pension Scheme"	a pension scheme registered under Chapter 2 of Part 4 of the Finance Act 2004.
"Regulations"	the 2013 Regulations and the Transitional Regulations.
"Scheme"	the Local Government Pension Scheme established and governed by the Regulations.
"Scheme Employer"	**[**Insert name of scheme employer**]**[9]
"Scheme Year"	a year beginning on a 1 April and ending on the next 31 March.
["Services"	the **[**insert description**]** services which are to be provided by the Admission Body under the **[**Contract/Sub-Contract**]**.**]**[10]
["Sub-Contract"][11]	**[**a contract dated **[**insert date sub-contract was completed**]** between the Principal Contractor and the Admission Body made pursuant to the Contract to **[**provide the Services**]]**.
"Transitional Regulations"	the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

1.2 **[**Unless the Administering Authority agrees otherwise, the expression "employed in connection with the provision of the Services" shall mean that an Eligible Employee spends on average in a Scheme Year at least **[**75**]**% of his time working on the Services.[12]**]**

1.3 Expressions have the same meaning as in the Regulations except where the context otherwise requires.

1.4 This Agreement includes a heading and a box at the start of each Clause which outlines its provisions. These are included for information only.

1.5 Any reference in this Agreement to any statute or statutory provision will include any subordinate legislation made under it and will be construed as a reference to such statute, statutory provision and/or subordinate legislation as modified, amended, extended, consolidated, re-enacted and/or replaced and in force from time to time.

1.6 Words such as "in particular", "includes" or "including" shall not limit the generality of the words preceding them.

[8] Only applicable for a paragraph 1(d)(i) AB

[9] Define "Scheme Employer" if the Scheme employer is not a party to the Admission Agreement

[10] Only applicable for a paragraph 1(d) AB

[11] Only applicable for a paragraph 1(d)(i) AB

[12] Only applicable for a paragraph 1(d) AB. The Administering Authority may wish to define this term or simply rely on the undefined term in the Regulations.

2. **THE REGULATIONS**

This Clause sets out the relationship between the Agreement and the Regulations.

2.1 The rights, obligations and actions of each party to this Agreement shall be determined by the Regulations.

2.2 The Admission Body undertakes to:

2.2.1 adopt the practices and procedures relating to the operation of the Scheme set out in the Regulations and in any employer's guide **[**and service level agreement[13]**]** published by the Administering Authority and provided to the Admission Body;

2.2.2 inform the Administering Authority promptly in writing of all decisions made by the Admission Body concerning Members under regulation 72 of the 2013 Regulations; and

2.2.3 provide (or procure to be provided) promptly all information that the Administering Authority reasonably requests in order to discharge its Scheme functions in accordance with the Regulations and to comply with any other legal or regulatory requirements applicable to the Scheme.

2.3 The Admission Body undertakes to meet the relevant requirements of the Regulations.

2.4 The Regulations will apply to the Admission Body and to employment with the Admission Body in which an Eligible Employee is an active member of the Scheme in the same way as if the Admission Body were a Scheme employer listed in Part 2 of Schedule 2 to the 2013 Regulations.

13 Please confirm if you have a SLA you wish to refer to.

3. **COMMENCEMENT DATE**

This Clause sets out the date the Agreement commences.

This Agreement shall have effect on and from the Commencement Date.

4. **MEMBERSHIP OF ELIGIBLE EMPLOYEES**

This Clause sets out the terms on which the Eligible Employees are admitted to membership of the Scheme.

4.1 Subject to the terms of this Agreement, the Administering Authority admits the Admission Body to the Scheme with effect on and from **[**the Commencement Date**]**.

4.2 Subject to the following provisions of this **Clause 4** (Membership of Eligible Employees), the Admission Body designates:

4.2.1 an Eligible Employee listed in the Schedule as being eligible to remain or become (as appropriate) an active member of the Scheme. The designation is effective on and from the Commencement Date; **[**and**]**

4.2.2 **[**a New Eligible Employee if he or she is invited in writing by the Admission Body to become an active member of the Scheme. The designation shall be effective on and from the first day of the payment period following acceptance in writing of the invitation by a New Eligible Employee.**]**[14]

4.3 Notwithstanding the provisions of **Clause 4.2** (Membership of Eligible Employees), an Eligible Employee will cease to be an active member in the circumstances set out in regulation 5 of the 2013 Regulations.

4.4 An Eligible Employee may not be an active member of the Scheme if he is an active member of another occupational pension scheme (within the meaning of section 1 of the Pension Schemes Act 1993) in relation to the employment in respect of which he would otherwise be eligible to be designated for Scheme membership, or if he otherwise fails to satisfy the eligibility requirements of the 2013 Regulations.

4.5 Within three months of:

4.5.1 a Member joining the Scheme; or

4.5.2 any change in respect of a Member's employment which is material for the Scheme;

the Admission Body must ask the Member in writing for a written statement listing all of the Member's previous periods of employment and copies of all notifications previously given to him under the 2013 Regulations and the Earlier Regulations (as defined in the Transitional Regulations) unless the Admission Body is satisfied that it or the Administering Authority already has all material information. The request must include a conspicuous statement that it is important that the Member gives full and accurate information especially for ascertaining his rights under the Scheme.

4.6 **[**An Eligible Employee may only be an active member of the Scheme by virtue of this Agreement if and for so long as he is employed in connection with the provision of the Services.**]**[15]

4.7 In respect of each Member, the Admission Body will promptly notify the Administering Authority in writing of:

4.7.1 **[**any change in employment which results in an Eligible Employee who is an active member ceasing to be employed in connection with the provision of the Services;**]**[16]

[14] Wording in square brackets in 4.1.1, 4.1.2 and 4.1.3 is applicable for open agreements only.

[15] Only applicable for a paragraph 1(d) AB

[16] Only applicable for a paragraph 1(d) AB

4.7.2 any Eligible Employee who joins or re-joins the Scheme;

4.7.3 any material change in terms and conditions of employment which affect a Member's entitlement to benefits under the Scheme; and

4.7.4 any termination of employment, including termination by virtue of redundancy, business efficiency, ill-health or other early retirement.

5. **ADMISSION BODY UNDERTAKINGS**

This Clause sets out the undertakings to be given by the Admission Body to the Administering Authority.

5.1 **Payments**

Without prejudice to **Clause 6** (Contributions and Payments), the Admission Body shall pay to the Administering Authority all contributions and payments due under the Regulations and this Agreement.

5.2 **Discretions**

5.2.1 Within three months of the Commencement Date, the Admission Body shall provide the Administering Authority with a statement of the Admission Body's policies concerning the exercise of its functions under regulations 16(2)(e), 16(4)(d), 30(6), 30(8) and 31 of the 2013 Regulations. The statement must follow the form of statement prescribed by the Administering Authority as from time to time in place. The Admission Body must keep these policies under review. Where the Admission Body determines to revise any of its policies, the Admission Body must publish the revised statement and send a copy of it to the Administering Authority within one month of the determination.

5.2.2 The Admission Body will notify the Administering Authority promptly in writing of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion.

5.3 **Additional Pension**

5.3.1 The Admission Body will not resolve to award a Member additional pension under regulation 31 of the 2013 Regulations unless either:

5.3.1.1 the Administering Authority and the Admission Body agree that the Admission Body will pay increased contributions to meet the cost of the additional pension; or

5.3.1.2 the Admission Body pays the sum required under regulation 68(3) of the 2013 Regulations to the Administering Authority for credit to the Fund.

5.3.2 The Admission Body must pay to the Fund the amount of any extra charge on the Fund arising as a result of the resolution which has not been discharged by payments made in accordance with **Clauses 5.3.1.1** or **5.3.1.2** (Additional Pension).

5.4 **Matters Affecting Participation**

5.4.1 The Admission Body will notify the Administering Authority **[**and the Scheme Employer**]** promptly in writing of any matter which may affect or is likely to affect its participation in the Scheme.

5.4.2 The Admission Body will notify the Administering Authority **[**and the Scheme Employer**]** immediately in writing of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution. In the event of any such actual or proposed change in its status, the Admission Body will not **[**designate any New Eligible Employees for membership of the Scheme or**]** make any representations to any Member or body regarding continued membership of the Scheme without the prior written consent of the Administering Authority.

5.4.3 The Admission Body will not do anything (or omit to do anything) where such act or omission would or might prejudice the status of the Scheme as a Registered Pension Scheme.

6. **CONTRIBUTIONS AND PAYMENTS**

> This Clause sets out the contributions and payments to the Fund to be made by the Admission Body.

