BARNET
LONDON BOROUGH

PENSION FUND

ANNUAL REPORT

2021/22

Contents

1. Trustee's Report

1.1 Local Government Pension Scheme Regulations

The London Borough of Barnet Pension Fund is part of the national Local Government Pension Scheme (LGPS). It is a contributory defined benefit pension scheme established under statute, which provides for the payment of pension benefits to employees and former employees of the London Borough of Barnet and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions that employees and employers pay into the Fund to meet the cost of paying pensions at a later date. The Fund builds up assets at the same time as paying out pensions. Employer contributions are set by the Fund's actuary at the actuarial valuation which is done every three years. The last actuarial valuation was completed as at 31 March 2019 with the next, as ay 31 March 2022, currently in progress. The Actuary determines the level of contributions payable by employers that together with other income are expected to enable the fund to acquire sufficient assets to pay benefits as they fall due for payment.

As a statutory pension scheme, it is secure because its benefits are set by law and paid out of a fund which is managed professionally. Should there be insufficient assets, the Council and other participating employers are responsible for making up the shortfall. Membership of the pension fund is available to employees of the local authority and other eligible organisations. However, as the benefits are guaranteed by law, and the employees' contribution is fixed, the employers' contribution rates will vary as the Actuary calculates the required level of assets and expectations of future investment income and this can have an adverse effect on the overall employers' budgets.

In the public sector, the individual legal provisions covering many pension schemes were brought together under one Act of Parliament (The Superannuation Act 1972). The regulations appoint major authorities, such as the London Borough of Barnet, to the role of "administering authorities" to manage the scheme at a local level.

The LGPS as introduced in 1972 remained unchanged until 2008 when changes were made to the scheme. More significant changes were introduced in a new look LGPS effective from 1 April 2014. One of the main changes is that a scheme member's pension entitlement for service after 1 April 2014 is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Benefits built up in the scheme before 1 April 2014 are protected and will continue to be based on the scheme member's final year's pay. The revised benefits payable from the Fund are set out in the Local Government Pension Scheme regulations and in summary are:

- A pension based on career average earnings (revalued in line with the Consumer Prices Index)
- Pensionable pay to include non-contractual overtime and additional hours
- Flexibility for a member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health

Some members received protections following the 2014 change in benefit structure to ensure that they were no worse off as a consequence and following a court case known as 'McCloud' these protections are likely to be extended to a wider group of members. The Fund is governed by the Public Services Pensions Act 2013 and the LGPS Regulations 2013 (as amended), the LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016.

The Pension Fund is a shareholder in the London Local Government Pension Scheme Collective Investment Vehicle (LCIV). The Pension Fund Committee approved the investment of £150,000 as regulatory capital in 2015. The Fund's investments with Legal and General, LCIV Sustainable Equities, Emerging Market Equities, Private Debt and Renewables Infrastructure (51% of investments) are either invested with the LCIV or monitored by them. This has delivered considerable savings in fees. It is also consistent with the Government's LGPS pooling ambitions that require local government pension scheme administering authorities to set out their proposals to invest their assets through one of the approved LGPS investment pools.

The content and detail in the pension fund annual report is prescribed by the LGPS Regulations 2013. In publishing this report, the Council as administering authority, sets out the standard of governance and supervision of the fund. It also brings together a number of separate reporting strands into one document to show how the Fund is managed and how it is performing.

To help people save more for their retirement, the Government requires employers to enrol their workers into a workplace pension scheme. This legislation is separate from the Local Government Pension Scheme (LGPS) Regulations and applies to those employees that are not members of the Local Government Pension Scheme, including those who have previously opted out. The automatic enrolment of the Council's workforce into the LGPS came into effect from 1 June 2013. The dates for other participating employers varied. The impact has been a growth in scheme membership.

The Local Pension Board, a requirement introduced by the Public Services Pensions Act 2013, has been established as a Council committee to oversee pension fund governance and administration.

1.2 Governance Arrangements

The London Borough of Barnet is the administering authority and scheme manager for the Pension Fund. The Council has delegated responsibility for pension matters to the Pension Fund Committee (the Committee). In doing so, the Committee is assisted by the Local Pension Board, particularly in relation to the of monitoring the performance of West Yorkshire Pension Fund in providing pension administration service.

Pension Fund Committee (the Committee)

The Committee is responsible for discharging the Council's leadership and strategic management responsibilities regarding the Pension Fund. The Committee is responsible for the governance and administration of the Pension Fund including:

- Complying with regulations and best practice
- Establishing sound systems of control over all the Fund's activities
- Approving and updating the statutory statements that form the appendices to these accounts
- Developing funding and investment policies that will safeguard the interest of scheme members and employers, and
- Appointing and monitoring service providers.

Membership of the Committee is determined by Council and restricted to elected councillors. The Committee considers advice from the Section 151 officer, other Council officers, the Scheme Actuary, investment advisor, administrator and fund managers. Membership of the Committee is shown below. The Committee meet five times during the year. Three members collectively missed six meetings. . In person meetings resumed from July 2021.

