

Notice of Meeting

PENSIONS PANEL

Wednesday, 14 March 2018 - 6:00 pm
Committee Room 2, Town Hall, Barking

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: Dean Curtis, Gavin Palmer and Susan Parkin

Date of publication: 5 March 2018

Chris Naylor
Chief Executive

Contact Officer: David Symonds
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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 13 December 2017 (Pages 3 - 7)**
- 4. Independent Advisor (Pages 9 - 13)**
- 5. Pension Fund Quarterly Monitoring 2017/18 - October to December 2017 (Pages 15 - 43)**
- 6. Administration and Governance report (Pages 45 - 51)**
- 7. Application for Admitted Body Status - Home and Traded Services (Pages 53 - 55)**
- 8. Admitted Body Agreement- Schools Improvement Partnership (Pages 57 - 59)**

- 9. Additional Voluntary Scheme Review (Pages 61 - 64)**
- 10. London Borough of Barking and Dagenham Pension Fund Business Plan 2018/19 (Pages 65 - 86)**
- 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. Appendix 1: Additional voluntary scheme review (Pages 87 - 126)**
- 14. 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, 13 December 2017
(6:05 - 7:35 pm)

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

Observers Present: John Garnham and Susan Parkin

Advisors Present: John Raisin and Colin Cartwright

Apologies: Cllr Dominic Twomey

22. Declaration of Members' Interests

There were no declarations of interest.

23. Minutes - To confirm as correct the minutes of the meeting held on 18 September 2017

The minutes of the meeting held on 18 September 2017 were confirmed as correct.

24. Pension Fund Quarterly Monitoring: July-September 2017

The 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 had performed during the quarter 1 July 2017 to 30 September 2017 ("Q3"). The report updated the Panel on the Fund's investment strategy and its investment performance. Due to the technical nature of the report, Appendix 2 provided a definition of terms used in this report and Appendix 3 sets out roles and responsibilities of the parties referred to throughout this report.

A verbal update on the unaudited performance of the Fund for the period 1 October to 11 December 2017 was provided to the Panel.

It was noted that Pyrford, Newton and BlackRock had underperformed and both Pyrford and BlackRock would be reviewed, with the possibility of them being invited to Pensions Panel in the near future. Hermes had recently sold two assets for significantly below the value reported to Members as part of the quarterly valuation and their valuation methodology is being monitored by officers.

It was noted that a number of fund managers had been outperforming their benchmarks. The GMPT stated that equities can be reviewed in order to remove the risk and the equity allocation would be reduced to 50%.

The GMPT also advised that from 1 April 2018, the Council would be making a prepayment of £40m into the Pension Fund and at the Panel meeting in March 2018 a report would be submitted and there would also be a report reviewing

where the funds were to be invested.

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

The Panel agreed:

- (i) The re-advancement waiver provided by Hermes, which will allow any distributed profits from the sale of GS Global Infrastructure Partners I, LP and Pan-European Infrastructure Fund LP to be reinvested in future Value-Added investments. This will increase the Fund's commitment to Hermes from £75m to £80.3m.

25. Presentation by Newton

Suzanne Hutchins and James Mitchell from Newton provided a detailed presentation to the Panel. This sought to address concerns about their lower investment returns. Suzanne Hutchins stated that their investment team were developing a global strategy and there was a lot of talent in the team which had undergone some personnel changes. She stated that they were seeking to protect the upside and downside of investment returns.

She advised that there was and would be no change in Newton's investment strategy or its underlying philosophy. Their approach was transparency with the aim to generate return and capital growth.

Newton's returns were undertaken in three ways:

- Adding values by picking individual sectors and companies
- A very dynamic strategy to maximise opportunities for growth
- An emphasis on capital preservation

The presentation noted that real returns had not yet been achieved by the investment team however Newton's view was that financial prices were currently elevated, and they were seeking to preserve capital over a short-term period.

Newton's objective was to generate growth in line with LIBOR plus 4% over a three-year period and they felt that this could be delivered. Newton had held a cautious view of investments for more than 3 years. They had steadily become more cautious as the risks has increased and they were risk averse.

Suzanne Hutchins went on to state that the economy was currently experiencing nominal growth and low inflation. In addition, corporate profits were in decline. Newton had taken out derivative protection in that when markets fell, the equity

protection went up.

It was noted that Newton had reported itself to the FCA.

26. Administration and Governance report

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

- i. Pension Fund Budget 1 April 2017 to 31 March 2020;
- ii. Cash flow to 31 September 2017;
- iii. The London Collective Investment Vehicle (LCIV)
- iv. Update on MiFID 2;
- v. Actuary Contract Tender; and
- vi. Annual Pension Fund Stakeholder Forum.

It was noted that the Council's Traded and Home Services would be transferring into the Local Government Pension Scheme (LGPS (with a closed scheme in the future. This would have an impact on the cash flow of the fund and a forecast of the changes in 2018/19 would be submitted to the Panel at its meeting in March 2019. This report would also include a strategy to get income back from assets.

The GMPT highlighted that administration costs were forecast to be £100K higher than budget as an external company will complete the Fund's Guaranteed Minimum Pension reconciliation and that a new Chief Executive had been appointed as interim CEO for the London Collective Investment Vehicle (LCIV). Overall the Fund is expected to remain cash positive for the duration of the three years.

The Panel noted:

- i. That the Fund is cash flow positive;
- ii. The Fund's three-year budget for the period 1 April 2017 to 31 March 2020;
- iii. That interview dates for the actuarial tender will now be in February 2018. If any Member would like to be on the selection panel, please can they advise the Group Manager for Treasury and Pensions; and
- iv. That the Fund has now opted up to Professional Investor status will all advisors, Money Market Funds, the Custodian and all of the Fund's investment managers.

27. Business Plan Update 2017

The purpose of this report was to update the Pension Panel on progress regarding the Pension Fund's 2017 business plan. Appendix 1 provided a summary of the Business Plan actions from 1 January 2017 to 30 November 2017 and the actions for the remainder of the year.

It was noted that a new business plan for 2018/19 would be considered by the Panel at its meeting on 14 March 2018.

The Panel noted the report.

28. Private business

29. *LCIV Equity Managers Review

Over the past number of years, the government has made it clear that it wants 6-7 pools across LGPS investments to deliver asset pools that can achieve the benefits of scale, but with strong governance structures in place. Pools are focused on reducing the costs of investing LGPS assets and deliver value for money.

To manage the Fund's pooling, the Fund has joined with other London LGPSs to form the London Collective Investment Vehicle (LCIV), in which the Fund is a voting shareholder. So far, the Fund has transferred three of its managers across to the LCIV, including Newton, Pyrford and Baillie Gifford.

At the September 2017 Pension Panel, Members agreed that officers should arrange a meeting for Members to meet the manager on the LCIV.

The Panel noted:

- (iv) A meeting was held on 24 November 2017 where four equity managers currently on the London Collective Investment Vehicles (LCIV) presented to a sub-group of Members, officer and advisors.

The Panel agreed the sub group's recommendation:

- (v) That all four equity managers are suitable for the Fund to invest in should there be a need to change any of the Fund's active equity managers;
- (vi) That currently the Fund's two equity managers, Kempen and Baillie Gifford, are performing well and provide a good balance of growth and value, with little duplication of investments and that there is no immediate need to invest in any of the LCIV equity managers;
- (vii) That a training session for Members be held in early 2018 to cover the various passive investment strategies, including fundamental index;
- (viii) To include a review of the Fund's exposure to Emerging Markets as part of the strategy review scheduled for 2018.
- (ix) That a further review of the LCIV equity managers is completed when:
 - i. additional managers have been appointed by LCIV;
 - ii. if there are issues with the Fund's current equity managers; or
 - iii. if a further equity manager is required as part of the Fund's derisking strategy.

(x) That officers approach Kempen to discuss a reduction in fees to reflect the lower fees available from the London CIV managers

**Item considered following the passing of a resolution to exclude the public and press by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.*

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PENSIONS PANEL**14 March 2018**

Title: Independent Advisor	
Report of the Chief Operating Officer	
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 Strategic Director: Claire Symonds, Chief Operating Officer	
Summary: This report outlines the role of the London Borough of Barking and Dagenham Pension Fund's Independent Advisor. The report includes a review of the work the Independent Advisor's work during the past year.	
Recommendations Members are asked to agree to extend agree to extend the Independent Advisors role, currently carried out by John Raisin Financial Services Limited, as the Panel's investment advisors for one year based on the revised job description included as appendix 1 of this report.	

1. Introduction and Background

- 1.1 At the December 2014 Pension Panel, Members requested officers to start the procurement of an Independent Advisor ("IA") to support the Panel Members.
- 1.2 On 11 February 2015 a sub-group of six Members interviewed three candidates, with the sub-group Members agreeing to appoint John Raisin, operating as John Raisin Financial Services Limited ("JFRS"), subject to formal agreement by Panel.
- 1.3 Subsequently the Pension Panel have extended JFRS' contract in 2016 and 2017 by one year on each occasion.

2. Review of Independent Advisor during 2017/18

- 2.1 Throughout 2017/18 John Raisin has provided support in several key areas including:
 - i. additional expertise at Panel Meetings;
 - ii. Constructive Challenge in respect of Fund Managers and advice on Strategy;

- iii. Updates on regulation and legislation changes; and
- iv. training to both Pension Panel and Board Members.

3. Contract Renewal and Recommendation

- 3.1 The IA contract is subject to an annual review. It can be terminated by either not renewing the contract, or by providing three months' notice of the contract termination.
- 3.2 It is expected, were the contract with JRFS extended, that it is would continue to include additional support with Member Training and as the Fund transitions to a more collaborative investment approach. JRFS will also be asked to provide Members a brief summary, prior to each Pension Panel, of the main issues covered within the Panel Papers. The summary will also include questions that Member can ask of officer, fund managers and the advisors.
- 3.3 After the May elections, there may be new Members to the Pension Panel and JFRS will provide training for both the current and new Members in June 2018 and over subsequent months where required.
- 3.4 The IA contract has therefore been amended to include these changes and is included as appendix 1 of this report for reference.
- 3.5 Members are recommended to agree to extend the contact with JRFS as the Panel's independent advisor for an additional one-year contract to 31 March 2019.

List of appendices:

Appendix 1 - Independent Advisor Specifications for 2018/19



**Independent Advisor
Specifications
2018/19**

Independent Advisor (“IA”)– Role Specifications

Knowledge and Personal Attributes

The responsibilities of the Investment Advisor include, but are not limited to:

1. Providing input and advice on the London Borough of Barking and Dagenham Pension Fund’s (“the Fund”) Strategic Asset Allocation Review and the Fund’s de-risking and currency hedging strategy and support members to consider this.
2. Attending quarterly pension panel meetings, including interpreting and reporting on fund performance.
3. Support Members at Pension Panel and Fund Manager meetings to enable Members to sufficiently and suitably interrogate the advice and explanations given by the Fund managers, officers, advisors and the actuary.
4. Advising on the development of Fund Governance arrangements taking into consideration recent and future legislation and regulation changes.
5. Supporting, where required, in the preparation and provision of training, to the Panel, including any new Members that are elected following the May elections.
6. Advising the Panel on changes and compliance in relation to all statutory documents.