6.1 **Contributions to the Fund**

The Admission Body shall pay to the Fund in relation to the Members:

6.1.1 the amount calculated in accordance with its rates and adjustments certificate issued by the Actuary. This will be payable monthly in arrears no later than the date specified by the Administering Authority or in accordance with any other terms of the rates and adjustments certificate;

6.1.2 all amounts from time to time deducted from the pay of the Members under the Regulations. These will be payable monthly in arrears no later than the date specified by the Administering Authority and in any event no later than the time required under section 49(8) of the Pensions Act 1995;

6.1.3 any amount received by the Admission Body by deduction or otherwise under regulations 12, 13, 14, 16 and 17 of the 2013 Regulations;

6.1.4 any sum or any extra charge payable under **Clauses 5.3.1.2** and **5.3.2** (Additional Pension) respectively;

6.1.5 any extra charge required by the Administering Authority to cover the actuarial strain on the Fund (as notified by the Actuary in writing) as a result of the immediate payment of benefits when:

6.1.5.1 a Member who is an active member of the Scheme has his employment with the Admission Body terminated on grounds of ill-health or infirmity of mind or body which renders him both permanently incapable of discharging efficiently the duties of his current employment and not immediately capable of undertaking any gainful employment; or

6.1.5.2 a Member who became a deferred member of the Scheme on leaving his employment with the Admission Body receives payment of his benefits immediately on grounds of ill-health or infirmity of mind or body which renders him both permanently incapable of discharging efficiently the duties of that employment and unlikely to be capable of undertaking gainful employment before normal pension age, or for at least three years, whichever is the sooner;

6.1.6 any extra charge required by the Administering Authority to cover the actuarial strain on the Fund (as notified by the Actuary in writing) as a result of:

6.1.6.1 the immediate payment of benefits when the Admission Body dismisses a Member who is an active member of the Scheme by reason of redundancy or business efficiency or where such a Member's employment is terminated by mutual consent on the grounds of business efficiency; or

6.1.6.2 the immediate payment of benefits under regulation 30(5) of the 2013 Regulations or (with the Admission Body's consent) under regulation 30(6) of the 2013 Regulations, including in either case the costs of the Admission Body waiving any reduction of benefits under regulation 30(8) of the 2013 Regulations;

6.1.7 any exit payment and/or revised contribution(s) due under **Clause 6.5** (Adjustment of Contribution Rate);

6.1.8 any termination contribution(s) due under **Clause 7.4.2** (Termination Valuation);

6.1.9 any contribution (not being one required under **Clause 6.1.1** (Contributions to the Fund)) required by the Administering Authority towards the cost of the Fund's administration relating to the Admission Body, including an amount specified in a notice given by the Administering Authority under regulation 70 of the 2013 Regulations and the costs of any reports and advice requested by the Admission Body from the Actuary or required in respect of the Admission Body's application to become an Admission Body;

6.1.10 any interest payable under the Regulations; and

6.1.11 any other payments or contributions required by the Regulations or by any other legislation.

6.2 **Due Date for Payment**

Save where this Agreement, the Regulations or any other relevant legislation expressly requires otherwise, any amount which the Admission Body is required to pay by virtue of **Clauses 5.1** (Payments) and **6.1** (Contributions to the Fund) must be paid to the Fund within 19 Business Days of receipt by the Admission Body from the Administering Authority of written notification of the sum or (where relevant) of any revised rates and adjustments certificate, or within such other period and on such terms as the Administering Authority and the Admission Body may agree.

6.3 **Information About Pay and Contributions**

6.3.1 Any payments made by the Admission Body under **Clause 6.1.2** (Contributions to the Fund) must be accompanied by a statement (given in such form and at such intervals as the Administering Authority shall specify) showing the following information for each Member who was an active member of the Scheme during all or part of the period covered by the statement:

6.3.1.1 name and contribution band;

6.3.1.2 details of any period(s) falling within the period to which the statement relates in relation to which an election was in force in respect of the active Member under regulation 10 of the 2013 Regulations (temporary reduction in contributions);

6.3.1.3 total pensionable pay received by the Member (including any assumed pensionable pay the Member is treated as having received);

6.3.1.4 total employee contributions deducted from that pensionable pay;

6.3.1.5 total employer contributions in respect of that pensionable pay;

6.3.1.6 total additional contributions paid by the Member (distinguishing additional pension contributions paid under regulation 16 of the 2013 Regulations and additional voluntary contributions paid under regulation 17 of the 2013 Regulations);

6.3.1.7 total additional contributions paid by the Admission Body (distinguishing additional pension contributions paid under regulation 16 of the 2013 Regulations and additional voluntary contributions paid under regulation 17 of the 2013 Regulations); and

6.3.1.8 such other information as the Administering Authority may require (including any information from time to time required to calculate benefits for the Member in accordance with the provisions of the Transitional Regulations).

6.3.2 Where an election was in force in respect of the active Member under regulation 10 of the 2013 Regulations during any part of the period to which the statement required under **Clause 6.3.1** relates, the information provided under **Clauses 6.3.1.3**, **6.3.1.4** and **6.3.1.5** must be provided separately in respect of:

6.3.2.1 the period (or, if more than one, the aggregate of such periods) during which the election was in force; and

6.3.2.2 any period (or, if more than one, the aggregate of such periods) during which no election was in force.

6.3.3 Any question concerning what rate of contribution a Member is liable to pay to the Fund must be decided by the Admission Body.

6.4 **Interest on Late Payment**

If any sum payable by the Admission Body under the Regulations or this Agreement remains unpaid, the Administering Authority may require the Admission Body to pay interest on the unpaid sum in accordance with regulation 71 of the 2013 Regulations.

6.5 **Adjustment of Contribution Rate**

6.5.1 Without prejudice to its powers under regulation 64(4) of the 2013 Regulations, where the Administering Authority considers there are circumstances which make it likely that the Admission Body will become an exiting employer, the Administering Authority may obtain from the Actuary a certificate specifying the percentage or amount by which:

6.5.1.1 the Admission Body's contribution rate at the primary rate should be adjusted; or

6.5.1.2 any prior secondary adjustment should be increased or reduced;

with a view to ensuring that assets equivalent to the anticipated exit payment that will be due from the Admission Body are provided to the Fund by the likely exit date or, where the Admission Body is unable to meet that liability by that date, over such period of time thereafter as the Administering Authority considers reasonable.

6.5.2 In accordance with regulations 64(6) and (7) of the 2013 Regulations, where:

6.5.2.1 the Admission Body agrees under **Clause 5.3.1.1** (Additional Pension) to pay increased contributions to meet the cost of an award of additional pension under regulation 31 of the 2013 Regulations; or

6.5.2.2 it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise in respect of Members in employment with the Admission Body exceeds the amount specified, or likely as a result of the assumptions stated, for the Admission Body, in the current rates and adjustments certificate applying to the Admission Body;

the Administering Authority must obtain a revision of the rates and adjustments certificate concerned, showing the resulting changes required.

6.5.3 Pursuant to regulation 64(1) of the 2013 Regulations and regulation 25A of the Transitional Regulations, but subject to any exercise by the Administering Authority of its power to issue a suspension notice under regulation 64(2A) of the 2013 Regulations, where this Agreement terminates in accordance with **Clause 7** (Termination) or the Admission Body no longer employs an active member contributing to the Fund:

6.5.3.1 the Administering Authority shall obtain an actuarial valuation as at the exit date of the Fund's liabilities in respect of the Members (calculated on such basis as the Actuary shall recommend) and a revision of the Admission Body's rates and adjustments certificate showing the exit payment due and payable by the Admission Body**[**; and**]** **[**.**]**

6.5.3.2 **[**where for any reason it is not possible to obtain all or part of the exit payment from the Admission Body or from any person providing a bond, indemnity or guarantee in accordance with **Clause 8** (Risk Assessment) then the Administering Authority may obtain a further revision of the rates and adjustments certificate for the Fund showing the revised contributions due from the body which is the related employer (as defined in regulation 64(8) of the 2013 Regulations) in relation to the Admission Body.**]**[17]

6.5.4 The Admission Body shall meet the costs of obtaining any certificate under **Clauses 6.5.1**, **6.5.2** or **6.5.3** (Adjustment of Contribution Rate). The Admission Body will co-operate with the Administering Authority and the Actuary to provide the certificate or review.

6.6 **Right of Set Off**[18]

Notwithstanding any terms to the contrary contained in the **[**Contract/Sub-Contract**]**, if any sum payable by the Admission Body under the Regulations or this Agreement has not been paid by the date on which it becomes due then the Administering Authority may **[**require the Scheme Employer to**]** set off against any payments due to the Admission Body an amount equal to the sum due (including any interest payable) and pay the sum to the Fund by a date specified by the Administering Authority.

6.7 **[Funding**

Any payment due from the Admission Body under **Clause 6.1.1** (Contributions to the Fund) shall be calculated on the assumption that, as at the Commencement Date, any liabilities relating to the Scheme membership prior to the Commencement Date of the Eligible Employees **[**listed in the Schedule**]**[19] are 100% funded (as determined by the Actuary in accordance with the actuarial assumptions consistent with the most recent actuarial valuation of the Fund before the Commencement Date (updated to the Commencement Date as necessary)). Where any additional funding (as certified by the Actuary) is necessary, this shall be deducted from the Scheme Employer's notional allocation of assets within the Fund. For the avoidance of doubt, 100% funded shall mean that the Admission Body shall be notionally allocated at the Commencement Date an amount of assets within the Fund equal to the value placed on the liabilities as at the Commencement Date as determined by the Actuary.**]**[20]

[17] Only applicable for a paragraph 1(d) AB

[18] Only applicable for a paragraph 1(d) AB. Modify appropriately where admission is under paragraph 1(d)(ii) or (iii). Consider joining principal contractor to the Admission Agreement and incorporating a right to set-off in the Contract.

[19] Check commercial terms agreed for this specific transaction. In particular, in an open agreement, any fully-funded starting position may be restricted to staff transferring to the AB at the Commencement Date.

[20] Check commercial terms agreed for this specific transaction.

7. TERMINATION

This Clause sets out the ways in which the Admission Body and the Administering Authority may terminate the Agreement.

7.1 Termination by Notice

Subject to **Clauses 7.2** (Automatic Termination) and **7.3** (Immediate Termination by the Administering Authority), the Administering Authority **[**or the Admission Body**]** may terminate this Agreement by giving at least three months' notice of termination in writing to the **[**Admission Body**]** **[**other **[**party**][**parties**]** to this Agreement**]**.[21]

7.2 Automatic Termination

This Agreement shall automatically terminate on **[**the earlier of:

7.2.1 the date of expiry or earlier termination of the Contract **[**and/or Sub-Contract**]**; or**]**[22]

7.2.2 the date the Admission Body **[**otherwise**]** ceases to be an admission body for the purposes of the Regulations.