The Governance Compliance statement (appendix A) details the Committee's governance arrangements.

Local Pension Board

The Council established a local pension board (the Board) in compliance with the requirements of the Public Service Pensions Act. The purpose of the Board is to assist the Council to:

- Secure compliance with LGPS Government regulations and any other legislation relating to the governance and administration of the LGPS,
- secure compliance with the requirements imposed by the Pensions Regulator,
- such other matters as the LGPS regulations may specify, and
- ensure the effective and efficient governance and administration of the Pension Fund.

The Board activities during the year included monitoring the quality of the pension administration services, the Fund's compliance with legislation and regulations and reviewing the management of risk. The Board meet four times during the year. There were no recorded absences although following a resignation there was a vacancy for two meetings. The Members of the Board are appointed by Council.

The terms of reference of both the Pension Fund Committee and Local Pension Board form part of the Council Constitution and are published at:

https://barnet.moderngov.co.uk/uucoverpage.aspx

Conflicts of interest

Members of both the Pension Fund Committee and Local Pension Board follow the Code of Conduct for elected members, which sets out how any conflict of interest should be addressed. Declarations of interest are made at each meeting.

Knowledge and Understanding

Regular training is undertaken by members of the Pension Fund Committee, Local Pension Board and Officers. Training and development needs are identified though a self-assessment questionnaire that was developed using the Pension Regulator's Toolkit. Feedback is used to develop both collective and individual training plans. Local Pension Board members are required to assess their overall level of knowledge and understanding on an annual basis. Self-assessment by Members of the Pension Fund Committee and officers is undertaken for new Committee members and officers.

1.3 Management Structure

Administrating Authority
London Borough of Barnet

Pension Fund Committee Members 2021/22

Chairman:	Councillor Mark Shooter	
Vice-Chairman	Councillor Elliot Simberg	
Members:	Councillor Anthony Finn (died February 2022) Councillor Anne Hutton Councillor Peter Zinkin Councillor Arjun Mittra Councillor Kathy Levine	
Substitutes (who attended):	Councillor Melvin Cohen	
Observers:	James Kennedy	Middlesex University

Local Pension Board

Employer Representatives:	Professor Geoffrey Alderman (Chairman) Councillor Daniel Thomas Deepani de Silva (appointed 6 December 2021)

Employee Representatives:	Hem Savla (Vice-Chairman) Salar Rida David Woodcock
Independent:	Stephen Ross
Substitute Member:	Alice Leach Councillor Helene Richman

Officers

LB Barnet

Anisa Darr	Executive Director of Resources and S151 Officer
David Spreckley	Head of Pensions
Mark Fox	Pensions Manager
Adam McPhail	Finance Manager

Actuary
Hymans Robertson LLP

Investment Advisors
Hymans Robertson LLP

Auditor
BDO LLP

Legal Advisors
HB Law

Performance Monitoring
Hymans Robertson
PIRC

Banks
NatWest

Custodians
JP Morgan

Pensions Administration Manager

West Yorkshire Pension Fund

1.4 Risk Management

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Local Pension Board's terms of reference included oversight of risk management processes.

In order to manage risks, a risk register is maintained and reviewed by both the Committee and Board.

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay the promised benefits to members leading to contribution increases for employers. The investment and funding policies have been developed in conjunction with the actuary and investment advisor to provide a reasonable probability of achieving full funding and offering stability of contributions to employers.

1.5 Financial Performance

The Fund asset value increased by £107.027 million in the year to £1,501.627 million. There was an inflow of £2.044 million from dealings with members, expenses of £13.349 million were incurred and a return from investments of £118.333 million.

The table below summarises the change in the fund value over the last five years:

	2017-18	2018-19	2019-20	2020-21	2021-22
	£'000	£'000	£'000	£'000	£'000
Dealiing with members					
Contributions	-60,265	-61,950	-65,257	-83,049	-71,238
Pensions, lump sums and transfers out	54,447	59,746	65,058	62,351	69,194
Net (additions) from dealings with members	-5,818	-2,204	-199	-20,698	-2,044
Management expenses	5,870	8,073	9,536	11,305	13,349
Investment income	-2,405	-4,989	-8,598	-5,954	-9,023
Change in market value	-42,058	-56,448	71,964	-299,820	-109,310
Net (increase) in the Fund	**-44,411**	**-55,568**	**72,703**	**-315,167**	**-107,027**

A revised schedule of contributions was introduced from April 2020 following the 2019 triennial valuation. Most of the decrease in contributions in the last year is due to a prior year £20.477 million pre-payment of deficit contributions by LB Barnet for the three years to 31 March 2023.

The growth in expenses reflects the inclusion of Barnet's share of costs internal to pooled funds and the receipt of comprehensive reporting of internal fund costs. The appointment of additional fund managers to diversify the portfolio has led to an increase in investment expenses. Further details of expenses are given below. Most investment income is retained within pooled funds and included within the change in market value of investments. The Fund's earned a net return of 7.4% during 2021-22, which is discussed below.