Knowledge, skills and attributes

The IA is expected to have all the essential Knowledge, skills and attributes:

Essential:

- worked at a senior level in the investments/pensions industry;
- an understanding of the implications for pension funds of developments in the economy and financial markets;
- broad-ranging knowledge of the pension environment, in particular the LGPS;
- a good understanding and experience of asset allocation strategies suited to improve long-term investment returns; and
- an ability to communicate and explain economic and investment concepts simply in both verbal and written form.

Desirable:

- an investment-related qualification; and
- experience of interacting with Councillors, acting as Trustees, and an appreciation of the local government environment within which the Fund operates.

This is a one-year appointment; however, it can be terminated by either party with three months' notice. In addition, each year the contract will be reviewed and extended where required.

Remuneration and Expenses:

The annual remuneration for the position of IA is £15k, paid quarterly in arrears. The remuneration will be based on experience, and the requirements outlined below:

The IA is expected to make themselves available to attend:

1. Up to five Panel meetings per year (meetings may take place in Barking and currently start at 18:00 on weekdays);
2. An annual meeting with Fund Managers which may be split over two half days;
3. Two training half sessions of three hours each; and
4. Two ad hoc meetings of no more than 3 hours each a year as required.

It is expected that the IA will sufficiently prepare for the quarterly Pension Panel meetings. The IA is not expected to provide any reports for Members consider but may do so after prior agreement from the Chair.

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PENSIONS PANEL**14 March 2018**

Title: Pension Fund Quarterly Monitoring 2017/18 – October to December 2017	
Report of the Chief Operating Officer	
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 Strategic Director: Claire Symonds, Chief Operating Officer	
Recommendations	
The Panel is recommended to note:	
<ul style="list-style-type: none"> (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; and (iii) 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 October 2017 to 31 December 2017 (“Q4”). 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 January to 12 March 2018 will be provided to Members at the Pension Panel.

2. Market Commentary Q4 2017

- 2.1 From both an economic and financial perspective, 2017 finished on a positive note. Solid economic data enabled some of the major central banks to tighten monetary policy and taper asset purchases. As measured by the MSCI World Index, global equities

returned 4.6%, while the MSCI Emerging Markets Index posted an even stronger return of 6.6%.

- 2.2 A breakthrough on the difficult Brexit negotiations in early December was an important development and UK equity markets posted healthy gains in the immediate aftermath and the FTSE All Share index was up 5.0% for the quarter.
- 2.3 Data out of the US was generally strong, tax reform boosted markets and oil prices pushed higher, with the S&P 500 Index posting a gain of 5.8% for the quarter. Sector leadership came from consumer discretionary, IT and financials; defensive sectors such as utilities, health care and real estate were the poorest performers.
- 2.4 European markets, on the other hand lagged as political tensions weighed on the region, namely the uncertain outcome of the German elections and political tensions between Spain and Catalonia. The FTSE Europe ex UK Index returned 0.4% to the sterling investor.
- 2.5 In Japan the Topix Index returned 7.7% in Q4 2017, the best performing region from a GBP investor perspective. Pacific markets in aggregate returned 7.1% for the quarter as measured by the MSCI AC Asia Pacific ex Japan Index.
- 2.6 Longer dated government bond yields entered a period of consolidation in Q4 as the Fed, Bank of England and ECB raised rates or announced the tapering of asset purchases. Global Bond market performance was flat for a UK investor and Index Linked Gilts >5-year issues returned 3.9%.
- 2.7 The euro's strong performance in 2017 continued in Q4 as it gained 0.7% against the pound. Sterling however gained 0.9% versus the JPY and 0.8% against the USD over Q4 2017; representing gains of 5.4% and 8.7% respectively over the year.
- 2.8 Rising interest rates in the US and UK fed through into higher money market rates; three-month USD LIBOR rose to 1.7% from 1.3%, while three-month GBP LIBOR rose to 0.5% from 0.3%. Property had another steady quarter returning 3%.

3. Overall Fund Performance

- 3.1 The Fund's externally managed assets closed Q4 2017 valued at £989.1m, an increase of £22.7m from its value of £966.4m as at 30 September 2017. The cash value held by the Council at 30 September 2017 was £7.9m giving a total Fund value of £997.0m.
- 3.2 For Q4 the Fund returned 3.2%, net of all fees, outperforming its benchmark by 0.1% but underperforming the PIRC LGPS Universe (PIRC) by 0.8%. Over one year the Fund has returned 11.2%, outperforming its benchmark by 1.5% but underperforming PIRC by 0.6%. Over three years the Fund has outperformed its benchmark by 0.2%, with a return of 10.4% and has underperformed PIRC by 0.6%. The Fund's returns are provided below:

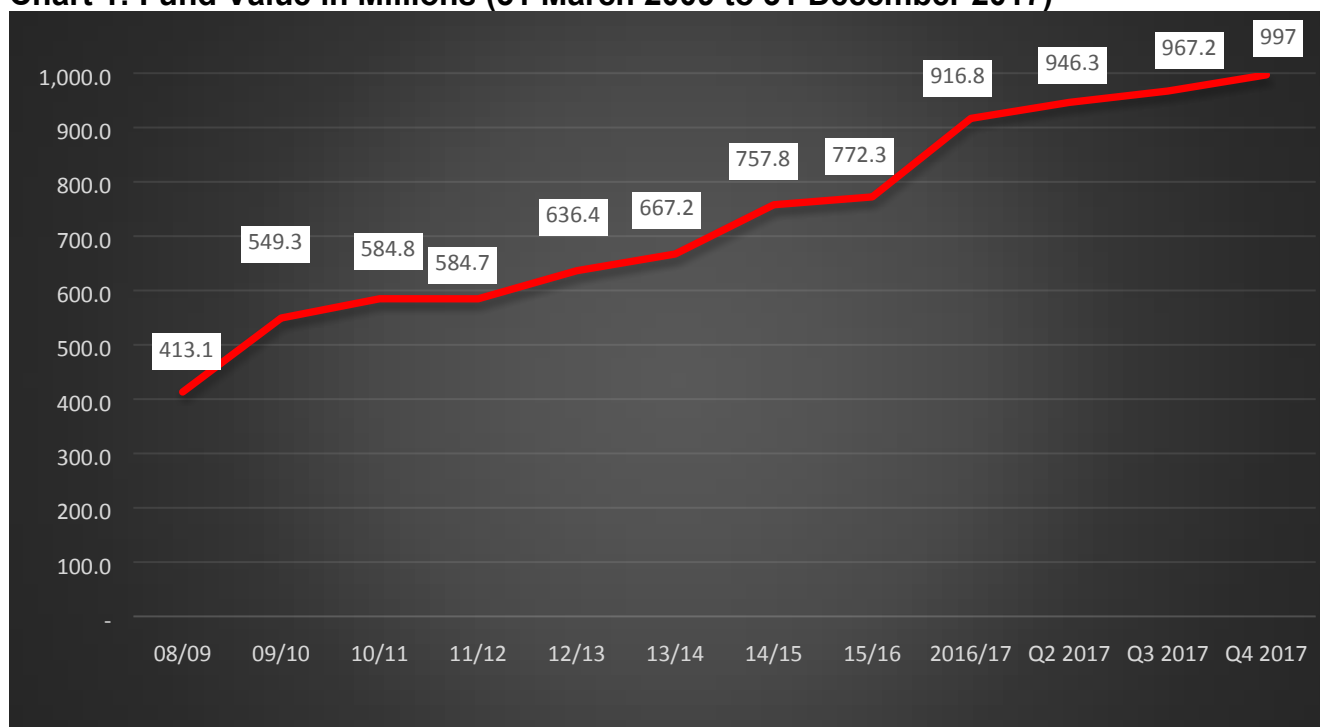
Table 1: Fund's Q4 2017, 2016 Quarterly and Yearly Returns

Year	2017				2016				One Year	Two Years	Three Years	Five Years
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1				
Actual Return	3.2	2.2	1.8	3.8	3.7	5.3	5.2	2.5	11.2	13.8	10.4	10.6
Benchmark	3.1	1.8	1.2	3.3	3.6	4.4	5.7	2.0	9.7	12.6	10.2	10.5
Difference	0.1	0.4	0.6	0.5	0.1	0.9	(0.5)	0.5	1.5	1.2	0.2	0.1
*PIRC Universe	4.0	1.6	0.7						11.8		11.0	11.1

The returns for the latest period are based on the asset allocation of the PIRC Local Authority Universe. The Universe is currently comprised of 60 funds with a value of £162bn.

3.3 Appendix 1 illustrates changes in the market value, the liability value, the Fund's deficit and the funding level from 31 March 2013 to 31 December 2017. Members are asked to note the significant changes in value and the movements in the Fund's funding level. Chart 1 below shows the Fund's value since 31 March 2009.

Chart 1: Fund Value in Millions (31 March 2009 to 31 December 2017)



3.4 Stock selection contributed -0.2%, with asset allocation contributing 0.3% for the quarter. The fund manager's performance has been scored using a quantitative analysis compared to the benchmark returns, defined below.

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

3.5 Table 2 highlights the Q4 return. Several funds underperformed their respective benchmarks, although most funds returned a positive overall return, with only Standish providing a negative return for the quarter. Equities provided good returns of over 5%.

Table 2 – Fund Manager Q4 2017 Performance

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Aberdeen Asset Man.	1.3	1.1	0.2	O
Baillie Gifford	4.9	5.0	(0.1)	Δ
BlackRock	2.9	3.1	(0.2)	Δ
Hermes GPE	0.8	1.4	(0.6)	Δ
Kempen	5.5	4.6	0.9	O
Prudential / M&G	1.1	1.1	0.0	O
Newton	0.3	1.1	(0.8)	Δ
Pyrford	0.6	2.2	(1.6)	Δ
Schroders	3.4	3.1	0.3	O
BNY Standish	(0.5)	1.1	(1.6)	Δ
UBS Bonds	2.2	2.0	0.2	O
UBS Equities	5.7	5.5	0.2	O

- 3.6 Over one-year, (table 3), Aberdeen, Schroders and the equity managers provided good returns. Pyrford continues to struggle, significantly underperforming its benchmark.

Table 3 – Fund Manager Performance Over One Year

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Aberdeen Asset Man.	12.3	4.4	7.9	O
Baillie Gifford	21.2	13.4	7.8	O
BlackRock	8.7	9.8	(1.1)	Δ
Hermes GPE	5.3	5.6	(0.3)	Δ
Kempen	12.1	11.3	0.8	O
Prudential / M&G	4.5	4.3	0.2	O
Newton	2.5	4.2	(1.7)	Δ
Pyrford	1.5	8.8	(7.3)	
Schroders	11.4	9.8	1.6	O
BNY Standish	3.2	4.3	(1.1)	Δ
UBS Bonds	1.9	1.7	0.2	O
UBS Equities	16.3	16.0	0.3	O

- 3.7 Over two years, (table 4), all mandates are positive, with returns ranging from 2.1% with Standish to 22.5% with Kempen. Standish and Pyrford have significantly underperformed their benchmarks, underperforming by 2.4% and 2.7% respectively. The high equity returns are in sharp contrast to the rest of the strategies, where single digit returns are most prevalent.