7.3 Immediate Termination by the Administering Authority

The Administering Authority may terminate this Agreement with immediate effect by notice in writing to the Admission Body:

7.3.1 where the Admission Body breaches any of its obligations under this Agreement (including, for the avoidance of doubt, where the Admission Body fails to pay any sums due to the Fund or where the Admission Body fails to renew or adjust the level of the bond, indemnity or guarantee (if required) in accordance with **Clause 8** (Risk Assessment)). If the breach is capable of remedy, the Administering Authority shall first give the Admission Body the opportunity of remedying the breach within such reasonable period as the Administering Authority may specify;

7.3.2 on the insolvency, winding up or liquidation of the Admission Body;

7.3.3 where the continued participation of the Admission Body in the Scheme would or might prejudice the status of the Scheme as a Registered Pension Scheme; or

7.3.4 if the Admission Body no longer employs an active member contributing to the Fund.

7.4 Termination Valuation

7.4.1 Where the Administering Authority is unable for any reason to obtain an actuarial valuation or issue a revision of the Admission Body's rates and adjustments certificate in accordance with **Clause 6.5.3** (Adjustment of Contribution Rate) then (without prejudice to any powers set out in the Regulations), the Administering Authority shall have the right to obtain from the Actuary an actuarial valuation of the assets and liabilities of the Fund in respect of the Members as at the date this Agreement terminates, calculated on such basis as the Actuary shall recommend.

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[21] The Administering Authority should consider whether it wants to give the Admission Body the power to terminate by notice.

[22] Only applicable for a paragraph 1(d)(i) AB.

7.4.2 The Admission Body will pay to the Fund an exit payment (as certified by the Actuary) equal to any deficit in the Fund shown by the valuation under **Clause 7.4.1** (Termination Valuation).

7.4.3 **[**Where the Admission Body does not pay the exit payment required in accordance with **Clause 7.4.2** (Termination Valuation) and the sum is not paid in full by any person providing a bond, indemnity or guarantee in accordance with **Clause 8** (Risk Assessment), then the Administering Authority may recharge any unpaid balance within the Fund to the Scheme Employer.**]**[23]

7.5 **Other Outstanding Payments on Termination**

Where any contributions, payments or other sums due under this Agreement or the Regulations (including any payments by instalments agreed under **Clause 6** (Contributions and Payments)) remain outstanding on the termination of this Agreement, the Admission Body shall pay them in full within 20 Business Days of the date of termination.

7.6 **Rights on Termination**

The termination of this Agreement shall be without prejudice to the rights, duties and liabilities of any party accrued prior to such termination. The Clauses of this Agreement which expressly or impliedly have effect after termination shall continue to be enforceable notwithstanding termination.

7.7 **Costs**

The Admission Body shall pay to the Administering Authority any costs (including professional costs and the costs of obtaining any actuarial valuation under **Clause 6.5.3** (Adjustment of Contribution Rate) or **Clause 7.4.1** (Termination Valuation)) which the Fund or the Administering Authority may incur as a result of the Agreement's termination.

[23] Only applicable to a paragraph 1(d) AB.

8. **RISK ASSESSMENT**

This Clause sets out the terms which apply to assess whether a bond, indemnity and/or guarantee is required to mitigate the risk of exposure for the Fund on premature termination of the Agreement.

8.1 **Initial Level of Risk Exposure**

The Admission Body has assessed (taking account of actuarial advice) the level of risk exposure arising on the premature termination of the provision of **[**service or assets (as applicable)**]** **[**the Services**]** by reason of the insolvency, winding up or liquidation of the Admission Body **[**as being the sum of **[**insert amount in words**]** pounds sterling (£**[**insert amount in figures**]**)**]**. This assessment has been carried out to the satisfaction of the Administering Authority **[**and the Scheme Employer**]**. [24]

8.2 **Provision of Bond, Indemnity or Guarantee**

[WHERE A BOND IS INITIALLY REQUIRED]

The Admission Body warrants that **[**at the Commencement Date**]** there **[**is/will be**]** in place a bond or indemnity (in a form approved by the Administering Authority **[**and the Scheme Employer**]**) from a person or firm meeting the requirements of paragraph 7 of Part 3 of Schedule 2 to the 2013 Regulations for the level of risk exposure specified in **Clause 8.1** (Initial Level of Risk Exposure)**.**

[WHERE A GUARANTEE IS INITIALLY REQUIRED] [25]

8.2.1 The Administering Authority **[**and the Scheme Employer**]** **[**have**/**has**]** agreed that it is not desirable for the Admission Body to provide a bond or indemnity but instead that the Admission Body shall secure a guarantee (in a form approved by the Administering Authority **[**and the Scheme Employer**]**) from **[**insert guarantor name**]** being **[**a person who **[**funds the Admission Body in whole or in part**]**/**[**owns the Admission Body**]**/**[**controls the exercise of the functions of the Admission Body**]]** ***or*** **[**the Secretary of State for Communities and Local Government**]**[26] for the level of risk exposure specified in **Clause 8.1** (Initial Level of Risk Exposure).

8.2.2 Notwithstanding the provision of the guarantee under **Clause 8.2.1** (Provision of Bond, Indemnity or Guarantee), where so required by the Administering Authority **[**or the Scheme Employer**]** at any time after the Commencement Date, the Admission Body shall arrange for provision of a bond or indemnity (in a form approved by the Administering Authority **[**and the Scheme Employer**]**) from a person or firm meeting the requirements of paragraph 7 of Part 3 of Schedule 2 to the 2013 Regulations to cover the level of risk exposure assessed by the Admission Body (taking account of actuarial advice) to the satisfaction of the Administering Authority **[**and the Scheme Employer**]**.[27]

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[24] The level of risk exposure must also be actuarially assessed to the satisfaction of the Scheme Employer in the case of a paragraph 1(d)(i) AB

[25] For an AB admitted under paragraph 1(b), the Scheme employer(s) must give a guarantee in the agreement covering all liabilities of the body under the Regulations if at the date that the admission agreement is made the contributions paid to the body by the Scheme employer(s) equal in total 50% or less of the total amount the body receives from all sources, and in such a case, the wording should be tailored appropriately. The Administering Authority may wish, however, to consider a guarantee in other circumstances too.

[26] Where the Admission Body is established under an enactment and that enactment enables the Secretary of State to make financial provision for the Admission Body, then the Secretary of State may provide a guarantee.

[27] The Administering Authority will need to consider whether it wants the option to require a bond or indemnity where a guarantee has been provided – this is likely to depend on the terms of the guarantee i.e. whether the guarantee sufficiently covers all risks during the term of the Agreement.

[WHERE NO BOND OR GUARANTEE IS INITIALLY REQUIRED]

The Administering Authority **[**and the Scheme Employer**]** **[**have**/**has**]** agreed that the initial level of risk exposure is not such as to require a bond, indemnity or guarantee.

8.3 **Ongoing Assessment of Risk**

During the term of this Agreement, the Admission Body shall keep the level of risk exposure arising on the premature termination of the provision of **[**service or assets (as applicable)**]** **[**the Services**]** by reason of the insolvency, winding up or liquidation of the Admission Body under assessment at regular intervals as required by the Administering Authority **[**and the Scheme Employer**]**.[28]

8.4 **New or Extended Bond, Indemnity or Guarantee**

8.4.1 This **Clause 8.4** (New or Extended Bond, Indemnity or Guarantee) applies where:

8.4.1.1 any bond, indemnity or guarantee provided under this **Clause 8** (Risk Assessment) is for a period shorter than the full term of this Agreement, so that such bond, indemnity or guarantee will expire during the term of this Agreement; or

8.4.1.2 the Administering Authority **[**or the Scheme Employer**]** so requires, following an assessment of risk exposure carried out under **Clause 8.3** (Ongoing Assessment of Risk).

8.4.2 Where this **Clause 8.4** (New or Extended Bond, Indemnity or Guarantee) applies, the Admission Body shall **[**as directed by the Administering Authority **[**or the Scheme Employer**]]**[29]:

8.4.2.1 arrange for any existing bond, indemnity or guarantee to be extended in duration and/or amount as appropriate (provided that, in the case of a guarantee, the Administering Authority **[**and the Scheme Employer**]** **[**have**/**has**]** agreed that it is not desirable for the Admission Body instead to provide a bond or indemnity);

8.4.2.2 arrange for provision of a new bond or indemnity (in a form approved by the Administering Authority **[**and the Scheme Employer**]**) from a person or firm meeting the requirements of paragraph 7 of Part 3 of Schedule 2 to the 2013 Regulations; or

8.4.2.3 secure a new guarantee (in a form approved by the Administering Authority **[**and the Scheme Employer**]**) from a person listed in paragraph 8 of Part 3 of Schedule 2 to the 2013 Regulations, provided that the Administering Authority **[**and the Scheme Employer**]** **[**have**/**has**]** agreed that it is not desirable for the Admission Body instead to provide a bond or indemnity.

8.4.3 In any such case the level of risk exposure covered by the extended or new bond, indemnity or guarantee must have been assessed by the Admission Body (taking account of actuarial advice) to the satisfaction of the Administering Authority **[**and the Scheme Employer**]**.

8.4.4 Where this **Clause 8.4** (New or Extended Bond, Indemnity or Guarantee) applies by virtue of **Clause 8.4.1.1**, the Admission Body shall comply with the

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28 The level of risk exposure must be assessed at regular intervals to the satisfaction of the Administering Authority and the Scheme Employer in the case of a paragraph 1(d) AB

29 Include if the Administering Authority and/or Scheme Employer wishes to have the option to require the Admission Body to replace, rather than renew or amend, an existing bond, indemnity or guarantee.

requirements of **Clause 8.4.2** at least one month before the date of expiry of the existing bond, indemnity or guarantee.

9. **INDEMNITY FROM ADMISSION BODY**

This Clause sets out the terms of the indemnity to be provided by the Admission Body in favour of the Administering Authority.