The table below summarises the change in net assets of the fund over the last five years.

Net Asset Statement

	2017-18	2018-19	2019-20	2020-21	2021-22
	£'000	£'000	£'000	£'000	£'000
Pooled funds	1,074,130	1,127,712	1,067,106	1,345,152	1,456,977
Cash	3,505	14,310	3,698	1,532	25,002
Investment in London CIV	150	150	150	150	150
Current Assets	21,080	11,649	11,713	51,617	69,353
Current Liabilities	-2,297	-1,685	-3,234	-3,851	-49,855
Total Net Assets	**1,096,568**	**1,152,136**	**1,079,433**	**1,394,600**	**1,501,627**

The asset value has increased reflecting the strong investment returns during the year. All investments are held in pooled funds. Further details of investments are given in section 2 below. The table below details the scheme expenses in the last four years:

	2017-18		2018-19		2019-20		2020-21		2021-22	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administration		465		627		913		1,041		1,049
Investment Management										
Management Fees	3,425		3,675		4,559		4,876		6,273	
Performance related Fees	387		1,173		1,376		2,024		4,713	
Custody fees	15		15		15		13		15	
Transaction Costs	646		1,563		1,811		2,484		2,136	
		4,473		6,426		7,761		9,397		13,137
Oversight & Governance										
Actuarial	79		150		221		226		125	
Investment Advice	105		115		145		175		206	
Audit	28		26		64		42		36	
Council officers recharge	714		692		399		364		359	
other	6		37		33		60		31	
		932		1,020		862		867		757
Total		**5,870**		**8,073**		**9,536**		**11,305**		**14,942**

The above table includes costs incurred via pooled vehicles. Historically most investment fees were billed directly. This is no longer true, with only Legal & General, LCIV and Schroders issuing fee invoices. The other funds charge their costs directly to the value of investments, which for accounting purposes are estimated using information from each fund and included within costs above. The growth in internal fund costs is partly due to changes in best practice on cost disclosure that has increased standardisation and completeness of reporting. Costs have also increased due to the addition of new asset classes such as emerging market equities, private equity, infrastructure and property whose active management is expected to generate improved returns and as a consequence incur higher management charges.

The Pension Fund Committee and officers monitor costs and challenge fund managers. The increased use of investments managed by the London CIV has successfully reduced fees with estimates savings of £605,000 in the year.

Administration costs have increased as resources were devoted to the transition of pension administration services to West Yorkshire Pension Scheme effective from November 2020. From 2020 onwards, the staff costs of LB Barnet staff who work mainly on administration activities have been shown under that heading rather than as oversight costs. Included within administration costs are additional charges for the reconciliation of GMP records with HMRC. In order to ensure that staff and employers receive a good service, resources devoted to administration have increased and we expect these costs to remain at this level in future years. In aggregate costs of £0.954 million were incurred by the Council and recovered from the Pension Fund. These costs are monitored by the Pension Fund Committee and considered to be fair.

The Government produces annual statistics on LGPS expenses. Due to inconsistencies in the quantification of costs, particularly pooled fund costs, comparison can be misleading.

1.6 Actuarial Funding Level

The actuary to the Fund for the year was Hymans Robertson. The actuary's role is to place a value on the Fund's accumulated pension promises. A formal valuation of the Fund is required legally every three years; the most recent valuation of the Fund took place as at 31 March 2019.

The funding level at 31 March 2019 was 86%, an increase of 13% from 2016 This corresponds to an improved funding deficit from £339 million in 2016 to £190 million in 2019. Following the 2019 triennial valuation a new schedule of contributions was set by the Actuary. The fund's primary contribution rate as a whole for 21/22 remained 20.6% of pensionable pay plus a secondary contribution of £12.347million. For 2022/23 the fund as a whole primary contribution rate remains unchanged with secondary funding set at £12.721 million. .

The contribution schedule effective from 1 April 2020 is the aggregate required employer contribution to achieve a 70% probability of returning to a fully funded position over 17 years. The Actuary determines the contribution rate for each employer. The employer with the largest membership and fund share is LB Barnet, whose employer's contribution rate in 2021-22 was 28.9%, an increase of 1% from the previous year. The rate for 2022-23 remains 28.9%. An interim funding update as at 31 March 2021 indicated that the deficit had reduced to £32 million or alternatively that an investment return of 4.4% is required to pay the future benefit payments, which the actuary estimated had a 74% likelihood of being achieved. The next triennial actuarial valuation will be as at 31st March 2022, with a new schedule of contributions effective from 1 April 2023. It is expected that upward pressure will remain on future service rates due to changes in the benefit structure, potentially offset by lower deficit contributions if the funding position as at 31 March 2022 is retained.

2. Investment Report

The Council, through the Pension Fund Committee, is responsible for the investment of the Fund's assets and agreeing the investment policy within the regulations covering local authority pension schemes. The responsibility for the day to day management of the Fund's assets is exercised via the selection of self-managed pooled funds who are regulated by the Financial Conduct Authority. The role of appointing and monitoring of investment funds is shared with the London CIV.