Table 4 – Fund manager performance over two years

Fund Manager	Actual	Benchmark	Variance	Ranking
	Returns (%)	Returns (%)	(%)	
Aberdeen Asset Man.	7.0	4.4	2.6	O
Baillie Gifford	22.2	20.0	2.2	O
BlackRock	4.6	6.3	(1.7)	Δ
Hermes GPE	8.6	5.6	2.9	O
Kempen	22.5	19.1	3.4	O
Prudential / M&G	4.6	4.4	0.2	O
Newton	3.7	4.3	0.0	O
Pyrford	5.4	8.1	(2.7)	Δ
Schroders	6.7	6.3	0.4	O
BNY Standish	2.1	4.5	(2.4)	Δ
UBS Bonds	6.1	5.9	0.2	O
UBS Equities	21.1	20.9	0.2	O

4. Asset Allocations and Benchmark

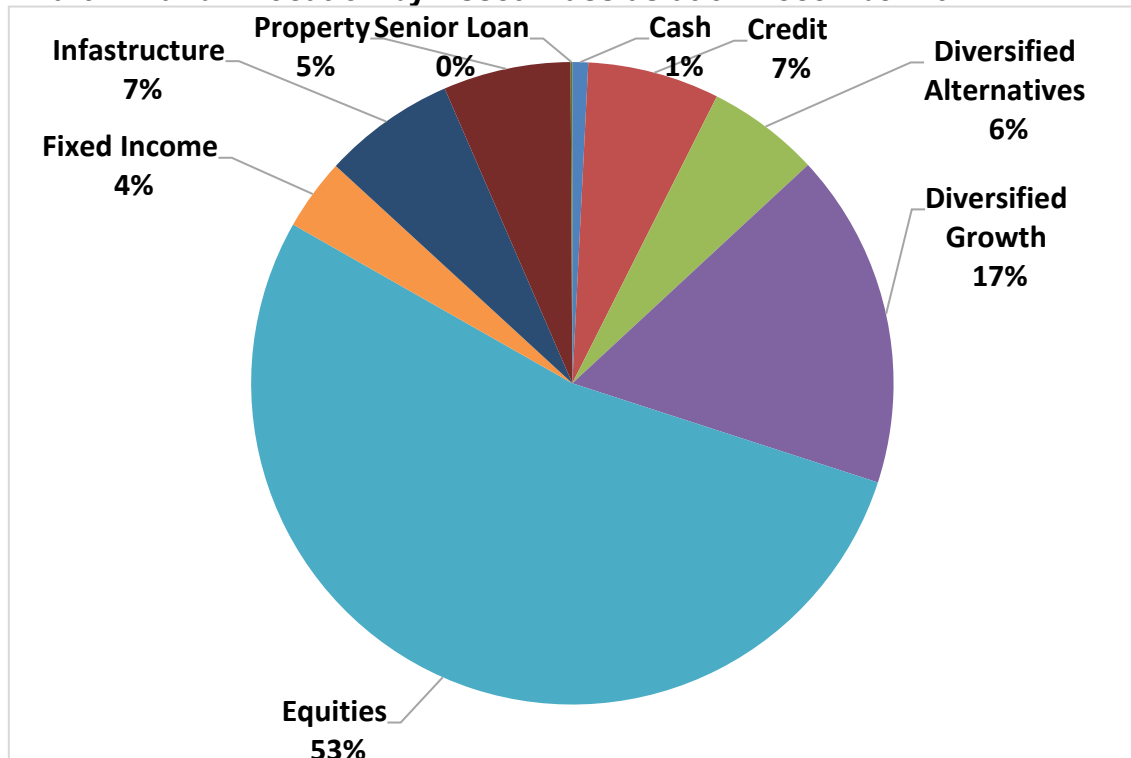
4.1 Table 5 below outlines the Fund's strategic asset allocation, asset value and benchmarks:

Table 5: Fund Asset Allocation and Benchmarks as at 31 December 2017

Fund Manager	Asset (%)	Market Values (£000)	Benchmark
Aberdeen Asset Man.	5.7%	56,615	3 Mth LIBOR + 4% per annum
Baillie Gifford	18.9%	187,945	MSCI AC World Index
BlackRock	4.0%	39,526	AREF/ IPD All Balanced
Hermes GPE	6.7%	66,476	Target yield 5.9% per annum
Kempen	16.6%	165,423	MSCI World NDR Index
Prudential / M&G	0.1%	885	3 Mth LIBOR + 4% per annum
Newton	6.7%	66,360	One-month LIBOR +4% per annum
Pyrford	10.2%	101,975	UK RPI +5% per annum
Schroders	2.5%	24,455	AREF/ IPD All Balanced
BNY Standish	6.6%	66,166	3 Mth LIBOR + 4% per annum
UBS Bonds	3.6%	35,893	FTSE UK Gilts All Stocks
UBS Equities	17.8%	177,338	FTSE AW Developed Tracker (partly hedged to GBP)
Cash & Other	0.8%	7,904	One-month LIBOR
Total Fund	100.0%	996,961	

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

Chart 2: Fund Allocation by Asset Class as at 31 December 2017



4.3 Overall the strategy is overweight equities and cash, with equities at the top-end of the range. Most other asset classes are underweight, with infrastructure 2% underweight but this is due to the fact that it is still purchasing assets. The current position compared to the strategic allocation is provided in table 6 below:

Table 6: Strategic Asset Allocation

Asset Class	Current Position	Strategic Allocation Target	Variance	Range
Equities	53%	48%	5%	45-53
Diversified Growth	17%	18%	-1%	16-20
Infrastructure	7%	9%	-2%	4-11
Credit	7%	8%	-1%	6-10
Property	6%	7%	-1%	6-9
Diversified Alternatives	6%	6%	0%	6-10
Fixed Income	4%	4%	0%	3-5
Cash	1%	0%	1%	0-2
Senior Loan	0%	0%	0%	0-1

5. Fund Manager Performance

5.1 Kempen

Kempen	2017				2016				One Year	Two Years	Since Start 6/2/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£165,423k	%	%	%	%	%	%	%	%	%	%	%
Actual Return	5.5	3.3	0.1	3.2	10.9	10.2	5.8	5.9	12.1	22.5	12.0
Benchmark	4.6	1.5	0.1	5.1	7.1	7.9	9.7	2.2	11.3	19.1	13.9
Difference	0.9	1.8	0.0	(1.9)	3.8	2.3	(3.9)	3.7	0.8	3.4	(1.9)

Reason for appointment

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

Performance Review

The strategy outperformed its benchmark by 0.9% for the quarter and has outperformed its one-year benchmark by 0.8% over one year and 3.4% over two years. Kempen has underperformed its benchmark since inception by 1.9%, although the return over this period is a good annualised return of 12.0%

Stock selection in most sectors and within North America in particular contributed positively to the quarters return. In addition, regional allocation and the strategies exposure to emerging markets provided the additional outperformance.

The 3% dividend threshold and sector allocations impacted negatively for the quarter, with the overweight position to Europe and underweight position to the US having the most impact. Low yielding sector Technology was the strongest sector, while the high yielding Telecom sector was the weakest sector.

Quarterly Rebalance

In December Kempen completed their quarterly rebalance, selling 14 companies and adding 9 companies.

Kempen sold: Atlantia, ABB, Philips Lighting, FNF group, Life Storage, GM, Qualcomm, Abbvie, Telus, Primax Electronics, HSBC, BAT, Imperial Tobacco, HollyFrontier and Exelon. These companies were sold on valuation grounds or due to the stocks crossing our dividend threshold. The high number of sales was needed as the rising markets significantly reduced the expected returns for several holdings.

Kempen purchased: H&M Group, Omnicom & Publicis, Simon Property Group, China Mobile, Merck, Lloyds Banking Group, Tapestry and Exxon Mobil.

The Fund now has a forward yield of around 4.8%.

5.2 Baillie Gifford

Baillie Gifford	2017				2016				One Year	Two Years	Since Start 6/2/13
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£187,945k	%	%	%	%	%	%	%	%	%	%	%
Actual Return	4.9	4.1	4.6	7.6	3.9	12.1	6.9	0.3	21.2	22.2	17.1
Benchmark	5.0	2.0	0.6	5.8	6.5	8.5	8.8	2.9	13.4	20.0	14.3
Difference	(0.1)	2.1	4.0	1.8	(2.6)	3.6	(1.9)	(2.6)	7.8	2.2	2.8

Reason for appointment

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

Performance Review

For Q4 BG returned 4.9%, underperforming its benchmark by 0.1%. BG's one-year return was 21.2%, outperforming its benchmark by 7.8%. Since initial funding the strategy has returned 17.1% p.a., outperforming its benchmark by 2.8%. BG's key statistics for the quarter are provided below:

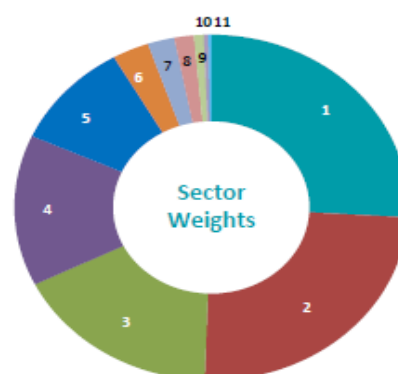
Regional Weights		(%)
1	North America	43.4
2	Emerging Markets	22.1
3	Europe (ex UK)	19.3
4	Developed Asia Pacific	10.5
5	UK	3.9
6	Cash and Deposits	0.8

Source: Baillie Gifford as at 31/12/2017



Sector Weights		(%)
1	Information Technology	25.9
2	Financials	24.6
3	Consumer Discretionary	17.1
4	Industrials	14.1
5	Health Care	10.0
6	Materials	3.0
7	Energy	2.2
8	Consumer Staples	1.6
9	Cash	0.8
10	Real Estate	0.4
11	Telecommunication Services	0.2

Source: Baillie Gifford as at 31/12/2017



Naspers was the largest contributor to relative performance during the quarter as the company continued to make steady operational progress across its portfolio of online businesses. Naspers has been selling non-core assets to focus on its most attractive growth opportunities, including Chinese gaming and social media platform, Tencent.

CRH led the negative contributors during the period as it saw volumes suppressed at its Americas division due to adverse weather and hurricane activity across the US. Ctrip detracted from performance following the announcement that its mobile application will provide value-added services on an opt-in basis rather than opt-out.

Portfolio Characteristics	
Key Statistics	
Number of Holdings	102
Number of Countries	23
Number of Sectors	10
Number of Industries	38
Active Share	91%
Rolling One Year Turnover	14%

Source: Baillie Gifford as at 31/12/2017

New Purchases During Quarter	
Asset Name	
AJ Gallagher & Co	
Pernod Ricard	
Persol Holdings	
Thermo Fisher Scientific	

Source: Baillie Gifford as at 31/12/2017

Complete Sales During Quarter	
Asset Name	
Brambles	
Carlsberg	
Colgate-Palmolive	
Rolls-Royce	
Tripadvisor	

Source: Baillie Gifford as at 31/12/2017

5.3 UBS Equities

	2017				2016				One Year	Two Years	Since Start 31/8/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
UBS Equities	%	%	%	%	%	%	%	%	%	%	%
£177,338	%	%	%	%	%	%	%	%	%	%	%
Actual Return	5.7	2.8	2.3	5.5	6.6	8.2	8.7	2.4	16.3	21.1	16.7
Benchmark	5.5	2.8	2.2	5.5	6.4	8.2	8.7	2.4	16.0	20.9	16.7
Difference	0.2	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.3	0.2	0.0

Reason for appointment

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

Performance

The fund returned 5.7% for Q4 and 16.3% over one year. Since funding in August 2012, the strategy has provided an annualised return of 16.7%. Equity markets worldwide advanced strongly in Q4, for a seventh consecutive quarter of growth.