9.1 The Admission Body undertakes to indemnify and keep indemnified the Administering Authority against any costs and liabilities which it or the Fund may incur (whether directly or as a result of a loss or cost to the Members) arising out of or in connection with:

9.1.1 the non-payment by the Admission Body of any contributions or payments due to the Fund under this Agreement or the Regulations; or

9.1.2 any breach by the Admission Body of this Agreement, the Regulations or any other legal or regulatory requirements applicable to the Scheme.

9.2 Any demand under **Clause 9.1** (Indemnity from Admission Body) must be paid by the Admission Body to the Administering Authority or to the Fund (as applicable) within 10 Business Days of receipt by the Admission Body of such demand. **[**In the event of non-payment by the Admission Body, the Scheme Employer shall indemnify and keep indemnified the Administering Authority against such costs and liabilities.**]**[30]

[30] This is only applicable if the Administering Authority and the Scheme Employer are separate bodies.

10. [GUARANTEE FROM SCHEME EMPLOYER[31]

This Clause sets out the terms of the guarantee to be provided by the Scheme Employer in favour of the Administering Authority.

10.1 [Status of Administering Authority and Scheme Employer

For the avoidance of doubt, in this **Clause 10** (Guarantee from Scheme Employer), the term "Administering Authority" refers to **[**insert name of administering authority**]** acting in the capacity of administering authority (as defined in the Regulations) of the Fund and the term "Scheme Employer" refers to the same entity acting in the capacity of Scheme employer (as defined in the Regulations).**]**[32]

10.2 Failure to Pay Scheme Liabilities

Where the Admission Body has failed to pay any sum due under this Agreement or the Regulations (in whole or in part and including for the avoidance of doubt any exit payment due when this Agreement ceases to have effect) to the Administering Authority within **[**20**]** Business Days of receipt by the Admission Body of a written demand from the Administering Authority, **[**and the Administering Authority is unable for any reason to obtain payment in respect of all or part of the unpaid liability under any bond, indemnity or guarantee provided under **Clause 8** (Risk Assessment),**]**[33] the Scheme Employer shall pay to the Administering Authority such sum or sums as the Administering Authority claims in respect of the unpaid liability.

10.3 Service of Payment Notice and Payment

Any claim under **Clause 10.2** (Failure to Pay Scheme Liabilities) shall be made by written notice specifying the amount due (a "**Payment Notice**"), which shall be served by the Administering Authority upon the Scheme Employer in accordance with **Clause 11** (Notices). The Payment Notice shall be accepted by the Scheme Employer as conclusive evidence for all purposes that the amount claimed is due to the Administering Authority. The Scheme Employer shall pay the sum so demanded within **[**5**]** Business Days of receipt of the Payment Notice.

10.4 Sums Paid by the Scheme Employer

10.4.1 All sums paid by the Scheme Employer in accordance with **Clause 10.2** (Failure to Pay Scheme Liabilities) shall be held and applied by the Administering Authority for the purpose of paying and discharging the Admission Body's liability to pay the relevant sums due under this Agreement or the Regulations.

10.4.2 Any payment to be made by the Scheme Employer shall be made in sterling and shall be free, clear of and without any deduction for taxes, levies, duties, charges, fees or any deductions or withholdings for or on account of any set-off or counterclaim.

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[31] This **Clause 10** is to be used where the Scheme Employer (including where the administering authority is also the Scheme Employer) is to guarantee the liabilities of the Admission Body. This clause may not be required if a separate guarantee/indemnity document is being entered into. If this clause is used, **Clause 8** (Risk Assessment) will need to be suitably amended to ensure consistency.

[32] Delete where Administering Authority is not the Scheme Employer for the purposes of this Agreement.

[33] Include where **Clause 10** is being used to provide a guarantee of last resort from the Scheme Employer in addition to the provision of a bond / indemnity from a third party (which may be relevant where the AB is not a para.1(d) AB and therefore there is no guarantor of last resort under reg.64).

10.4.3 **[**Any payment to be made by the Scheme Employer shall be made from funds held by the Scheme Employer in its capacity as such, and not from any funds held in its capacity as the Administering Authority.**]**[34]

10.5 **Receipt of Payment**

Following any payment by the Scheme Employer in accordance with **Clause 10.2** (Failure to Pay Scheme Liabilities), the Administering Authority shall within 6 months of receipt of payment provide the Scheme Employer with a written account showing how the payment has been applied to the Fund. If any payment exceeds the amount required to discharge the liabilities of the Admission Body to the Fund, the Administering Authority shall refund any overpayment to the Scheme Employer.

10.6 **Further Payment Notice**

The service of a Payment Notice by the Administering Authority shall not preclude the service of any further Payment Notice.

10.7 **Obligations and Liabilities**

The Scheme Employer's obligations and liabilities under this **Clause 10** (Guarantee from Scheme Employer) shall not be reduced, discharged, impaired or affected by the giving of time or any other indulgence, forgiveness or forbearance by the Administering Authority in respect of the Admission Body.

10.8 **Change in Status**

Unless expressly varied under **Clause 15** (Amendment), this **Clause 10** (Guarantee from Scheme Employer) shall remain in effect in accordance with its terms notwithstanding any variation made in any of the other terms of this Agreement or the Regulations and notwithstanding the insolvency, winding-up or liquidation of the Admission Body (compulsory or otherwise) or it otherwise ceasing to exist or function. This **Clause 10** (Guarantee from Scheme Employer) and the obligations under it shall not be affected by any disclaimer of the Admission Body's contracts or liabilities by a liquidator.

10.9 **Warranty of Authority**

The Scheme Employer warrants and represents to the Administering Authority that it has all necessary authority, power and capacity to enter into and perform its obligations under this **Clause 10** (Guarantee from Scheme Employer), that all necessary actions have been taken to enter into those obligations properly and lawfully, and that those obligations are binding on the Scheme Employer in accordance with their respective terms.

10.10 **Expiry Date**

10.10.1 The obligations and liabilities of the Scheme Employer under this **Clause 10** (Guarantee from Scheme Employer) shall cease and determine absolutely on the full discharge of all liabilities of the Admission Body (arising under this Agreement and the Regulations) by the Admission Body or the Scheme Employer.

10.10.2 For the avoidance of doubt, this **Clause 10** (Guarantee from Scheme Employer) shall continue to have effect after the termination of this Agreement unless and until all liabilities of the Admission Body under the Regulations or this Agreement have been discharged in full either by the Admission Body or by the Scheme Employer pursuant to **Clause 10.10.1** (Expiry Date).**]**

[34] Delete where Administering Authority is not the Scheme Employer for the purposes of this Agreement.

11. NOTICES

This Clause sets out how any written notices are to be served.

All notices under this Agreement shall be in writing and shall be served by sending the same by first class post, facsimile or by hand or leaving the same at the registered office of the Admission Body or the headquarter address of the Administering Authority **[**or the Scheme Employer**]** (as the case may be).

12. **WAIVER**

This Clause sets out what happens if there is a failure to enforce the Agreement.

Failure or neglect by the Administering Authority **[**or the Scheme Employer**]** to enforce at any time any of the provisions of this Agreement shall not be construed nor shall be deemed to be a waiver of the Administering Authority's **[**or the Scheme Employer's**]** rights **[**(as the case may be)**]** nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Administering Authority's **[**or the Scheme Employer's**]** rights **[**(as the case may be)**]** to take subsequent action.

13. **SEVERANCE**

This Clause sets out what happens if any part of the Agreement is found to be invalid.

13.1 If any provision of or period of Scheme membership following purported admission to the Scheme under this Agreement shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of or any other periods of Scheme membership under this Agreement which shall remain in full force and effect.

13.2 If any provision of this Agreement is so found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted the provision in question shall apply with such modification(s) as may be necessary to make it valid and enforceable.

14. **ENTIRE AGREEMENT**

This Clause provides that the Agreement sets out the only terms relating to the admission of the Admission Body.

Except where expressly provided, this Agreement constitutes the entire agreement between the parties in connection with its subject matter and supersedes all prior representations, communications, negotiations and understandings concerning the subject matter of this Agreement.

15. **AMENDMENT**

This Clause sets out the terms that apply in relation to amending the Agreement.

The parties to this Agreement may, with the agreement of all of them in writing, amend this Agreement by deed provided that:

15.1 the amendment is not such that it would breach the Regulations or any other legal or regulatory requirements applicable to the Scheme; and

15.2 the amendment would not prejudice the status of the Scheme as a Registered Pension Scheme.

16. **PUBLIC INSPECTION**

This Clause sets out the circumstances in which the Agreement can be inspected by the public.

Subject to the Schedule being removed to protect personal data for the purposes of the Data Protection Act 1998, this Agreement shall be made available for public inspection by the Administering Authority **[**and the Scheme Employer**]** at **[**its/their**]** appropriate office**[**s**]**.

17. **MORE THAN ONE COUNTERPART**

This Clause sets out how the Agreement can be executed in counterparts.

This Agreement may be executed in more than one counterpart, which together constitute one agreement. When each signatory to this Agreement has executed at least one part of it, it will be as effective as if all the signatories to it had executed all of the counterparts. Each counterpart Agreement will be treated as an original.

18. **LAWS**

This Clause sets out the legal framework which governs the Agreement.

18.1 This Agreement will be governed by and interpreted in accordance with the laws of England and Wales.

18.2 Any rights that a third party may have under the Contracts (Rights of Third Parties) Act 1999 are excluded.

EXECUTED as a deed and delivered on the date stated at the beginning of this Agreement.[35]

THE COMMON SEAL of
THE MAYOR AND BURGESSES
of the LONDON BOROUGH
OF BARKING & DAGENHAM
was hereunto affixed
in the presence of:

…………………………………………

Being an officer of the Council of
the London Borough of Barking and Dagenham
duly authorised to attest the Common
Seal thereof

Minute Number:

Sealing Register:

THE COMMON SEAL of:
[SCHEME EMPLOYER]
was affixed in the presence of:

Authorised Officer

[35] Confirm execution formalities of each of the parties to the Admission Agreement.