The pooled funds into which the Committee invests appoint investment managers to manage the assets of the fund including buying and selling investments in order to achieve their specific objectives as set out in their governing documentation. In choosing investments, the investment managers must have regard to the overall suitability of investments in accordance with the pooled fund's aims and objectives. This section provides a summary of the current arrangements for investment of the London Borough of Barnet's Pension Fund.

As at 31 March 2022, the value of the Fund's net assets was £1,502 million (31 March 2021: £1,395 million). This represents an increase of £107 million compared with the previous year reflecting the 7.4% return achieved in the year (see table below).

Market Background as at 31 March 2022

The coronavirus outbreak has had a significant impact on the global economy and has done huge economic damage to the UK and economies around the world. This led the Bank of England to take emergency action in March 2020 to cut the Base Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022. Into the first quarter of the 22/23 financial year, we have continued to see steep rate rises with a further 0.25% increase in each of May and June, with current base rate at 1.25% and forecast to continue to rise.

Throughout the coronavirus pandemic, large numbers of businesses were forced to close or to operate at significantly reduced levels due to restrictions and workforce illness. With most of the economy opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation. At the end of March 2022, the 12-month CPI rate was 7% indicating strong inflationary pressures. In the 12 months to May 2022, CPI rose by 9.1% and supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 31st March 2022, 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, rises in US Treasury yields drag UK gilt yields higher; there is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax

Despite a pull pack in Q1, 2022 following the physical disruptions and sanctions caused by the Russia-Ukraine conflict that triggered broad commodity price rises, global equity markets returned 13% in the 12-months lead by US and UK equities Emerging markets and Japan generated negative returns. UK gilts and corporate bonds produced annual negative returns of 5% as yields increased due to inflation concerns. Global property had a steller year returning 24% as lockdown measues were reversed.

Investment Strategy

The Pension Fund Committee continues to work with Hymans Robertson to improve the expected outcome from the investment strategy and the strategic allocations are based on modelling undertaken by Hymans that considers the expected funding levels for a range of possible strategies and seeks to balance maximising the probability of achieving full funding with avoiding very poor outcomes. Pre the start of the year the Committee and the advisor have agreed to phase out the allocation to diversified growth funds (DGF's)and replace by allocations to three new asset classes; property , private equity and emerging market equities . The performance of DGF's have been below expectations over many years. These investments are being realised when funds are drawn down by the new mandates.

Although the strategic allocation to asset classes remained unchanged during the year, significant changes were made to the 40% allocation to index tracking listed equity, in particular the 20% allocation to market capitalised equities was reduced to nil and the allocation to RAFI index was halved from 20% to 10%. In their place was created an 25% allocation to the Future World index and a 5% allocation to LCIV Sustainable Equity Exclusion Fund. These funds are briefly described below:

Market capitalised equities index is constructed using a company's value to determine its weight in an index, calculated using the market capitalisation of that company (i.e. the number of outstanding shares of that company multiplied by its share price), giving larger weights to larger companies and delivering a very broad-based equity exposure.

RAFI weights constituent companies based on fundamental factors, such as a company's free cash flow, total sales and book equity value. RAFI's approach avoids excessive concentration or over-exposure to a given sector or region, such as Technology or the US. As a result, RAFI has a bias towards 'value' stocks (unloved or undervalued stocks that are 'cheap' relative to book value or tangible assets).

Future World weights companies by their market capitalisation but incorporates ESG tilts via an LGIM-constructed index, scoring companies' ESG and transparency factors using a rules-based approach. The index applies constraints at stock and sector level on how under/overweight it can be compared to a traditional market cap weight to manage expected performance deviation.

LCIV Sustainable Equities exclusion fund is an actively managed fund that only invests in companies it considers by the manager to have sustainable business models, integrating ESG considerations into their fundamental analysis. The manager excludes companies who derive revenue (above a threshold) from certain sectors and excludes companies involved in a range of industries it considers less sustainable. This is concentrated portfolio of normally less than 40 stocks compared with the thousands within a market capitalised portfolio.

These changes will be implemented over a two year period ending March 2023 and by March 2022 £212 million has been transitioning into Future Worlds and LCIV Sustainable Equities. Approximately £281 million of equities will be transitioned in 2022-23.

Other changes to allocations in the table below are:

Infrastrucuture	+3%
Property	+1%
Illiquid credit	+2%
Alternative credit	-1%
Diversified Growth	-5%

The fund's investment strategy as at 31st March 2022 is set out in the table below.