5.4 UBS Bonds

	2017				2016				One Year	Two Years	Since Start 5/7/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
UBS Bonds	%	%	%	%	%	%	%	%	%	%	%
£35,893k	%	%	%	%	%	%	%	%	%	%	%
Actual Return	2.2	(0.5)	(1.3)	1.5	(3.3)	2.3	6.2	5.0	1.9	6.1	5.6
Benchmark	2.0	(0.5)	(1.3)	1.5	(3.4)	2.3	6.2	5.0	1.7	5.9	5.6
Difference	0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.2	0.2	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

Returns for Q4 were 2.2%, with one year returns of 1.9% and two year returns of 6.1%.

5.5 BlackRock

BlackRock	2017				2016				One Year	Two Years	Since Start 1/1/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£39,526k	%	%	%	%	%	%	%	%	%	%	%
Actual Return	2.9	1.3	2.0	2.5	1.5	(3.5)	1.3	1.2	8.7	4.6	7.7
Benchmark	3.1	2.4	2.3	2.0	2.3	(0.7)	0.1	1.1	9.8	6.3	9.4
Difference	(0.2)	(1.1)	(0.3)	0.5	(0.8)	(2.8)	1.2	0.1	(1.1)	(1.7)	(1.7)

Reason for appointment

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

Q4 2017 Performance

BR returned 2.9% for the quarter against the benchmark of 3.1%, with a return of 8.7% over one year against its benchmark's return of 9.8%. Outperformance was from an overweight positioning to Industrials and Alternatives. Central London offices were positive from a capital value perspective although headline rents came under pressure.

Key Asset Management

The following leases and asset management initiatives were completed in the quarter:

- 25 Bedford Street, London WC2 let: Cerillion (not Carillion – which BUKPF has no exposure to) acquired the final refurbished floor.
- Planning Secured at 5 Strand, London WC2, enhancing the current gross area of 100,000 sq ft to provide a new mixed-use scheme of 150,000 sq ft.
- Redevelopment of Beechwood Shopping Centre, Cheltenham completed - the new store handed over to John Lewis, who had pre-let via a 25-year lease.

Key Transactional Activity

During Q4 completed one purchase at Oakhill Industrial Estate, Manchester for £1.7 million and this industrial unit concludes assembly of full ownership of the estate.

Five-year Forecast Returns

BlackRock's research & strategy team has revised its Q4 forecasts which are now showing a base case 5-year total return of c. 4%. Given the political and economic uncertainty that the UK is facing, the relativity of the sectors should be given more weight than the forecast absolute 5-year total return. Primary Healthcare is the top performing sector, forecast to deliver a total return of c. 7% over 5 years. Industrials, logistics and student housing are also all forecast to outperform. The Fund's overweight to industrials and alternatives and underweight retail and offices is forecast to be positive.

5.6 Schroders Indirect Real Estate

	2017				2016				One Year	Two Years	Since Start 6/8/2010
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
Schroder	%	%	%	%	%	%	%	%	%	%	%
£24,455k	%	%	%	%	%	%	%	%	%	%	%
Actual Return	3.4	2.0	2.8	3.2	2.7	3.7	(5.2)	0.8	11.4	6.7	7.1
Benchmark	3.1	2.4	2.3	2.0	2.3	(0.7)	0.1	1.1	9.8	6.3	8.3
Difference	0.3	(0.4)	0.5	1.2	0.4	4.4	(5.3)	(0.3)	1.6	0.4	(1.2)

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.

Performance

Since the market correction in Q3 2016, the strategy has rebounded strongly, with outperformance over one year and two years. In July 2016, the Fund increased its allocation by £5m due to large discounts available. This helped to rebalance the Fund's underweight property position and provided a good return of 12.8%. Schroder one-year return is 11.4%, 1.6% above its benchmark.

5.7 M&G / Prudential UK

	2017				2016				One Year	Two Years	Since Start 31/5/2010
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
M&G / Prudential	%	%	%	%	%	%	%	%	%	%	%
£885k	%	%	%	%	%	%	%	%	%	%	%
Actual Return	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	4.5	4.6	4.6
Benchmark Return	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	4.3	4.4	4.4
Difference	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2

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.

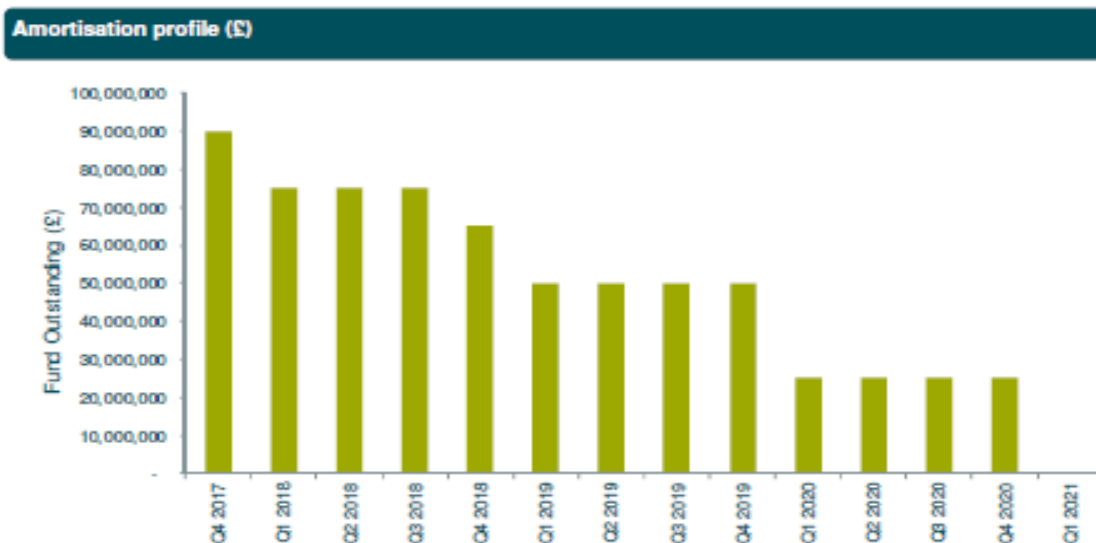
Performance and Loan Security

The strategy provided a return of 4.6% per year, with a small outperformance against benchmark of 0.2% since inception. The strategies holding has reduced in size to £885k, with most of the loans repaid. The weighted average credit rating is BB with an average life of 1.7 years.

As advised at the December Panel, an issue with one of the loans with Provident Financial ("Provident") has been identified. Subsequently, on 5 Provident announced that its Moneybarn division is being investigated by the Financial Conduct Authority. The investigation relates to processes around assessing customers' suitability for vehicle finance. The company has released no further information about the scope of the investigation. M&G's Major Problem Credit Committee, which maintains dialogue

with management. Liquidity remains adequate and the company continues to operate within its covenants. The Fund received a contractual amortisation repayment of the loan at the end of January 2018.

The funds amortisation profile is provided below, with the Provident loan making up 80% if the Fund's current holdings with M&G (£800k).



Source: M&G as at 31 December 2017

5.8 Hermes

	2017				2016				One Year	Two Years	Since Start 9/11/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
Hermes	%	%	%	%	%	%	%	%	%	%	%
£66,476k											
Actual Return	0.8	1.8	0.8	1.9	1.8	1.6	2.5	5.9	5.3	8.6	10.0
Benchmark	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	5.6	5.6	5.9
Difference	(0.6)	0.4	(0.6)	0.5	0.4	0.2	1.1	4.5	(0.3)	3.0	4.1

Reason for appointment

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

Performance

As at 31 December 2017, the strategy reported a one-year return of 5.3%, underperforming its benchmark by 0.3%. Since inception the strategy has provided a good annualised return of 10.0%, outperforming its benchmark by 4.1%.

5.9 Aberdeen Asset Management

Aberdeen	2017				2016				One Year	Two Years	Since Start 15/9/2014
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£56,615k	%	%	%	%	%	%	%	%	%	%	%
Actual Return	1.3	6.1	4.2	0.7	0.5	0.3	(1.4)	2.2	12.3	7.0	3.8
Benchmark	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	4.4	4.4	4.5
Difference	0.2	5.0	3.1	(0.4)	(0.6)	(0.8)	(2.5)	1.1	7.9	2.6	(0.7)

Reason for appointment

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 (HF) and Private Equity (PE). All positions held within the portfolio are hedged back to Sterling.

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

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

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

Market Update and Performance Summary

Private Equity and Hedge Funds were both profitable over the quarter (on a currency-hedged basis). PAI Europe VI ("PAI") and Ethypharm Co-Invest ("Ethypharm") led the way in terms of the positive contributors to performance, followed by Pharo Gaia ("Pharo"). Kohinoor Series Three Fund ("Kohinoor") and OEP VI Feeder ("OEP") were the largest detractors although their contributions were small.

Performance

Overall the strategy provided a return of 6.1%, outperforming its benchmark by 5.0%. This good quarterly return helped the strategy to outperform its benchmark over one year, with a return of 11.5% against a benchmark of 4.4%. Since inception in September 2014, the strategy has return 3.7%, underperforming its benchmark by 0.8%.

As at the end of 31 December 2017 the portfolio held the following allocation to Hedge Fund's and Private Equity:

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 (Emerging markets)
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
Advent Int GPE VIII-B LP	Sector-focused strategy and operational approach
Cinven Allegro LP	European Fund focused on Financials & Healthcare
Ethypharm Co-Invest FPCI	European generics & specialty pharmaceutical
OEP VI Feeder LP	Merge like-sized businesses with a strategic fit

5.10 Pyrford

	2017				2016				One Year	Two Years	Since Start 28/9/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
Pyrford	%	%	%	%	%	%	%	%	%	%	%
£101,975k											
Actual Return	0.6	(0.9)	0.1	1.7	0.6	3.1	3.2	2.4	1.5	5.4	4.2
Benchmark	2.2	2.2	2.3	2.1	2.0	1.9	2	1.4	8.8	8.1	6.8
Difference	(1.6)	(3.1)	(2.2)	(0.4)	(1.4)	1.2	1.2	1.0	(7.3)	(2.7)	(2.6)

Reason for appointment

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

Performance

Pyrford generated a positive return of 0.6% in Q4 but underperformed its benchmark by 1.6%. Over one year the strategy has returned 1.5%, underperforming its benchmark by 7.3%. Pyrford's performance over two years and since inception is closer to its benchmark but still underperforms by 2.7% and 2.6% respectively.

Strategy and Market Update

The key contribution to returns in the final quarter and over the year came from the portfolio's allocation to equities with the MSCI World Index up over +12% in GBP. Pyrford went into the year with an equity weighting of 30%. A larger allocation would

have been more beneficial to returns over the year, however this would have been at the expense of risking our clients' capital.

Despite equities providing the greatest source of returns, stock selection within the equity portfolio – in particular the UK (50% of equity portfolio) was disappointing over the quarter (Pyrford, +1.4% v +5.0%, FTSE AS Index) and indeed the year. One area of weakness has been the portfolio's UK Utilities holdings (SSE, United Utilities and National Grid) as the market has reacted to signs of yields rising by rotating out of defensive sectors such as Utilities that are regarded as sensitive to rising bond yields.

Pyrford continue to hold UK Utilities as they believe the long term returns on offer will be attractive. The portfolio's UK bonds, positioned at the short end of the curve, underperformed the wider market (longer duration bonds) as yields fell.