EXECUTED as a deed by **[ADMISSION BODY]** acting by a director

Director signature: ....

Name: ....

in the presence of:

Witness signature: ....

Name: ....

Address: ....

....

Occupation: ....

OR

EXECUTED as a deed by **[ADMISSION BODY]** acting by two directors or by a director and its company secretary

Director signature: ....

Name: ....

Director / secretary signature: ....

Name: ....

SCHEDULE

Eligible Employees[36]

Surname	Forename	Sex (M/F)	National Insurance Number

36 For a paragraph 1(d)(i) AB being admitted on a second generation contract, check carefully that all active / eligible members are intended to retain access to LGPS post-transfer. In some cases, new recruits taken on by the outgoing contractor may have been given access to LGPS either voluntarily or under the old "two-tier code" (now withdrawn), and there is strictly no obligation under Fair Deal in such a case for the Scheme employer to maintain access to LGPS for such employees, only for ex-public sector employees.

APPENDIX

Secretary of State Letter

[INSERT COPY OF LETTER][37]

[37] Only applicable for a 1(e) Admission Body

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PENSIONS PANEL

14 December 2016

Title: Business Plan Update 2016	
Report of the Strategic Director, Finance & Investment	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Group Manager Pensions and Treasury	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Jonathan Bunt, Strategic Director – Finance and Investment	
Recommendations The Panel is asked to note progress on the delivery of the 2016 Business Plan at Appendix 1 to the report	

1. Introduction and Background

1.1 The purpose of this report is to update the Pension Panel on progress regarding the Pension Fund's 2016 business plan.

1.2 Appendix 1 provides a summary of the Business Plan actions from 1 January 2016 to 30 November 2016 and the actions for the remainder of the year.

2. Comments of the Finance Officer

2.1 Regulation 59 of the Local Government Pension Scheme Regulations 2013 sets out the framework to produce a Pensions Administration Strategy which would include business planning.

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

2.3 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 Panel 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. Panel 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: 2016 Business Plan Update

Month	Action Scheduled	By	Actual Activity
Jan 16	Review: Independent Advisor Contract	Officers	Done 27 January 2016
	Training: Investments (UBS)	Officers / Advisors	Done 13 January 2016
Feb 16	Training: Knowledge and Skills	Officers / Advisors	Done 24 February 2016
	Pension Board Meeting	Officers / Pension Board	Held 1 February 2016
	Cash Flow Update (Report to March Pension Panel)	Officers	Completed
Mar 16	IAS 19 Data Collection – LBBD	Officers	Completed
	IAS 19 Calculations	Officers	Completed
	Review: Independent Advisor	Officers / Members	Completed
	Quarterly Pension Panel Meeting	Officers / Advisors / Members	Completed
	Actuary Presentation on Triennial Valuation	Officers / Advisors / Members	Completed
	Transition Baillie Gifford to London CIV	Officers	Completed 11 April
	Cash Flow Update (Report to March Pension Panel)	Officers	Completed
	Fund Manager Meetings: • Absolute Return: Pyrford and Newton • Global Credit: BNY Standish • Diversified Alternatives: Aberdeen	Officers	 Meeting held 29 April 2016 Meeting held 17 March 2016 Meeting held 1 June 2016
	Training: Hedge Funds and Private Equity	Officers / Advisors	Held 17 March 2016
Apr 16	Closure of Accounts	Officers	Completed
	Fund Manager Meetings: Equities: Kempen	Officers / Advisors	Meeting held 21 April 2016
	Complete data quality check for the triennial valuation	Officers	Completed
	Framework Tender for Custodian (Report to June Panel)	Officers / Members	Not required
May 16	Provide Triennial Valuation data to the Actuary	Officers	Date moved to 31 July 2016
	Pension Board Meeting	Officers / Pension Board	Not required
	Fund Manager Meetings: • Infrastructure: Hermes	Officers / Advisors	 Meeting Held on 1 June 2016
	Draft Annual report and annual accounts to June Panel	Officers	Completed
Jun 16	Quarterly Pension Panel Meeting	Officers / Advisors / Members	Completed
	Cash Flow Update- Report to September Pension Panel	Officers	Completed
Jul 16	Pension Board Meeting	Officers / Pension Board	Not required

	FRS17 Data Collection – UEL and Barking College	Officers	Completed
	Fund Manager Meetings: • Property Manager: Schroders • Absolute Return: Pyrford and Newton	Officers	Held on 27 July 2016
Aug 16	Annual Benefit Statement (deadline of 31 August 2015)	Officers	Completed
	FRS17 Data Collection – Academies	Officers	Completed
Sep 16	Provisional Triennial Valuation results available	Officers	Moved to November
	Fund Manager Meetings: • Absolute Return: Pyrford • Infrastructure: Hermes • Equities: Kempen • Diversified Alternatives: Aberdeen	Officers	Meeting held on 12 October Meeting held on 11 October Meeting held on 21 October Meeting held on 22 November
	Quarterly Pension Panel Meeting	Officers / Members	Completed
Oct 16	Fund Expenses Review (Report to December Panel)	Officers	To be taken to the March 2017 Panel.
	Pension Fund Stakeholder Meeting	Officers / Members	Held on 17 November at 12:00 in the Council Chambers, Barking Town Hall.
	Meeting with Employers to discuss Triennial Results	Officers / Employers	Held on 17 November at 10:00 In Committee Room 2, Barking Town Hall.
	Review Risk Register - Report to December Panel	Officers	This Panel as part of the Business Plan
Dec 16	Cash Flow Update- Report to November Pension Panel	Officers	This Panel
	Quarterly Pension Panel Meeting	Officers / Members	This Panel
	Strategic Asset Allocation Review	All	Being Completed by Aon and to be presented to Members in January for discussion.

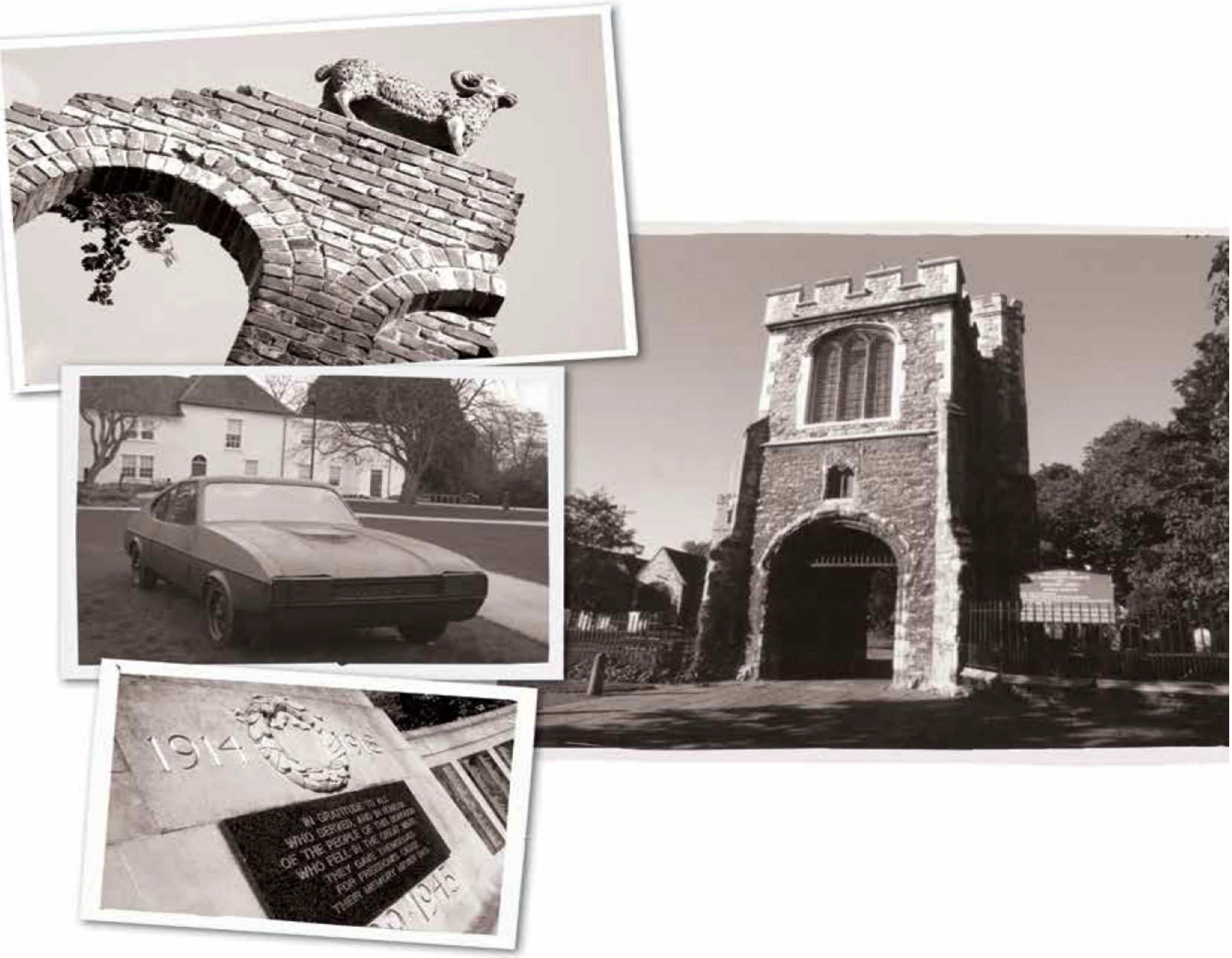
PENSIONS PANEL

14 December 2016

Title: London Borough of Barking and Dagenham Pension Fund Business Plan 2017	
Report of the Strategic Director, Finance & Investment	
Public Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: David Dickinson, Group Manager Pensions and Treasury	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Director: Jonathan Bunt, Strategic Director, Finance & Investment	
Summary: The Pension Fund Business Plan sets out the key tasks for the Pension Panel in respect to Pension Fund issues for 2017 and reflects the Pension Panel's commitment to put into action the investment strategy and monitor procedures for the future to ensure that the Fund meets its objectives and complies with best practice.	
The Panel is asked to: 1. agree the Business Plan for 2017, subject to amendments following matters raised on this agenda.	