Asset class / Investment Manager	Benchmark	Benchmark Proportion	Target
Equity		**50%**	
LGIM	Future World Global Equity Index	25%	Track within +/- 0.5% p.a. the index for 2 years in every 3
LGIM	FTSE RAFI All World Equity GBP Hedged Index	10%	
LCIV Emerging Mkt Equities	MSCI Emerging Market Index (TR) Net	5%	
LCIV Sustainable Equity Exclusion Fund	MSCI World Index Net (Total Return)	5%	
Adams Street Global Private equity Fund 2019	MSCI ACWI TR Index + 4% p.a.	5%	
Divsified Growth Fund		**0%**	
Schroder DGF	CPI plus 5% p.a.	0%	To outperform the benchmark over a market cycle (typically 5 years
Property		**6%**	
Long lease (manager tbc)	FT British Government All Stocks Index	2.0%	To outform the benchmark by 2% p.a.
CBRE - Global Alpha	Net return of 9-11% in local currency.	2.0%	
Fiera Real Estate Opportunities	12-15% IRR	2.0%	Over the life of the fund
Corporate Bonds		**10%**	
Schroders All Maturities Corporate Bond Fund	Merrill Lynch Sterling Non-Gilts All Stocks Index	10%	To outperform the benchmark by 0.75% p.a. (gross of fees) over a rolling 3 years
Liquid Multi-Asset Credit		**13%**	
Alcentra - Clareant Global Multi Credit	3 month LIBOR plus 4% p.a.	3.50%	To outperform the benchmark over a market cycle (typically 5 years)
Baring Global High Yield Credit Strategies	3 month LIBOR plus 5% p.a.	3.50%	To outperform the benchmark over a market cycle (typically 5 years)
Insight - IIFIG Secured Finance	3 month LIBOR plus 4% p.a.	6%	To outperform the benchmark over a market cycle (typically 5 years)
Illiquid Alternatives		**21%**	
Partners Multi Asset Credit 2015, 2017 & 2019	3 month LIBOR plus 4% to 6% p.a.	11%	Over the life of the fund
Alcentra - Clareant Direct European Lending	7-12% net IRR per annum	included above	Over the life of the fund
LCIV Private Debt Fund	Net IRR of 6 - 8% p.a.	included above	Over the life of the fund
IFM Global Infrastructure	8-10% per annum	5%	Over the life of the fund
LCIV Renewables Infrastructure	7-10% per annum	3%	Over the life of the fund
Barings Global Special Situations Credit	15-20% Gross IRR	2%	Over the life of the fund
		100%	

Investment Ranges

Prior to the adoption of the first investment strategy statement (ISS) in March 2017 the Pension Fund had to abide by the maximum allocations to asset classes specified in the Local Government Pensions (Management and Investment of Funds) Regulations 2009. On adoption of the ISS these limitations were replaced by those set in the ISS, which are shown below together with the actual and benchmark proportions as at 31 March 2022:

Asset class	Actual Proportion	Benchmark Proportion	Maximum Allocation
Equity	**51%**	**50%**	**50%**
Listed equity	**48%**	45%	
Private equity	**3%**	5%	
Diversified growth funds	**10%**	**0%**	**25%**
Property	**4%**	**6%**	**12%**
Infrastructure	**6%**	**8%**	**7%**
Corporate bonds	**9%**	**10%**	**13%**
Illiqid credit	**7%**	**13%**	**23%**
Multi-credit	**4%**	**7%**	**10%**
Alternative credit	**6%**	**6%**	**10%**
Cash	**2%**	**0%**	**n/a**
	100%	**100%**	

There were no breaches of these limits during the year.

Investment Activity

During the year investment purchases were valued at £296.785 Million:

Future Worlds Global Equity index	£111.984 million
LCIV Sustainable Equities	£44.000 million
Insight Secured Finance	£44.000 million
Barings Special Situations Credit	£17.846 million
LCIV Private Debt	£33.985 million
LCIV Renewables Infrastructure	£11.066 million
Adams Street Global Private Equity	£9.794 million
IFM Global Infrastructure	£0.640 million
Standard Life Money Market Funds	£23.470 million

Investment realisations during the year were valued at £260.269 million:

FTSE All World Equities	£93.991 million
FTSE RAFI All World Equities	£39.993 million
Partners Multi Asset Credit	£14.590 million
LCIV Real Return	£45.064 million
M&G Credit Opportunities	£31.220 million
Alcentra Multi Asset Credit	£19.940 million
Alcentra European Direct Lending	£5.183 million
LCIV Private Debt	£9.554 million
IFM Global Infrastructure	£0.640 million
CBRE Property	£0.095 million

Within the financial statements, pooled fund costs of £10.530 million are also shown as disposals.

Commitments made but not drawn as at 31 March 2022 were

Adams Street Global Private Equity	\$40.264 million
Adams Street Secondary Private Equity	\$55.000 million
LCIV Private Debt	£34.650 million
LCIV Renewables Infrastructure	£28.815 million
Barings Special Situation Credit	€19.812 million
Fiera Real Estate Opportuniies Fund	£30.000 million

Benchmark

The prime performance objective of the Fund is to achieve the return required to fund the Scheme's liabilities over the medium to long term, as assumed in the ongoing actuarial valuation. The performance targets for each investment are detailed below.

Performance against this benchmark is measured, from an investment perspective, on a quarterly basis by Hymans Robertson LLP, the Investment Advisor to the Fund.