Cash and currency management added to returns over the third quarter as Sterling strengthened against the three currencies hedged in the portfolio (+1.5% v CHF, +1.2% v AUD & +1.0% CAD) as well as the USD.

5.11 Newton

Newton	2017				2016				One Year	Two Years	Since Start 31/8/2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£66,360k	%	%	%	%	%	%	%	%	%	%	%
Actual Return	0.3	(0.8)	1.0	2.0	(5.0)	1.5	4.3	4.0	2.5	3.7	3.4
Benchmark	1.1	1.0	1.0	1.1	1.0	1.1	1.1	1.1	4.2	4.3	4.5
Difference	(0.8)	(1.8)	0.0	0.9	(6.0)	0.4	3.2	2.9	(1.7)	(0.6)	(1.1)

Reason for appointment

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

Performance

The Fund delivered a positive return over the quarter of 0.3% but underperformed its benchmark by 0.8%. Gains within the return-seeking core drove this outcome, with several top equity contributors from the technology sector. Key detractors included utility Centrica, Sprint corporate debt and Mexican government bonds. With equity markets rising over the period, derivative protection employed in the portfolio came at a cost. However, foreign-currency hedging was beneficial, and government bonds also contributed positively. is 4.3%, which matches Newton' benchmark.

Activity

Newton introduced technology company Cisco Systems to the portfolio and purchased BAE Systems and Thales, which have exposure to the defence sector. Sales included Teva Pharmaceutical, Walgreens Boots Alliance and United Utilities, while Newton reduced the Japan Tobacco weighting. In fixed interest, Newton slightly increased the

portfolio's duration and also made some changes to the structure of the Fund's equity-market protection, while broadly maintaining net exposure to return-seeking assets.

Outlook and Strategy

The wave of liquidity injected into economies and markets over the last two years has played a role in shaping bullish expectations for the future. However, Newton think the present macroeconomic environment is likely to be as good as it gets, with markets overestimating the positive impact of proposed US fiscal reforms and underestimating the potential for a slowdown in China. While we can still identify attractive opportunities at the security level, the headline valuations of major equity indices look rich, and, with policy being tightened, we believe it is the time to emphasise caution, with an eye fixed firmly on capital preservation.

Management Change

In August, Newton announced the introduction of a new management structure. As part of the changes, Curt Custard was appointed as Chief Investment Officer. Newton also announced that Julian Lyne had taken on the position of Chief Commercial Officer.

5.12 BNY Standish

Standish	2017				2016				One Year	Two Years	Since Start 20/8/2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
£66,166k	%	%	%	%	%	%	%	%	%	%	%
Actual Return	(0.5)	0.7	1.0	2.0	0.7	1.4	0.9	(1.9)	3.2	2.1	1.7
Benchmark	1.1	1.0	1.0	1.2	1.1	1.1	1.1	1.5	4.3	4.5	5.4
Difference	(1.6)	(0.3)	0.0	0.8	(0.4)	0.3	(0.2)	(3.4)	(1.1)	(2.4)	(3.7)

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 Fund lagged its comparative index over the quarter, on a net basis, returning -0.5% against a benchmark return of 1.1%. Over one year the strategy has underperformed its benchmark of 4.3% by 1.1%.

Strong asset allocation performance was partially attributed to strong positioning in US TIPS. Globally, Fitch's rating upgrade of Portugal managed to exceed even the heightened expectations by delivering a 2-notch upgrade – moving from BB+ to BBB with a stable outlook. Corporate bonds outperformed specifically in Investment Grade and Emerging Markets.

Foreign Exchange was the largest detractor from portfolio performance. The Argentine Peso which fell roughly 6% over the month of December on news of a potential tax on foreigners. The Turkish Lira also performed poorly on economic news including Angela Merkel stating that development in Turkey was moving in

the wrong direction. Yield Curve also detracted from performance due to a flattening United States curve.

Portfolio Composition

Broadly, tracking error was flat for the quarter. The portfolio's largest risks are in duration, yield curve, and government spreads. Foreign exchange risk decreased to start the quarter but increased overall by the end of the quarter.

Credit sector positioning remained largely unchanged with a small decrease in the overweight to Emerging Markets. Within Emerging Markets, Latin American continues to be the largest overweight followed by Europe.

Financials and Industrials are the majority of Investment Grade holdings, with High Yield being concentrated in Industrials with notable holdings in Financials and Utilities. Global government spreads favour peripheral exposure in areas such as Portugal, Italy, and Spain. Underweights include Germany, Sweden, and the United Kingdom.

5.13 Currency Hedging

No new currency hedging positions were placed in Q4 2017.

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 Chief Operating Officer and the Fund's Chair have been informed of the approach, data and commentary in this report.

7. Financial Implications

Implications completed by: Claire Symonds, Chief Operating Officer

- 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 Fund during the period.

8. Legal Implications

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

- 8.1 The Council operates the Local Government Pension Scheme which provides death and retirement benefits for all eligible employees of the Council and organisations which have admitted body status. There is a legal duty fiduciary to administer such

funds soundly according to best principles balancing return on investment against risk and creating risk to call on the general fund in the event of deficits. With the returns of investments in Government Stock (Gilts) being very low they cannot be the primary investment. Therefore, to ensure an ability to meet the liability to pay beneficiaries the pension fund is actively managed to seek out the best investments. These investments are carried out by fund managers as set out in the report working with the Council's Officers and Members.

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

9. Other Implications

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

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

Background Papers Used in the Preparation of the Report:

- WM Quarterly Q4 2017 Report; and
- Fund Manager Q4 2017 Reports.

List of appendices:

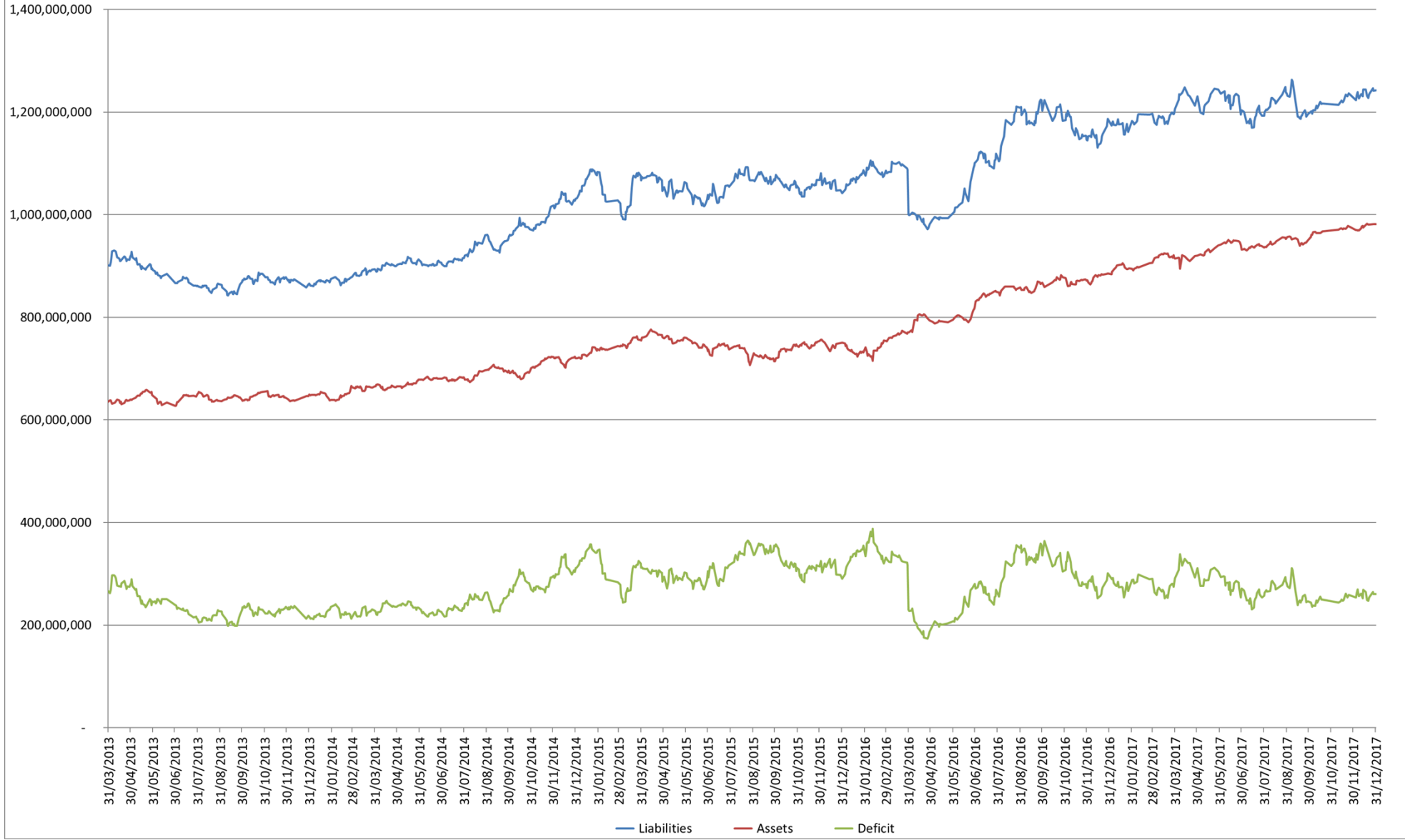
Appendix 1 - Fund Asset and Liability Values 31 March 2013 to 31 December 2017

Appendix 2 - Definitions

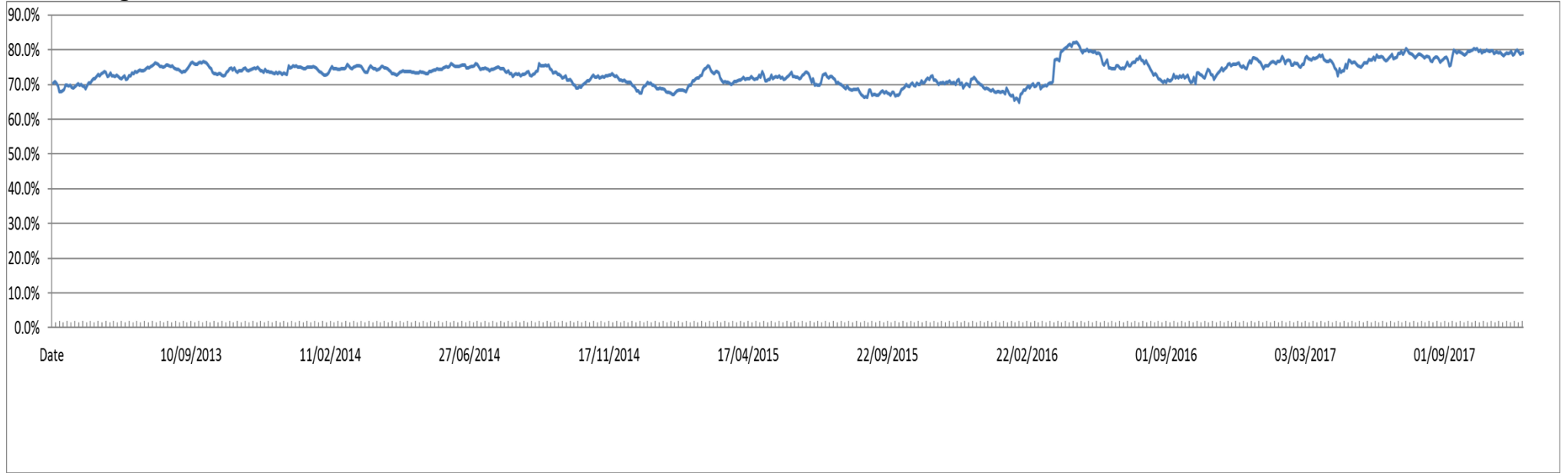
Appendix 3 - Roles and Responsibilities

Appendix 4 – Aon Hewitt Hermes Infrastructure Note

APPENDIX 1 - Fund Asset Values 31 March 2013 to 31 December 2017



Funding Level between 31 March 2013 to 31 December 2017



A Definitions

A.1 Scheduled bodies

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

A.2 Admitted bodies

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

A.3 Schedule of Admitted and Scheduled bodies

A list of scheduled and Admitted Bodies is provided below

Scheduled bodies	University of East London
	Magistrates Court
	Barking College
	Thames View Infant Academy Thames View Junior School Sydney Russell Academy Riverside Academy Riverside Bridge Riverside Primary Dorothy Barley Academy Warren Academy Goresbrook Free School Elutec The James Cambell Greatfields School
Admitted Bodies	Age UK
	Abbeyfield Barking Society
	Barking and Dagenham Citizen's Advice Bureau
	Council for Voluntary Service
	Disablement Association of Barking and Dagenham
	East London E-Learning
	Elevate
	Kier
	London Riverside
	Laing O'Rourke RM Education CRI Cleantech The Broadway Theatre Schools Offices Services Ltd SLM Be First