London Borough of Barking and Dagenham Pension Fund

2017 Business Plan



London Borough of
Barking & Dagenham

1 Introduction and Background

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

1.2. The Fund is responsible for providing retirement and other benefits to employees of The London Borough of Barking and Dagenham ("the Council"). Fund membership is approaching 17,500 with 27 employers, including admitted and scheduled bodies. Administration of the Fund is the responsibility of the Council, which also has overall responsibility for the investment of the Fund's assets and pension administration services to members of the Fund and their employers.

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

1.4. The BP identifies and outlines the key tasks for 2017, with progress reported on at each quarterly Panel. The key tasks identified reflect the Panel's commitment to developing a suitable investment strategy and monitoring procedures for the coming year which meet the Fund's objectives and complies with best practice.

1.5. The BP outlines the operation of the Fund and includes provision for training and development. The proposed training and development will equip Panel Members with the necessary skills to make informed decisions on the Fund's investments. A list of key tasks and milestones are outlined in Appendix 1 to this BP.

1.6. CIPFA recommends that all Panel Members should have the necessary skills and knowledge to adequately fulfil their governance and fiduciary duties to the Fund Members. Training requirements and proposed training is outlined in section 10.

2. Pension Panel

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

Pension Panel Voting Members

Chair:	Councillor Dominic Twomey
Deputy:	Councillor Faraaz Shaukat
	Councillor Sade Bright
	Councillor Edna Fergus
	Councillor James Ogungbose
	Councillor John White
	Councillor Jeff Wade

Non-Voting Members

Union Representative: Gavin Palmer (GMB)

Member Representative: Bernie Hanreck

Member Representative: Dusty Amroliwala (UEL)

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

2.3 The Section 151 officer has overall responsibility for the financial management of the Fund and the administration of the pension scheme. The section 151 officer is Jonathan Bunt, Strategic Director, Finance & Investment (SDFI).

2.4 The Panel's objectives are to:

i. approve all policy statements prepared under the LGPS Regulations.

ii. be responsible for the investment policy, strategy and operation of the Fund and its overall performance, including considering the Fund's liability profile.

iii. appoint and retendering of the Fund Actuary, Custodian, advisors to and external managers of, the Fund and agree the basis of their remuneration.

iv. monitor and review the performance of the Fund's investments including receiving a quarterly report from the Chief Finance Officer.

v. receive actuarial valuations of the Fund.

vi. monitor the LGPS Regulations, Codes of Practice or guidance issued by the Pensions Regulator and the National Scheme Advisory Board 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. select, appoint and terminate of external Additional Voluntary Contribution (AVC) providers and review performance.

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

3. Pension Administration

3.1 Pension administration is provided by the Council through the Pension Administration team who are responsible for paying the benefits due to the scheme members and for keeping the records of all other scheme members until their benefits become due.

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

3.3 The Fund uses Altair, a system supported by Heywood Limited to manage its administration. This system is used by the clear majority of LGPS funds.

3.4 In 2013 the Fund implemented a document imaging process to transfer the current paper records to an electronic format. In 2016 the remaining paper files were back scanned to reduce the need to hold paper pension records and as part of the Council's accommodation consolidation strategy.

3.5 The quality of the data held is vital to the running of the Pension Fund and there are several additional checks undertaken to ensure information is held correctly, including annual benefit statements, national fraud initiatives, regular data reconciliations between payroll and the pension administration system, the use of a tracing agent and quality checking via Club Vita.

3.6 Where pensioners live abroad a "certificate of existence" is sent out as a further measure to prevent fraud within the Fund.

3.7 Pension Administration costs and activities are included in the appropriate CIPFA benchmarking group and the Government SF3 return. The most recent report is the SF3 2015/16, which compares the Fund with similar Councils within London.

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

4. The Funding Level and Employers' Contribution Rate

4.1 As at the 31 March 2016, the value of the Fund was £772m.

4.2 The draft 2016 triennial valuation calculated a funding level of 77.2% (70.6% in 2013) and a deficit recovery period of 17 years to maintain a stable employer contribution rate.

4.3 The Council's contribution is 23.5% for 2016/17 to 2018/19.

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

- commissioning a full actuarial valuation of the Fund every three years, as required by law, to determine employers' contribution levels;
- reviewing funding level reports from the Fund's actuary, Hymans Robertson;
- agree with the actuary to recover deficits through appropriate mechanisms;
- monitor and review the actuarial and consultancy services; and
- implement a de-risking strategy as the Fund's funding level improves.

5. Management of Fund Investments

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

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

6. Arrangements for Additional Voluntary Contributions (AVCs)

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

6.2 The Panel will review the Fund's AVC arrangements regularly, with the next review scheduled for early 2018.

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

7. Legislation

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

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

8. Myners Principles on Investment Decision-making

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

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

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary for them to take them effectively and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

9. Pension Boards

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

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

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

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

ii. The PB will contain three employer representatives and two scheme member representatives (Union and Employee/Pensioner representative).

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

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

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

v. The February PB Meeting will cover the “Direction”, with the August PB covering “Delivery” and “Decisions”.

vi. Recommendations will be taken to the Panel immediately following each meeting. Should the PB be unhappy with the implementation of its recommendation(s) a report will be submitted to the next possible Council Assembly for consideration.

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

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

10. Training and Development for Fund Panel Members

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

10.2 The Panel expects the Section 151 Officer and relevant members of their service area (who are the Panel's main advisers) to keep up-to-date with developments in pensions and investment matters and to undertake training as required.

10.3 In addition the best practice guidance on the governance of pension funds issued by the CLG and the CIPFA guidance on the application of the Myners principles emphasise the importance of appropriate training and development for Panel Members to allow them to carry out their responsibilities effectively.

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

- Induction: New members will receive a briefing on the responsibilities of the Panel and an introduction to the major policy and other documents setting out the Fund’s management arrangements and investment strategy.
- Annual meetings with the fund managers are scheduled. These meetings are specific to each fund manager and have a bespoke agenda to ensure additional information on the asset class managed is provided to Panel Members as well as covering areas of performance and governance.
- Pension Fund Stakeholder Meeting which will cover the current issues including administration, governance, legislation and the Fund’s funding position.
- A range of seminars and conferences run by external agencies will be available to Members, including specific training for Panel Members.

10.5 <u>CIPFA’s Knowledge and Skills Framework</u>

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

- as a tool for organisations to determine whether they have the right mix of skills to carry out their responsibilities for the fund; and

- ➢ as an assessment tool for individual Members to measure their progress and plan their development.

There are six areas of knowledge and skills relating to the LGPS, which CIPFA has identified as being the core technical requirements for those involved in decision-making. They are:

- ➢ legislative and governance context;
- ➢ accounting and auditing standards;
- ➢ procurement of financial services and relationship management;
- ➢ investment performance and risk management;
- ➢ financial markets and knowledge of investment products; and
- ➢ actuarial methods, standards and practices.

10.6 Three training sessions were held in January, February and March 2016 covering the following areas:

January:	Assets Classes
February:	Knowledge and Skills
March:	Credit, Hedge Funds and Private Equity

10.7 Further training will be provided in early February which will cover a review of the Pension Fund Strategy and Strategy construction. Details will be confirmed at the December 2016 Pension Panel.

11. Assessment of training needs

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

11.2 A questionnaire will be given to all Members at the March 2017 Panel to help identify additional training needs. A 2017/18 training plan will be presented for Member approval at the June 2017 Panel to enable a training programme to be developed around the needs of Members and observers.

12. Decision Making

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

- Section 151 officer and their staff;
- Fund’s Actuary and Investment Advisor;
- Independent Advisor to the Panel; and
- external fund managers.

13. Communication

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

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

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

14. Review and Evaluation of BP

14.1 Panel will review and revise the BP annually at its December meeting and will evaluate performance against the action plan. The Panel will be provided with a BP update at quarterly meetings.

15. Performance Management

15.1 The monitoring of the returns on the Fund Investments is undertaken by officers on a daily basis with a quarterly return provided the WM.

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

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

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

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

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

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

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

Underperformance will include any amber or red returns.

15.8 For all reports since 2014 returns are provided net of fees. WM have advised that reporting net of fees will likely reduce the Fund's returns by 0.3% to 0.4% compared to gross returns. If compared to some local authorities, this can be significantly higher if fund manager fees are high.

17. Corporate Governance

17.1 The Regulations require that the Fund's "Statement of Investment Principles" (SIP) reflect the agreed policies and procedures which govern the operation of the Fund.

17.2 The appointment of any new fund managers and any other changes that the Panel makes to current procedures will need to be incorporated in the SIP. In any event, the Panel will review the Statement annually, to ensure compliance with best practice.

18. Risk Monitoring

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

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

18.3 The risk register provides a summary of the key risks the Fund is exposed to and how these risks are managed and / or avoided.

18.4 The risk register will be updated at least annually and will be taken to Members as part of the BP each year for noting.