The Fund also subscribes to an independent investment performance measurement service in order to assess the rate of return achieved and the relative performance against other local authority pension funds that operate under the same regulations. This service is provided by PIRC.

Pooling

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing an approach to pooling that ensures maximum cost effectiveness both in terms of investment returns and management fees and costs.

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. The LCIV is in the process of opening a range of sub-funds across all the asset classes likely to be of interest to the pension funds of London Boroughs.

As at 31 March 2022 investments managed by LCIV were:

LCIV Emerging Market Equities	£69.142 million
LCIV Sustainable Equities Exclusions	£42.946 million
LCIV Private Debt	£24.414 million
LCIV Renewables Infrastructure	£11.066 million

Foe both Private Debt and Renewables Infrastructure there are substantial undrawn commitments as highlighted on the previous page. The Pension Fund Committee has also agreed to invest into the following LCIV funds, with drawdowns commencing after 1 April 2021:

LCIV Global Bonds	5% circa £75 million
LCIV Multi Asset Credit	3.5% circa £50 million

The Fund will look to transfer other asset classes to the LCIV as and when there are suitable investment strategies available.

The Fund holds assets in life funds managed by Legal & General Investment Management (LGIM) valued at £603.4 million (40.7% of the fund) as at 31 March 2022. The Fund holds these outside the LCIV in accordance with government guidance on the retention of life funds outside of pools. The LCIV has negotiated fees for the life funds and monitors the performance of the life funds.

The performance of the pooled and non-pooled assets is detailed in section 3.1 below of this report.

Costs and Savings

The Fund contributed to the costs of the LCIV in the year to 31 March 2022 by way of both fixed charges and additional fund manager fees. The fixed charges comprise an annual service charge of £30,000 (2020/21: £25,000) and a funding development charge of £110,000 (2020/21): £85,000). In addition, fees based on assets being monitored by LCIV were £30,000 (2020/21: £23,623). LCIV has estimated the net fee savings during the year to 31 March 2022 from pooling at £605,000 (2020/21: £435,000).

Independent Advisor

The Pension Fund Committee and Council Officers receive investment advice from the investment advisor to the fund, Hymans Robertson LLP. The role of the advisor is to attend the quarterly and annual meetings of the Committee and to provide advice on the following:

1. Investment strategy
2. Strategic asset allocation
3. Development of investment policy and practices
4. Corporate governance issues, including socially responsible investment and the Council's Investment Strategy Statement
5. Pension fund related legislation
6. Investment management performance monitoring
7. Assistance in the selection of investment managers, custodians and actuaries
8. Review of and advice on alternative benchmarks and setting of performance targets
9. Other ad-hoc advice.

Custodian

When assets are held in segregated portfolios it is necessary to appoint a custodian whose role is to hold title on behalf of the scheme, settle transactions, collect income, vote etc. The Barnet Pension Fund no longer has any segregated mandates, investing only in pooled funds, and as a consequence does not require the services of custodians. JP Morgan is retained to provide limited custody services for the Schroder's managed funds. Each pooled fund will have their own custodian who carry out the duties outlined above and may also act as fund administrator, maintaining the shareholders records for each fund. These custodians are appointed and monitored by either the fund sponsor or fund directors depending on the legal structure.

Responsible Investing & ESG

The Pension Fund Committee firmly believes that incorporating environmental, social and governance (ESG) factors into investment decision making will help mitigate long-term investment risks such as climate change and safeguard fund assets. The Committee's responsible investment beliefs are set out in the Investment Strategy Statement; appendix C to the Annual Report. These beliefs will be reviewed annually and will be taken into consideration when making investment decisions both in relation to setting and implementing investment strategy. The Fund is committed to be a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term.

To implement these beliefs, the Committee has decided to move equities representing 30% of the pension fund portfolio into ESG-focussed investments over the next few years, resulting in a significant reduction in the fund's investment in companies with high carbon emissions and fossil fuel reserves together with a preference to invest in companies committed to good social and governance practices.

The Committee has also commenced a process of reviewing the ESG characteristics of the non-equity holdings and will be seeking opportunities to invest where there is a strong sustainability approach to the selection of investments.

Planning is underway to take the steps necessary to become a signatory to the UK Stewardship Code and to meet our anticipated reporting requirements of the Taskforce for Climate Related Financial Disclosures.

Voting

When investing through funds, voting rights rest with the fund or its appointed fund managers. The committee and officers discuss voting with the fund sponsors but are not able to direct how votes are cast.

3. Management and Financial Performance of the Fund for the Year 2020/21

3.1 Fund Performance

Over the 12 months to 31 March 2022, the Fund returned 7.4% (net of fees) versus a combined benchmark return of 6.6%.

The table below prepared by the Fund's investment advisor details the Fund's performance for the 12 months, 3 years and since inception for each investment.