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:

- Scheduled

These are the organisations listed in the Local Government Pension Scheme Regulations 2013 (Schedule 2, Part 1) and include county councils and district councils.

- Designated (resolution) bodies

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 Regulations 2013 (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.

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 Investment Strategy Statement 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.

Regulation 9 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 is concerned with the appointment of Investment Managers.

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 2016 with revised employer contribution rates payable from April 2017.

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.

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PENSIONS PANEL

14 March 2018

Title: Administration and Governance Report	
Report of the Chief Operating Officer	
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 Strategic Director: Claire Symonds, Chief Operating Officer	
Recommendations	
<p>The Panel is recommended to note:</p> <ol style="list-style-type: none"> i. that the Fund is cash flow positive; ii. the Fund's three-year budget for the period 1 April 2018 to 31 March 2021; and iii. that interview dates for the actuarial tender will now be in October 2018. If any Member would like to be on the selection panel, please can they advise the Group Manager for Treasury and Pensions. <p>The Panel is recommended to agree that the use of the £40m prepayment is split into:</p> <ol style="list-style-type: none"> i. £10m retained for Working capital; ii. £30m retained for potential investment opportunities that arise from market corrections, through an increase in allocation to Diversified Growth or capital calls from infrastructure; iii. delegate authority to the Chief Operating Officer, in consultation with advisors and the Fund's Chair, to invest the £30m as investment opportunities arise within the market; and iv. for officers to arrange meetings for Members to meet the four diversified growth managers on the London CIV, with the potential to either increase the allocation to Diversified Growth or to restructure the Fund's current Diversified Growth Fund. The managers on the London CIV includes: <ul style="list-style-type: none"> • Newton; • Pyrford; • Ruffer; and • Baillie Gifford. 	

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. The London Collective Investment Vehicle (LCIV) update;
- ii. Actuary Contract Tender;
- iii. Pension Fund Budget 1 April 2018 to 31 March 2021;
- iv. Cash flow to 31 January 2018; and
- v. Pension Fund Pre-payment Options.

2. London Collective Investment Vehicle (LCIV) Update

2.1 Following the departure of the LCIV Chief Executive, Hugh Grover, the Chief Investment Officer, Julian Pendock has now also stepped down.

2.2 LCIV fixed Income and Cashflow Strategies

Pending the completion of legal and operational due diligence the first (more liquid) Fixed Income products have been appointed., These new funds will include:

- LCIV Global Bonds Fund (run by PIMCO)
- LCIV Liquid Loans Fund (run by Ares)
- LCIV Private Debt Fund (run by Ares)
- LCIV Multi Asset Credit Fund – Long Only (run by CQS)
- LCIV Multi Asset Credit Fund – Long/Short (run by MidOcean)

2.3 In line with new regulatory changes LCIV now requires written soft commitments to funds before they can submit prospectuses to the Financial Conduct Authority. As there are already LLAs with assets in the CQS fund, LCIV are actively working towards launching this fund in March. The other fund launch dates will be contingent on the receipt of soft commitments.

2.4 The managers for the LCIV Multi Asset Credit Fund (Illiquid) will be announced in Q2 2018.

3. Actuarial Contract Tender

3.1 At the September Pension Panel Members delegated authority to officers to commence procurement for an actuary, using the National LGPS Framework. Members agreed, the interview dates will likely be in late November.

3.2 As the Fund will be tendering for an investment manager later this year it is proposed to carry out a joint tender for both the Actuary and Investment Advisor. Draft requirements will be taken, for Member agreement, in June 2018, with interviews and appointments to take place in September 2018. The National LGPS Framework will be used for both tenders.

4. Pension Fund Budget 1 April 2018 to 31 March 2021

4.1 Table 1 provides Members with the Fund's three-year budget to 31 March 2021.

Table 1: Pension Fund Budget 1 April 2018 to 31 March 2021

<u>Contributions</u>	2018/19 Budget	2019/20 Budget	2020/21 Budget
Employee Contributions			
Council	4,500	4,000	3,500
Admitted bodies	2,200	2,000	1,800
Scheduled bodies	2,500	2,600	2,700
Employer Contributions			
Council	18,000	16,000	14,000
Admitted bodies	5,000	4,500	4,000
Scheduled bodies	9,000	9,400	9,700
Pension Strain	1,000	1,000	1,000
Transfers In	2,500	2,500	2,500
<u>Total Member Income</u>	44,700	42,000	39,200
<u>Expenditure</u>			
Pensions	- 33,000	- 34,500	- 36,000
Lump Sums and Death Grants	- 6,000	- 6,000	- 6,000
Payments to and on account of leavers	- 3,500	- 3,500	- 3,500
Administrative expenses	- 600	- 600	- 600
Total Expenditure on members	- 43,100	- 44,600	- 46,100
<u>Net additions for dealings with members</u>	1,600	- 2,600	- 6,900
<u>Returns on Investments</u>			
Investment Income	7,000	7,500	7,500
Profit (losses)	35,000	35,000	35,000
Investment management expenses	- 3,100	- 3,100	- 3,100
Net returns on investments	38,900	39,400	39,400
Net increase (decrease) in the net assets	40,500	36,800	32,500
Opening Market Value	1,000,000	1,040,500	1,077,300
Closing Market Value	1,040,500	1,077,300	1,109,800

4.2 The three-year budget shows a movement from members being employed by the Council to being funded by admitted bodies. The significant movement of staff out of the Council and into the various companies set up by the Council, including Be First, Traded Services, Home Services and Schools Improvement Partnership, will have two main impact on the Fund's cashflow and its structure.

- i. Initially the Council contribution will decrease and the admitted body increase.
- ii. As the admitted bodies close schemes their contributions will decrease.

As a result of these changes in cashflow, the overall member income will decrease in 2019/20 and 2020/21. Given the potential for the Fund to be cashflow negative in 2019/20 a report will be taken to the June Panel outlining options available to cover

4.3 An increase in lump sum payments is projected but it is expected that this will be mitigated by an increase in pension strain. Pension payments are forecast to increase

due to an increase in the number of pensioners as well as to reflect an estimated pension increase of 3.0% for 2018/19.

- 4.4 Overall the Fund is expected to be cashflow negative in 2020/21 if investment income and management expenses are included but return is excluded. Fund manager fees are forecast to drop from £3.5m to £3.0m by 2020.

5. Cash flow to 31 December 2017

- 5.1 Table 2 below provides Members with the Fund's Cash flow to 31 December 2017.

Table 2: 2017/18 Forecast Pension Fund Cash Flow

	2017/18 Budget £000's	2017/18 Forecast £000's	Over / Under £000's
<u>Contributions</u>			
Employee Contributions			
Council	6,000	7,003	1,003
Admitted bodies	800	355	(445)
Scheduled bodies	2,400	2,145	(255)
Employer Contributions			
Council	22,500	23,789	1,289
Admitted bodies	2,000	1,167	(833)
Scheduled bodies	8,900	8,155	(745)
Pension Strain	1,000	2,189	1,189
Transfers In	2,500	3,256	756
<u>Total Member Income</u>	46,100	48,059	1,959
<u>Expenditure</u>			
Pensions	(30,000)	(31,451)	(1,451)
Lump Sums and Death Grants	(6,000)	(7,716)	(1,716)
Payments to and on account of leavers	(3,500)	(4,629)	(1,129)
Administrative expenses	(550)	(600)	(50)
Total Expenditure on members	(40,050)	(44,396)	(4,346)
<u>Net additions for dealings with members</u>	6,050	3,663	(2,387)
<u>Returns on Investments</u>			
Investment Income	6,000	6,000	-
Profit (losses)	35,000	75,000	40,000
Investment management expenses	(3,300)	(3,200)	100
Net returns on investments	37,700	77,800	40,100
Net increase (decrease) in the net assets	43,750	81,463	37,713
Asset Values	960,557	998,270	
Liabilities	(1,100,000)	(1,200,000)	
Funding Level	87.3%	83.2%	

- 5.2 Administration costs are forecast to be £100k higher than budget as an external company will complete the Fund's Guaranteed Minimum Pension reconciliation.
- 5.3 Pension costs are significantly higher than budget due to the full effect year effect of the 2016/17 retirements and an increase in early retirements from the UEL.
- 5.4 Overall the Fund is forecast to end the financial year at around 83.2% funded based on a prudent gilt plus model. This compares favourably with the triennial valuation results where the fund is 77.6% funded and is due to higher than expected returns and a decrease in inflation expectations.

6. Pension Fund Prepayment Options

- 6.1 As part of the Council's savings options, it will prepay two years' worth of pension contribution totalling £40m to the Pension Fund on the 3rd of April 2018. The prepayment is for its forecast pension contribution for 2018/19 and 2019/20.
- 6.2 Currently the Council already prepays one year of its contributions, with the prepayment of £20m previously being used to cover capital calls from the Fund's infrastructure investment.
- 6.3 The Fund is currently overweight equities, against its strategic allocation. Table 1 below shows the allocation as at 22 February 2018 against the Fund's strategic allocation. Although the equity overweight position is significant, this will be used to fund the Fund's infrastructure investments as required.

Table 1: Fund Current Allocation

Asset Type	Current Allocation at 22 February 2018	Strategic Allocation	Difference
Equity	53.9%	48.0%	5.6%
Bonds	3.6%	4.0%	-0.5%
Global Credit	6.8%	8.0%	-1.3%
Infrastructure	6.6%	9.0%	-2.4%
Absolute Return	16.8%	18.0%	-1.3%
Property	6.4%	7.0%	-0.6%
DA	5.9%	6.0%	0.0%
Cash	0.0%	0.0%	0.5%
Total	100.0%	100.0%	0.0%

- 6.4 There is currently an underweight position within Absolute Return strategies of 1.3%, which equates to approximately £13m. There is a similar underweight position in Credit. Both strategies have underperformed over the past few years, with Credit particularly underperforming.
- 6.5 Currently the London CIV have two very good Diversified Growth managers, namely Baillie Gifford and Ruffer. It would be appropriate for Members to meet both these managers to see if they can provide improved returns but within a diversified alternatives strategy to the current underperforming strategies but also with a view to topping up the Fund's underweight position in Diversified Growth.