18.5 Appendix 2 contains the 2017 Risk Register for Members to note.

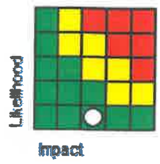
Appendix 1: 2017 Business Plan

Month	Action Scheduled	By	Actual Activity
Jan 17	Review: Actuarial Contract	Officers	
	Fund Manager Meetings: • Equities: Kempen • Equities: Baillie Gifford • Equities & Bonds: UBS	Officers / Advisors	
	Training: Strategy Development (Aon / In-house)	Officers / Advisors	
Feb 17	Pension Board Meeting	Officers / Pension Board	
	Cash Flow Update (Report to March Pension Panel)	Officers	
Mar 17	IAS 19 Data Collection – LBBD	Officers	
	IAS 19 Calculations	Officers	
	Publish		
	Review: Independent Advisor	Officers / Members	
	Quarterly Pension Panel Meeting	Officers / Advisors / Members	
	Cash Flow Update (Report to March Pension Panel)	Officers	
	Fund Manager Meetings: • Absolute Return: Pyrford and Newton • Global Credit: BNY Standish • Diversified Alternatives: Aberdeen	Officers	
Apr 17	Closure of Accounts	Officers	
	Complete data quality check for the triennial valuation	Officers	
	Framework Tender for Custodian (Report to June Panel)	Officers / Members	
May 17	Provide Triennial Valuation data to the Actuary	Officers	
	Fund Manager Meetings: • Infrastructure: Hermes • Property Manager: BlackRock	Officers / Advisors	
	Draft Annual report and annual accounts to June Panel	Officers	
Jun 17	Quarterly Pension Panel Meeting	Officers / Advisors / Members	
	Cash Flow Update- Report to September Pension Panel	Officers	
Jul 17	Pension Board Meeting	Officers / Pension Board	
	FRS17 Data Collection – UEL and Barking College	Officers	
	Fund Manager Meetings:	Officers	

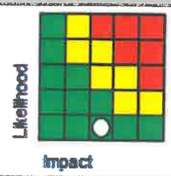
	• Property Manager: Schroders • Equities: Kempen • Equities: Baillie Gifford • Equities & Bonds: UBS		
Aug 17	Annual Benefit Statement (deadline of 31 August 2017)	Officers	
	FRS17 Data Collection – Academies	Officers	
Sep 17	Provisional Triennial Valuation results available	Officers	
	Fund Manager Meetings: • Absolute Return: Pyrford and Newton • Global Credit: BNY Standish • Diversified Alternatives: Aberdeen	Officers	
	Quarterly Pension Panel Meeting	Officers / Members	
Oct 17	Fund Expenses Review (Report to December Panel)	Officers	
	Auto-enrolment	Officers / Members	
	Meeting with Employers to discuss Triennial Results	Officers / Employers	
	Review Risk Register - Report to December Panel	Officers	
	Cash Flow Update- Report to December Pension Panel	Officers	
Nov 17	Pension Fund Stakeholder Meeting	Officers / Members	
Dec 17	Quarterly Pension Panel Meeting	Officers / Members	
	Strategic Asset Allocation Review	All	

14 November 2016

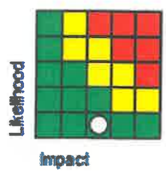
Appendix 1: Pension Fund Risk Register

1 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Underlying financial information is incorrect	Information contained in Report & Accounts is inaccurate due to poor financial controls and recording of financial information leading to qualification of accounts and inaccurate valuations with financial and reputational impact	Finance		Reviewed April 2016 - ongoing

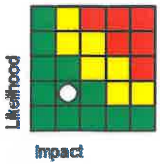
Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Underlying financial information is incorrect: Monitoring Reconciliations of key financial transactions.	Quarterly & annual reconciliations of all accounting data. Monthly reconciliation of cash book, bank accounts.	David Dickinson	Jonathan Bunt	30 June 2016	Reviewed July 2016 - controls ongoing

2 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Poor stakeholder engagement	Poor communication with stakeholders giving rise to disaffection and actions against Council	Finance		January 2016

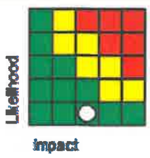
Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Poor stakeholder engagement and Poor communication with stakeholders giving rise to disaffection and actions against Council	Annual Newsletter on Pension Fund, updates to any changes to scheme Website, presentations. Employer meetings, communications strategy AGM. Pension Specific Website. Increase in FTE.	David Dickinson, Justine Spring	Jonathan Bunt	30 June 2016	Reviewed July 2016 - ongoing

3 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Reliance on External Systems	Heavy reliance on external systems in all aspects of Treasury and Pensions which includes Lloyds Link, State Street, Fund Managers, Heywood, Logotech. Failure of systems could result in significant issues, such as an inability to make payments, process claims, etc.	Finance		Updated April 2016 - risk merged with several separate risks which dealt with risks to the individual systems. Systems failure is an overall issue which could impact on all areas of Treasury and Pensions so should be considered as such, with appropriate controls.

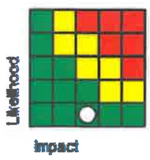
Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Business Continuity Plans and manual processes	BCP includes use of manual process in emergency, backing up of records, working from home etc. The administration is provided through a hosted environment with several disaster recovery options.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016

4 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Recruitment and retention of experienced Treasury and Pensions staff	The Authority is unable to recruit or retain experienced or suitably qualified staff because the salaries offered are not competitive, the working environment is unattractive or the authority has a bad reputation as an employer.	Finance		Reviewed April 2016 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Continuity of team and ability to cover different roles plus appropriate pay levels	Ensure continuity by having other members of the team able to cover essential functions. Benchmarking of salaries for the section both against other local authorities and private sector.	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	April 2016 - ongoing with controls in place
Detailed policies and procedures in place to enable others to take on key tasks	Ensure there are detailed policies and procedure notes which enable others to take on key roles. Involvement of different team members to ensure that specialist knowledge is not confined to one or two individuals	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	April 2016 ongoing with controls in place

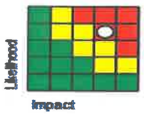
5 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Pension Overpayments	Pension Overpayments arising as a result of non-notification of death, re-employment, or ceasing education. This has financial and reputational consequences.	Finance		Reviewed April 2016 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Pension Fraud : NFI	Management of NFI matches and follow up. NFI exercises to identify checks. Checks through other companies that carry out data checks. The Fund uses the HMRC ask one system to confirm deaths.	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Reviewed April 2016 - ongoing

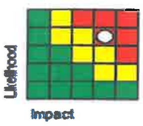
6 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Management of Third Party Contracts – lack of control could result in financial and reputational risks	Pensions manage in excess of 20 external contracts, which carry significant financial and reputational risks if not managed appropriately -for example leading to higher costs or legal challenges,	Finance		Reviewed April 2016 - ongoing

7 Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Contract Monitoring and Service Level	Regular monitoring of key contracts, including performance monitoring, service	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016

Agreements	level agreements, reviewing internal controls reports				
Market Testing of contracts and benchmarking	Market testing of contracts through procurement exercises and/or benchmarking of costs regularly	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016
Market Intelligence gathering	Regular reviews of developments in the market place to ensure the section maintains up to date knowledge and can act on market intelligence such as changes to financial standing	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016

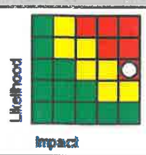
8 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Increased Longevity	Pensioners living longer, drawing pensions for longer than accounted for within the funding position leading to increasing liabilities giving rise to higher costs and major financial implications. Longevity Risk.	Finance		Reviewed April 2016 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Monitoring of Pension Fund position	Controls in place to monitor developments with Fund Actuary and Triennial valuations, targeting increased funding level to manage increased longevity. A flight path structure will be developed and implemented during the year to allow opportunities in funding level to be acted on.	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016
Raising retirement ages to match increasing longevity	Scheme retirement age of State Pension Age changes Retirement and a linking of future increases in longevity with increasing retirement age, then it would be possible to downgrade this risk rating.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016
Fund profiling to monitor specific experience	Club Vita membership to annually monitor the LBBD specific fund longevity profile	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016

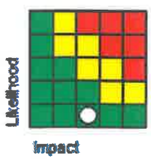
9 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Asset/Liability mismatch	Assets and liabilities impacted by investment performance. Assets could fail to increase at the same rate as liabilities giving rise to a larger deficit and therefore increased cost to the Pension Fund	Finance		Reviewed April 2016 - Risk likelihood has increased slightly as this has happened, and otherwise the risk is ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Asset allocation reviews	Controls in place to monitor assets and liabilities of the	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

	pension fund and to review asset allocation on a regular basis to ensure it remains appropriate.				
Use of external advisers	Actuarial and investment advisor advise the Fund on how to manage the asset/liability mismatch	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Strategic goal Setting	Set strategic goals to achieve full funding, set targets to make changes to the assets when appropriate.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

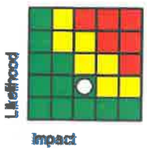
10 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Investment Performance	Poor investment performance either as a result of the types of assets invested in or performance of individual fund managers.	Finance		Jan 2016 - Risk reviewed and ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Medium Term Financial Planning	MTFP / Budget reflects any potential changes arising (or predicted to arise) from the actuarial valuations.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Set aside reserves	Rebuilding Pensions reserve to buffer against future valuations variations.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Performance Monitoring	Regular monitoring of asset allocation, monitoring of investment performance of fund managers to ensure both are on target to achieve the targeted returns.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Appropriate levels of knowledge and skills to make decisions	Use of external advisers to assist in making investment decisions and ensuring that decision takers understand the investments of the fund	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
De-risking of Fund when appropriate	At various staged the Pension Fund will be in a better funding position and a strategy is in place to allow the Fund to take advantage of these opportunities when they arise.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

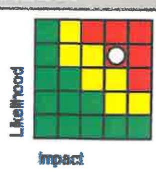
11 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Poor Membership Data	Poor administration by the Pension Fund, employers and payroll providers participating in the Fund giving rise to inaccurate data – causing financial, reputational risks, actuary unable to set contribution rates, higher contribution rates, member dissatisfaction, inaccurate benefit statements produced, overpayment etc	Finance		Reviewed April 2016 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Monitoring of membership data	Controls – annual monitoring of membership records, valuation checks, external data validations	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

Contributions monitoring	Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

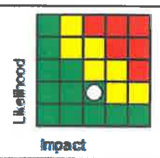
12 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Discretionary Policies	Regulations allow the Pension Fund and employers certain areas where they are able to exercise discretion. Risk is where policies are too generous or not robust enough leaving the Pension Fund and employers exposed to higher costs and reputational risks	Finance		Reviewed April 2016 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Discretionary Policies in place	Controls – Agreed policies and procedures to control such risks.	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Awareness of employers	Ensuring that employers are aware of the additional costs that could arise from the exercise of their discretions or lack of policy.	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

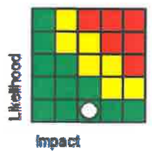
13 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Regulatory Risks	Regulatory Risks encompass both compliance with existing legislation and regulatory changes – this particularly affects LGPS 2014 changes, pension auto-enrolment and Jackson reforms for insurance	Finance		Reviewed April 2016 - ongoing. This is happening and the new demands of auto enrolment promise to have a significant impact which needs to be managed carefully.