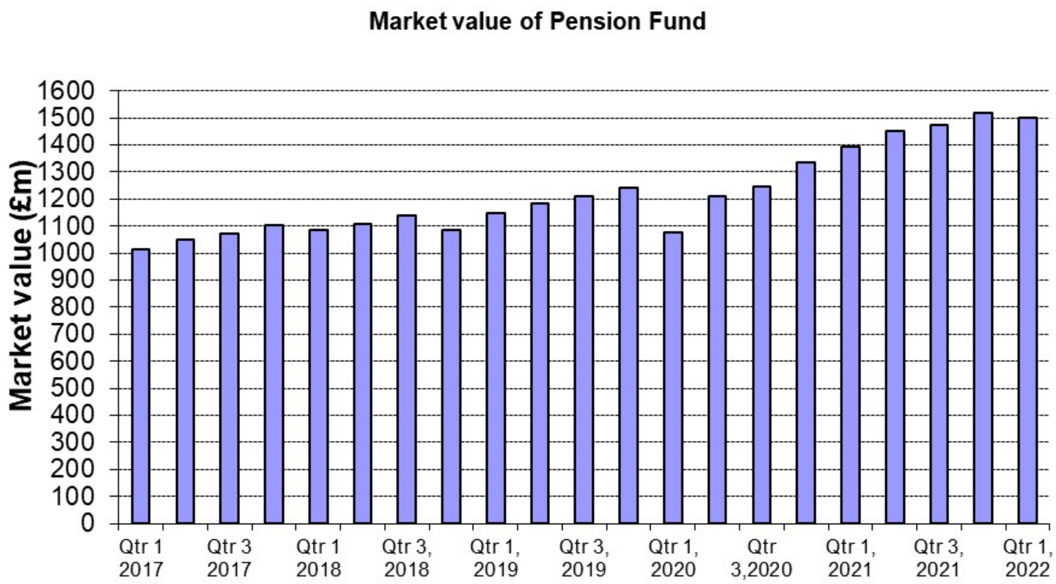
Performance Summary (Net of fees) – to 31 March 2022

	Last 3 months (%)			Last 12 months (%)			Last 3 years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative	Fund	B'mark	Relative
Growth												
LGIM RAFI Carbon Pathway Index GBP Hdgd	0.5	0.3	**0.2**	11.6	11.3	**0.3**	11.3	11.2	**0.0**	9.5	9.5	**0.0**
LGIM UK Equity	0.5	0.5	**0.1**	13.2	13.0	**0.1**	5.4	5.3	**0.1**	6.4	6.3	**0.1**
LGIM World ex UK Dev Equity Index	-2.7	-2.7	**0.0**	14.7	14.7	**0.0**	15.4	15.4	**0.0**	13.6	13.6	**0.0**
LGIM World ex UK Dev Equity Index GBP Hdgd	-4.8	-4.8	**0.0**	10.8	10.8	**0.0**	n/a	n/a	**n/a**	14.1	14.2	**-0.1**
LGIM World Emerging Markets Equity Index	-2.5	-2.5	**0.0**	-3.6	-3.5	**-0.1**	5.5	5.6	**-0.1**	7.9	8.0	**0.0**
LGIM Future World Global Equity Index GBP Hdgd	-5.5	-5.5	**0.0**	9.1	9.0	**0.1**	n/a	n/a	**n/a**	9.1	9.0	**0.1**
LGIM Future World Global Equity Index	-3.8	-3.8	**0.0**	12.3	12.1	**0.2**	n/a	n/a	**n/a**	12.3	12.1	**0.2**
LCIV Emerging Markets	-6.1	-4.3	**-1.9**	-10.4	-7.1	**-3.5**	n/a	n/a	**n/a**	7.4	5.4	**1.9**
LCIV Sustainable Exclusion	-9.1	-2.4	**-6.8**	4.2	10.0	**n/a**	n/a	n/a	**n/a**	4.2	10.0	**-5.2**
Schroder Life Diversified Growth	-2.7	3.0	**-5.6**	3.1	12.3	**-8.3**	5.9	8.2	**-2.2**	4.4	7.7	**-3.0**
Adams Street 2019 Global	12.8	7.3	**5.2**	120.9	24.7	**77.1**	n/a	n/a	**n/a**	120.1	19.9	**83.6**
Adams Street Global Secondaries	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Income												
IFM Global Infrastructure	4.3	2.4	**1.8**	22.0	10.0	**11.0**	13.5	10.0	**3.2**	12.7	10.0	**2.5**
LCIV Renewable Infrastructure	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Standard Life Long Lease Property	2.7	-6.7	**10.1**	14.0	-3.1	**17.6**	n/a	n/a	**n/a**	7.4	1.0	**6.4**
CBRE Global Alpha	4.0	2.2	**1.8**	12.1	9.0	**2.9**	n/a	n/a	**n/a**	5.8	9.0	**-3.0**
Alcentra Multi-Credit	-1.4	0.7	**-2.0**	4.5	3.8	**0.7**	3.6	4.3	**-0.6**	4.7	4.4	**0.3**
Barings Multi-Credit	-3.6	1.2	**-4.8**	1.1	5.1	**-3.9**	2.9	5.4	**-2.4**	4.3	5.5	**-1.1**
Insight Secured Finance	0.0	1.1	**-1.0**	2.7	4.1	**-1.4**	2.9	4.4	**-1.4**	3.2	4.5	**-1.2**
M&G ABS Alternative Credit	-0.5	0.3	**-0.7**	1.0	1.6	**-0.6**	1.7	2.0	**-0.4**	2.1	2.2	**-0.1**
Schroder All Maturities Corporate Bond	-6.4	-6.2	**-0.3**	-4.6	-5.1	**0.6**	2.7	1.1	**1.6**	5.3	4.8	**0.5**
Alcentra Direct Lending	3.7	2.3	**1.3**	10.3	9.5	**0.7**	5.7	9.5	**-3.5**	6.3	9.5	**-2.9**
Partners Group MAC 2015	0.8	0.9	**-0.1**	11.7	4.8	**6.6**	5.0	5.3	**-0.3**	6.7	5.0	**1.6**
Partners Group MAC 2017	0.8	0.9	**-0.1**	5.0	4.8	**0.2**	4.3	5.3	**-1.0**	4.4	5.0	**-0.6**
Partners Group MAC V	0.7	0.9	**-0.2**	4.5	4.8	**-0.3**	n/a	n/a	**n/a**	5.3	5.0	**0.3**
LCIV Private Debt	-2.8	1.5	**-4.3**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	0.8	3.0	**-2.1**
Barings Global Special Situations Credit	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Total	**-1.9**	**-1.5**	**-0.5**	**7.4**	**6.6**	**0.7**	**8.9**	**8.7**	**0.3**	**6.8**	**7.7**	**-0.9**