6.6 One additional consideration for the use of the prepayment is that most asset classes are very highly valued, with the potential for short-term market corrections to occur. These corrections are often oversold, where the values drop significantly before increasing again a few weeks later. During these periods it would be useful for the Fund to be able to increase its allocation, subject to discussion with the Fund's advisors, to take advantage of these investment opportunities.

6.7 It is recommended that the use of the £40m prepayment is split into:

- v. £10m retained for Working capital;
- vi. £30m retained for potential investment opportunities that arise from market corrections, through an increase in allocation to Diversified Growth or capital calls from infrastructure;
- vii. delegate authority to the Chief Operating Officer, in consultation with advisors and the Fund's Chair, to invest the £30m as investment opportunities arise within the market; and
- viii. for officers to arrange meeting with the four diversified growth managers on the London CIV, including:
 - Newton;
 - Pyrford;
 - Ruffer; and
 - Baillie Gifford.

7. Consultation

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

8. Financial Implications

Implications completed by: Claire Symonds, Chief Operating Officer

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

9. Legal Implications

Implications completed by: Dr. Paul Feild Senior Governance Solicitor

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

10. Other Implications

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

Background Papers Used in the Preparation of the Report: None

List of appendices: None

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PENSIONS PANEL**14 March 2018**

Title: Application for Admitted Body Status – Home and Traded Services	
Report of the Chief Operating Officer	
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 Strategic Director: Claire Symonds, Chief Operating Officer	
Summary: To consider the application for Admitted Body status from Home and Traded Services(H&Ts) to the Local Government Scheme (LGPS).	
The Panel is asked to agree: <ul style="list-style-type: none"> the application for Admitted Body Status by H&TS on 1 April 2018, as a ‘closed’ agreement. 	

1 Introduction and Background

- 1.1 At present, the Pension Fund has a number of Admitted Bodies, some of which have been members of the London Borough of Barking and Dagenham Pension Fund (“the Fund”) for a number of years.
- 1.2 As Administering Authority, the Council cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the Local Government Pension Scheme (LGPS) regulations. In cases where the requirement of the LGPS regulations have been met, the Pension Panel can agree to retrospectively agree an admission agreement.
- 1.3 At the March and June 2017 Pension Panel, Members were advised that the Council was looking to create several different service delivery vehicles including, transferring its Leisure Services and establishing a company, Be First, to manage the implementation of its investment and regeneration strategy. In addition, a number of Traded Services will be set up.

2 Home and Traded Services Admission Agreement

- 2.1 As part of the Council's transformation process, several arms-length service delivery units have been established – with Home & Traded Services (H&TS) following Be First. The setting up of each delivery unit will require the TUPE (Transfer of Undertakings - Protection of Employment) transfer of staff and as a result, each delivery unit needs to be admitted as a separate employer to the Fund
- 2.2 H&TS will be a Transferee Admission Bodies (TAB) within the LGPS. These are typically private sector companies or charities. They take on staff from a scheduled body as a result of an outsourcing of services and the transferring employees had a right to remain in the LGPS or a "broadly equivalent" scheme.
- 2.3 All staff will be TUPE transferred across to H&TS fully funded, with the accrued deficit retained by the Council. As administering authority, the Council is responsible for deciding the admission requirement to the Fund, with the overriding requirement being that the body meets the entry requirements outlined within the LGPS Regulations.
- 2.4 Currently the final list of staff who will be TUPE transferred is being agreed but it is likely that approximately 500 currently LGPS members will transfer.
- 2.5 An actuarial valuation was requested from the pension fund's actuary, based on Traded Services (Catering and Cleaning) and Homes Services (We Fix) and then a combined contribution rate.
- 2.6 Analysis by the actuary highlighted the fact that H&TS are very different in terms of salaries and staffing numbers. Home services has significantly less staff, but the value of its assets and liabilities is four times bigger than Traded services, due to the length of service of the staff and higher salaries.
- 2.7 Overall, the average combined rate calculated by the actuary is 25.2%, with a 2% past deficit contribution also included. The contribution will be split into 17.8% for H&TS, with a deficit contribution of 9.4% paid by the Council. This split will be reviewed at the next triennial valuation.
- 2.8 The H&TS Board has agreed that the scheme can be a closed scheme, with a Council guarantee and that will be responsible for the deficit contribution, with H&TS responsible for actuarial assumption changes.
- 2.9 Prior to any TAB being admitted to the scheme, the Pension Fund will seek to ensure there is security over the liabilities and this is either provided by a bond or a guarantee. In H&TS's case the Council will provide the guarantee and therefore if H&TS were to go into administration, the Council would be liable for any shortfall in funding.
- 2.10 Although staff will transfer across fully funded, H&TS will be liable for any changes in actuarial assumptions and management decisions that impact the pension scheme. The main assumptions include:

- pay increases above local government levels;
- redundancies;
- early retirements including due to ill health;
- discretions and augmentations;
- investment returns;
- mortality rates;
- inflation;
- regulatory change; and
- discount rates

2.11 The transfer of the staff from the Council to H&TS will be completed on 1 April 2018 on a fully funded basis, with the pension deficit remaining with the Council. A review of the admitted body's accounts will occur on an annual basis with a summary of the results for all Admitted Bodies taken to Panel.

3. Consultation

3.1 None.

4. Financial Implications

Implications completed by: Claire Symonds, Chief Operating Officer

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

5. Legal Implications

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

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

5.2 In the current application a bond will need to be executed to cover any potential losses.

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PENSIONS PANEL**14 March 2018**

Title: Application for Admitted Body Status – School Improvement Partnership	
Report of the Chief Operating Officer	
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 Strategic Director: Claire Symonds, Chief Operating Officer	
Summary: To consider the application for Admitted Body status from School Improvement Partnership (SIP) to the Local Government Scheme (LGPS).	
The Panel is asked to agree: <ul style="list-style-type: none"> the application for Admitted Body Status by School Improvement Partnership on 1 April 2018, as a 'closed' agreement. 	

1 Introduction and Background

- 1.1 At present, the Pension Fund has a number of Admitted Bodies, some of which have been members of the London Borough of Barking and Dagenham Pension Fund ("the Fund") for a number of years.
- 1.2 As Administering Authority, the Council cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the Local Government Pension Scheme (LGPS) regulations. In cases where the requirement of the LGPS regulations have been met, the Pension Panel can agree to retrospectively agree an admission agreement.
- 1.3 At the March and June 2017 Pension Panel, Members were advised that the Council was looking to create several different service delivery vehicles including, transferring its Leisure Services and establishing a company, Be First, to manage the implementation of its investment and regeneration strategy. In addition, a number of Traded Services will be set up.

2 Home and Traded Services Admission Agreement

- 2.1 As part of the Council's transformation process, several arms-length service delivery units have been established – with School Improvement Partnership (SIP) following Be First. The setting up of each delivery unit will require the TUPE (Transfer of Undertakings - Protection of Employment) transfer of staff and as a result, each delivery unit needs to be admitted as a separate employer to the Fund
- 2.2 SIP will be a Transferee Admission Bodies (TAB) within the LGPS. These are typically private sector companies or charities. They take on staff from a scheduled body as a result of an outsourcing of services and the transferring employees had a right to remain in the LGPS or a “broadly equivalent” scheme.
- 2.3 All staff will be TUPE transferred across to SIP fully funded, with the accrued deficit retained by the Council. As administering authority, the Council is responsible for deciding the admission requirement to the Fund, with the overriding requirement being that the body meets the entry requirements outlined within the LGPS Regulations.
- 2.4 Approximately 23 staff will transfer from the Council into the company and an actuarial valuation was requested from the pension fund's actuary for SIP.
- 2.5 Overall, the average combined rate calculated by the actuary is 27.2%. The value of the liabilities and assets to be transferred totals £3.3m. These totals are for 23 staff within the Fund, which represents around 0.6% of the current member numbers and therefore represents a very small proportion of the pension fund.
- 2.6 The SIP Board has agreed that the scheme can be a closed scheme, with a Council guarantee and the Council will be responsible for the actuarial assumption changes.
- 2.7 Prior to any TAB being admitted to the scheme, the Pension Fund will seek to ensure there is security over the liabilities and this is either provided by a bond or a guarantee. In SIP's case the Council will provide the guarantee and therefore if SIP were to go into administration, the Council would be liable for any shortfall in funding.
- 2.8 Although staff will transfer across fully funded, SIP will be liable for any changes in actuarial assumptions and management decisions that impact the pension scheme. The main assumptions include:
 - pay increases above local government levels;
 - redundancies;
 - early retirements including due to ill health;
 - discretions and augmentations;
 - investment returns;
 - mortality rates;
 - inflation;
 - regulatory change; and
 - discount rates

- 2.9 The transfer of the staff from the Council to SIP will be completed on 1 April 2018 on a fully funded basis, with the pension deficit remaining with the Council. A review of the admitted body's accounts will occur on an annual basis with a summary of the results for all Admitted Bodies taken to Panel.

3. Consultation

- 3.1 None.

4. Financial Implications

Implications completed by: Claire Symonds, Chief Operating Officer

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

5. Legal Implications

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

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

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PENSIONS PANEL**14 March 2018**

Title: Additional Voluntary Scheme Review	
Report of the Chief Operating Officer	
Open Report with Exempt Appendix 1 (relevant legislation: paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)	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 Strategic Director: Claire Symonds, Chief Operating Officer	
<p>Summary:</p> <p>Periodically the Council reviews its Additional Voluntary Contribution (AVC) provider to ensure that it is still appropriate and relevant to its members. In addition, a review of its performance and fees has been completed.</p> <p>Appendix 1 of this report includes a review of the Council's current AVC provider, Prudential, with a summary of the key points outlined in the main body of this report.</p> <p>After this report was produced, Prudential have provided advised of a reduction in fees and the introduction of improved communications and the potential to introduce a salary sacrifice element to the Council's current AVC offer.</p>	
<p>The Panel is asked to note:</p> <ul style="list-style-type: none"> i. the JLT AVC review report in Appendix 1; ii. that Prudential have agreed to: <ul style="list-style-type: none"> ○ reduce the costs of the funds they provide by 1 March 2018; ○ are improving their communication support to clients; and ○ are able to provide a salary sacrifice option for AVC payments. 	

1 Introduction and Background

- 1.1 The Pensions Regulator's 2015 Code of practice no. 14 "Governance and administration of public service pension schemes" expects Pensions Boards and Panels to be "familiar" with their Fund's AVC arrangements.

1.2 In addition one of the Pension Panels objectives includes the selection, appointment and termination of external AVC providers and review performance. A review of the Fund's AVC was included as part of the 2017 Business Plan.

1.3 Officer engaged JLT to review the AVC scheme provided by Prudential and compare it against 'what good looks like' in the broader workplace savings marketplace.

2. **Summary of JLT Review**

2.1 JLT have assessed the existing scheme, outlined the key features seen in modern workplace pensions products using research captured during our annual review of pensions providers 'Provider Watch', and drawn comparisons, conclusions and recommendations.