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Regulatory Changes – monitoring developments and responding to changes	Monitor proposed changes and respond to consultations to influence outcome. Amend systems, processes to ensure compliance, use of specialist advisors to prepare for anticipated changes	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Compliance with regulation policies	Ensure processes and policies in place to meet regulatory compliance	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Compliance with regulation knowledge and skills	Ensure adequate training and specialist knowledge and skills for both staff and Members charged with governance	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

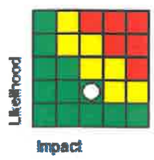
14 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note

Admission/Scheduled Body failures or deficits on termination	Risk employer goes into default, deficit on termination, change of status, financial risk	Finance		Updated April 2016 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Admission/Scheduled Body failures or deficits on termination	Controls – valuation and Intervaluation monitoring, monitoring of contributions, employer covenant check, putting bonds/guarantees in place for admission bodies. Ensure funding levels remain high for individual employers.	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

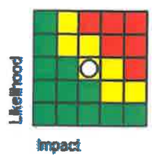
15 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Pension Administration Risk	Risks arising from administration of pensions by employers, the administering authority and the pension administrator. Poor administration could lead to incorrect pension payments, financial and reputational damage	Finance		Updated April 2016 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Clear policy and procedures for the administration of pensions	Ensuring there are detailed policies and procedures for all parties involved in administering the pension scheme – Pension Administration Strategy	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Monitoring of Performance	Benchmarking of performance against other authorities	David Dickinson Justine Spring	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

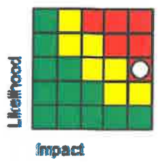
16 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Pensions- Lack of adequate professional advice on strategies, projects and decisions	Decisions made in respect of Pensions can have a major financial impact on the Council and Pension Fund. Lack of adequate or inappropriate professional advice on strategies, projects and decisions could give rise to financial and reputational risks.	Finance		Updated April 2016 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Monitoring of advice	Controls – monitoring of advice received, risk assessment for procurements, Committee review of recommendations. Also ensure there is a good level of 'in-house expertise'.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Market intelligence gathering	Monitoring wider developments and ensuring that officers and Members are kept informed. Wider networking and	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

	collaboration with other authorities where appropriate to ensure best practice.				

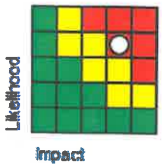
17 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Failure to manage costs	Failure to manage the costs of running the various services within Treasury and Pensions would give rise to significant additional financial costs for the Council along with reputational risks of poor value for money.	Finance		Reviewed Jan 14 - upgrade due to potential additional costs arising from regulatory changes LGPS 2016, Auto-Enrolment

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Budget Monitoring	Controls budget monitoring, performance fees, monthly budget monitoring, financial intelligence, etc	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Benchmarking	Benchmarking costs with other authorities to ensure costs for LBBD are not disproportionate	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Market Testing	Regular market testing of external costs which includes regular procurement exercises, assessing the market place for both pensions and insurance costs	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Frameworks/ Collaborative Working	Consider the use of Framework Agreements and other joint working where appropriate to control costs and to work with other authorities to deliver value for money and efficiency savings	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

18 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Pension Funding Risk	The fund is unable to meet its liabilities, due to a mismatch of assets/liabilities. The Funding position as at March 2010 showed 74% funding position. Further deterioration of the funding position from poor asset returns or increasing liabilities could result in the Council and other employers being required to make significant additional employer contributions.	Finance		Reviewed Jan 2016

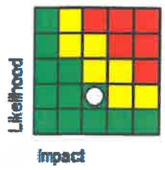
Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Medium Term Financial Planning	MTFP / Budget reflects any potential changes arising (or predicted to arise) from the actuarial valuations. Rebuilding Pensions reserve to buffer against future valuations variations. The current financial strategy ensures that the base budget anticipates changes to contribution levels.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Pens - Valuation Monitoring	Triennial Valuation assesses the funding position, Intervaluation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration are put in place.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Identifying	Identifying the various risk factors,	David	Jonathan Bunt	30 June	Updated April

the external risk factors that affect the funding position	asset/liability, investment, longevity, interest rates, inflation, liquidity, etc and how the interaction of these impacts on the funding position and adapting the strategy and business plans to manage these risk where feasible.	Dickinson		2016	2016 - ongoing
Knowledge and Skills	Ensuring those charged with governance of the Fund and for managing the day to day operations have the requisite knowledge and skills to make informed decisions when managing the funding position	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Cash flow Monitoring	Quarterly monitoring of Pension Fund cashflows to ensure that there is sufficient cash inflows from contributions and income to meet the cash outflows from benefit and cost payments. This will also provide early warning of potential cashflow mismatch and possible changes to investment strategy. Longer term cash flow monitoring in conjunction with the Fund Actuary to establish trigger points for the Fund becoming cashflow negative.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

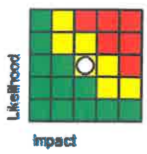
19 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Auto Enrolment Risk	Workplace Pensions or Auto-Enrolment. LBBD staging date is 01/04/2016 (with transitional arrangements pushing back full implementation to October 2017). Risks include increased costs for employers, failure to implement, lack of preparation, failure to communicate, inability to manage auto-enrol process and have adequate monitoring in place. Significant financial (including Regulator Fines) and reputational risks	Finance		Risk Reviewed May 2016.

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Auto Enrolment Risk Communications	Use of different forms of communications to reach wider possible audience to understand what A-E means for individuals and employers within the Pension Fund. Use of individual letters, presentations, internet, etc. Communications strategy to feed into project plan	Justine Spring, David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Auto Enrolment Risk System Enhancements	Review of existing systems both payroll and pension to ensure that they are able to cope with the implementation of A-E and to ensure that they are adequate to cope with the ongoing monitoring requirements.	Justine Spring, David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Auto Enrolment Risk Monitoring	Monthly monitoring of A-E to ensure all new employees are auto-enrolled and to ensure that any existing employees who were previously not eligible or who had previously opted	Justine Spring, David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

	out are auto-enrolled should their circumstances change. Use of payroll/ pension to ensure compliance with legislation.				

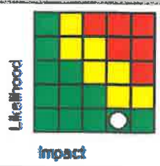
20 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Governance Risk	Governance is important in Pension Fund as it carries significant financial and reputational risks. It is therefore crucial that those charged with governance understand the full implications of the decisions which are being taken in these areas. Membership turnover on Committees poses risks due to lack of understanding of the responsibilities.	Finance		Risk added January 2016

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Governance Risk A – Knowledge and Skills Training Programme	Training programme for Committee Members to ensure that they have the requisite knowledge and skills to be in a position to question and understand the agenda and recommendations put before them to make high level strategic decisions.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Governance Risk B – Assessment	Committees to undertake assessment to ensure that their level of understanding is adequate for the decisions being made.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Governance Risk C – S151 Responsibilities	CIPFA have issued a Code of Practice on the Knowledge and Skills Framework for the Pension Fund and the Section 151 Officer has responsibility for the implementation of its requirements. The CFO will ensure that the Code is implemented and that a policy statement is included in the Annual Report & Accounts	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Governance Risk D – Succession Planning for Panel	Succession planning to ensure some continuity of Membership and the introduction of substitute members with access to suitable training will help to ensure that the knowledge base is maintained within Committees.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

21 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Procurement Risk	Treasury and Pensions is heavily reliant on the use of external contractors in all areas. All the contracts have to be tendered on a regular basis which brings procurement risks in terms of both timetables for procurement (often several procurements having to take place at the same time) and potential challenges to procurements.	Finance		Risk created Jan 2016

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note

Ensuring adequate resources	The Council will look to use external advisers to supplement internal resources when undertaking procurement exercises.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Timing of Procurements	Where feasible, procurement exercises will be spread across different time periods, although this is not always feasible.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Collaborate with other authorities	Where the timing and scope of procurement exercises are likely to coincide with other authorities and where practical to do, joint exercises including Frameworks will be undertaken.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing

22 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Internal Fraud within Team	Treasury and Pensions is involved in the management of large scale financial resources on behalf of the Council and there is a potential risk that the area could be subject to internal fraud leading to significant financial and reputational risks	Finance		Risk Reviewed April 2016

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Internal Fraud A – Policies and Procedures	Detailed policies and procedures and internal controls to ensure segregation of duties for key roles	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Internal Fraud B – Internal Audit	Treasury and Pensions is subject to internal audit scrutiny on an annual basis with different areas being tested to ensure compliance.	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing
Internal Fraud C – External Audit	All aspects of the work of Treasury and Pensions are subject to annual external audit covered by the audit of the Financial Statements with the Pension Fund also being subject to a separate audit opinion	David Dickinson	Jonathan Bunt	30 June 2016	Updated April 2016 - ongoing