2.2 The primary features considered are those that the Pensions Regulator highlights as important to assess a scheme against, namely investments, communications, at retirement options and value for money.

2.3 JLT found that compared with a modern workplace savings product:

- Overall Prudential are a good AVC provider and tick several boxes;
- The lack of transparency around the "with profits" strategy was raised but it was noted that this was usual for this type of strategy;
- similar investments funds could be obtained more cheaply elsewhere, however these options currently do not provide an AVC compliant approach;
- the AVC communications have limited content and are out-dated;
- at retirement options available to members do not compare favourably; and
- value-for-money could be improved with a different provider.

2.4 JLT recommends that action is taken in three areas:

- that the Members should review their investment objectives and evaluate the continued suitability of this approach;
- that discussions are held with Prudential on the options they have to improve communications to members; and
- that consideration is given around the options available to you to improve value for money with Prudential.

3. **Officer Meeting with Prudential**

3.1 On 9 January 2018 officer met with Prudential to raise the issues outlined in the report and to discuss the costs charged to AVC Members.

3.2 Overall the meeting was positive, and Prudential confirmed that:

- i. Prudential is reducing the Annual Management Charge (AMC) for Unit-Linked funds by 10 basis points (this excludes the Prudential Cash Fund and the Prudential With-Profits Fund). The costs for each strategy provided is outlined below:

Fund name	Current AMC	New AMC
Prudential Discretionary	0.75	0.65
Prudential UK Equity Passive	0.65	0.55
Prudential UK Equity	0.75	0.65
Prudential Fixed Interest	0.75	0.65
Prudential Global Equity	0.75	0.65
Prudential Index-Linked	0.75	0.65
Prudential International Equity	0.75	0.65
Prudential UK Property	0.75	0.65
Prudential Long-Term Gilt Passive	0.65	0.55
Prudential Ethical	0.75	0.65

- ii. Prudential advised that they can now support employers in offering Salary Sacrifice Shared Cost AVC arrangements. Salary Sacrifice is a way of employers enabling AVCs to be made through salary sacrifice arrangements by using the existing LGPS shared cost AVC rules.
- iii. Prudential outlined improvement in their communication, including inserts in the Annual Benefit Statement, an updated Website, on-site presentations, emails and handouts. Officers will work with Prudential to ensure maximum benefits are obtained from the communication options provided.
- iv. A review of the strategies will be completed later in 2018, where additional strategies will be added.

3. Consultation

3.1 None.

4. Financial Implications

Implications completed by: Claire Symonds, Chief Operating Officer

- 4.1 The Pensions Regulator's 2015 Code of practice no. 14 "Governance and administration of public service pension schemes" expects Pensions Boards and Panels to be "familiar" with their Fund's AVC arrangements.
- 4.2 This report forms part of a regular review of the AVC provision.

5. Legal Implications

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

- 5.1 The Council as an administering authority is obliged to enable members of the Pension Scheme to make AVC's. Regulation 17 of The Local Government Pension Scheme Regulations 2013 sets out the requirements for dealing with AVCs or shared cost additional voluntary contribution arrangements ("SCAVCs"). Under the Regulation an active member may enter into arrangements to pay AVCs or SCAVCs. The

arrangements must be a scheme established under an agreement between and a body approved for the purposes under the Finance Act 2004 (“the AVC provider”), registered in accordance with that Act and administered in accordance with the Pensions Act 2004. Prudential is such a provider.

PENSIONS PANEL**14 March 2018**

Title: London Borough of Barking and Dagenham Pension Fund Business Plan 2018/19	
Report of the Chief Operating Officer	
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 Strategic Director: Claire Symonds, Chief Operating Officer	
Summary: The Pension Fund Business Plan sets out the key tasks for the Pension Panel in respect to Pension Fund issues for 2018/19 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 2018/19, subject to amendments following matters raised on this agenda.	

London Borough of Barking and Dagenham Pension Fund

2018/19 Business Plan



1 Introduction and Background

- 1.1. The Local Government Pension Scheme (“the LGPS) is an occupational pension scheme that has been established by Act of Parliament and is governed by regulations made under the Superannuation Act 1972. The London Borough of Barking and Dagenham Pension Fund (“the Fund”) is maintained under the Act.
- 1.2. The Fund is responsible for providing retirement and other benefits to employees of The London Borough of Barking and Dagenham (“the Council”). Fund membership is approaching 19,000 with 31 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 2018, 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. This is also a requirement of the Pensions Regulator, who from time to time, monitors compliance with this requirement. In addition, as a result of opting the Fund up to Professional Investor status, there is an expectation that Members will receive relevant, detailed and timely training, with updates of the training and attendance provided to the various fund managers, advisors and custodians that the Fund uses.
- 1.7. As there are local elections in May 2018, there is potential for the current Pension Panel Voting Members to change. It is likely that some of the new Members will not have had previous experience of being on a pension panel and / or will not have sufficient knowledge of the LBB scheme.
- 1.8. The Training requirements and proposed training is outlined in section 10 of this report but a revised training programme will be submitted for agreement at the June 2018 Pension Panel for Members to agree.

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:

Panel Voting Members Councillor Dominic Twomey (Chair)
Councillor Faraaz Shaukat (Deputy)
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: Susan Parkin (UNISON)

Member Representative: Dean Curtis (UEL)

Advisors: Aon Hewitt - Colin Cartwright and Joe Peach

Independent Advisors: John Raisin

Actuary: Hymans Robertson - Barry McKay

Custodian: State Street

- 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 Claire Symonds (Chief Operating Officer).
- 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 2016/17, 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 December 2017, the value of the Fund was £997m.
- 4.2 The 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 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 2020.
- 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. The names and their roles are summarised below:
- Paul Field (LBBB Employer) (Chair)
 - Hugo Wuyts (Unison Employees) (Deputy Chair)
 - Dean Curtis (UJEL Employers)
 - Gavin Palmer (GMB Employees)
 - Wijay Pitumpe (Barking College Employers)
 - Steve Ridley (Unite Employees)
- 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. Training for new Members is scheduled for 20 June 2018 from 14:00 to 17:30 in Committee Room 3, Barking Town Hall.
- Annual meetings with the fund managers is scheduled for July 2018. This meeting will be 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 CIPFA's Knowledge and Skills Framework

CIPFA has developed 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 Five training sessions were held in January, February and March 2016 covering the following areas:

June 2018: Member Induction

July 2018:	Investments
September 2018:	Actuarial and Advisor requirement
November 2018:	Knowledge and Skills Update
February 2018:	Triennial Valuations

10.7 Further training will be provided where it is required, however, unless urgent, most training will take place at the November 2018 Knowledge and Skills Update.

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 June 2018 Panel to help identify additional training needs. A 2018/19 training plan will be presented for Member approval at the September 2018 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 March meeting. The Panel will be provided with a BP update at quarterly meetings to review.

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 PIRC.
- 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:

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

- 15.8 Underperformance will include any amber or red returns.
- 15.9 For all reports since 2014 returns are provided net of fees. PIRC have advised that reporting net of fees will likely reduce the Fund's returns by 0.3% to 0.4% compared to gross returns. If compared to some local authorities, this can be significantly higher if fund manager fees are high.

16. Corporate Governance

- 16.1 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.

16.2 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.

17. Risk Monitoring

17.1 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.

17.2 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.

17.3 The risk register provides a summary of the key risks the Fund is exposed to and how these risks are managed and / or avoided.

17.4 The risk register will be updated at least annually and will be taken to Members as part of the BP each year for noting.

17.5 Appendix 2 contains the 2018/19 Risk Register for Members to note.

Appendix 1: Pension Fund Risk Register Updated January 2018

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 January 2018 - 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	Claire Symonds	30 January 2018	Reviewed January 2018 - 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 2018

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Poor stakeholder engagement & Poor communication with stakeholders giving rise to disaffection & actions against Council	Annual Newsletter on Pension Fund, updates to any changes to scheme Website, Employer meetings, communications strategy AGM. Pension Website. Increase in FTE	David Dickinson, Justine Spring	Claire Symonds	30 January 2018	Reviewed January 2018 - 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 January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018

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 January 2018 - 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	Claire Symonds	30 January 2018	January 2018 - 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	Claire Symonds	30 January 2018	January 2018 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 January 2018 - 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	Claire Symonds	30 January 2018	Reviewed January 2018 - 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 January 2018 - ongoing

7 Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Contract Monitoring and Service Level Agreements	Regular monitoring of key contracts, including performance monitoring, service level agreements, reviewing	David Dickinson	Claire Symonds	30 January 2018	Updated January 2018

	internal controls reports				
Market Testing of contracts and benchmarking	Market testing of contracts through procurement exercises and/or benchmarking of costs regularly	David Dickinson	Claire Symonds	30 January 2018	Updated January 2018
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	Claire Symonds	30 January 2018	Updated January 2018

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 January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018
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	Claire Symonds	30 January 2018	Updated January 2018
Fund profiling to monitor specific experience	Club Vita membership to annually monitor the LBBB specific fund longevity profile	David Dickinson	Claire Symonds	30 January 2018	Updated January 2018

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 January 2018 - 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 pension fund and to review asset	David Dickinson	Claire Symonds	30 January 2018	Updated January 2018 - ongoing

	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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing
Strategic goal Setting	Set strategic goals to achieve full funding, set targets to make changes to the assets when appropriate.	David Dickinson	Claire Symonds	30 January 2018	Updated January 2018 - 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 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing
Set aside reserves	Rebuilding Pensions reserve to buffer against future valuations variations.	David Dickinson	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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 January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing
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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 January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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 January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing
Compliance with regulation policies	Ensure processes and policies in place to meet regulatory compliance	David Dickinson Justine Spring	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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 January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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 January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing
Monitoring of Performance	Benchmarking of performance against other authorities	David Dickinson Justine Spring	Claire Symonds	30 January 2018	Updated January 2018 - 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 January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing
Market	Monitoring wider developments	David	Claire	30	Updated

intelligence gathering	and ensuring that officers and Members are kept informed. Wider networking and collaboration with other authorities where appropriate to ensure best practice.	Dickinson	Symonds	January 2018	January 2018 - ongoing
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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 January 18 - upgrade due to potential additional costs arising from regulatory changes LGPS 2018, 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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing
Benchmarking	Benchmarking costs with other authorities to ensure costs for LBBD are not disproportionate	David Dickinson	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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 2018

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Medium Term Financial Planning	MTEP / 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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing
Pens - Valuation Monitoring	Triennial Valuation assesses the funding position, Intervalation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration are put in	David Dickinson	Claire Symonds	30 January 2018	Updated January 2018 - ongoing

	place.				
Identifying the external risk factors that affect the funding position	Identifying the various risk factors, 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.	David Dickinson	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing

19 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Auto Enrolment Risk	Workplace Pensions or Auto-Enrolment. LBBB staging date is 01/04/2018 (with transitional arrangements pushing back full implementation to October 2018). 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 2018.

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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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 out are auto-enrolled should their circumstances change. Use of payroll/pension to ensure compliance with legislation.	Justine Spring, David Dickinson	Claire Symonds	30 January 2018	Updated January 2018 - ongoing
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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 2018

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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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 2018

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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing
Timing of Procurements	Where feasible, procurement exercises will be spread across different time periods, although this is not always feasible.	David Dickinson	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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 January 2018

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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - 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	Claire Symonds	30 January 2018	Updated January 2018 - ongoing

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