The 12-month return of 7.4% is 0.7% above benchmark but below the average LGPS return of 8.6% calculated by PIRC. The three year return of 8.9% p.a. is 0.3% p.a. above the 8.7% benchmark in the table above and also exceeds the PIRC LGPS average of 8.3 %.

3.2 Market Value of the Fund

The following chart shows the quarterly movements in the market value of the investments over the last five years to 31 March 2022.



Investment values recorded stead rises throughout most of the above five-year period until the first quarter of 2020, when government actions globally to stop the spread of Covid-19 virus had the impact of reducing economic activity and creating uncertainty in investment markets. Markets have recovered these losses in 2020 and continued their upward path in 2021 as governments start to relax the restrictions on people movement with favourable projections of economic growth. Quarter 1, 2022 witnessed a pull back of equity and bond markets due to inflation concerns.

3.3 Scheme Administration

Administration of the Pension Fund up to 31 October 2020 was provided by Capita Employee Benefits. Since this date, the administration has been undertaken by West Yorkshire Pension Fund (WYPF) under a shared arrangement with the City of Bradford Metropolitan Council.

WYPF were appointed following a tender process based on their record of providing high quality pension administration to three LGPS schemes.

The table below shows the range of work undertaken by WYPF since they took over the administration in November 2020 and the achievement of service standards in the period to 31 March 2022.

Type of work	Description	Service Level Agreed (SLA) target	Performance of cases completed against SLA target
Change of Address/ Bank Details	Update member records with new details	85% of cases processed with 5 days	96.95%
Death Grant Nomination Form Received	Update member records with new details	85% of cases processed with 20 days	100.00%
Death in Retirement	Issue initial correspondence to beneficiary following notification of death; Issue details of benefits payable on death; Process payment of death lump sum.	85% of cases processed with 5 days	85.38%
Death in Service	Issue initial correspondence to beneficiary following notification of death; Issue details of benefits payable on death; Process payment of death lump sum.	85% of cases processed with 5 days	100.00%
Death on Deferred	Issue initial correspondence to beneficiary following notification of death; Issue details of benefits payable on death; Process payment of death lump sum.	85% of cases processed with 5 days	100.00%
Deferred Benefits into Payment Actual	Set up pension and arrange payment of any lump sum payable	90% of cases processed with 5 days	99.09%
Deferred Benefits Quotation	Calculate retirement benefits for a deferred member	95% of cases processed with 7 days	100%
Leaver benefits - deferred pension	Calculation of leaver benefits; Send letter to member	85% of cases processed with 10 days	100.00%

Pension Estimate	Calculate retirement benefits for an active member	75% of cases processed with 10 days	98.47%
Refunds of contributions	Provide quote to member and arrange payment	90% of cases processed with 5 days	100.00%
Retirement Set Ups	Set up pension and arrange payment of any lump sum payable	95% of cases processed with 3 days	97.94%
Set Up New Spouse Pension	Set up pension to spouse and/or dependants	90% of cases processed with 10 days	91.11%
Transfer in Quote/Receipt	Obtain details of previous benefits; provide quotation	85% of cases processed with	100.00%

	to member; request payment and update member	35 days	
Transfer Out Quote	Calculate transfer value	85% of cases processed with 20 days	100.00%

In total, for the period from November 2020 to March 2021, WYPF completed 97.86% of cases within agreed Service Levels. In the period April 2020 to October 2020 the average achievement of service levels was 85%.

The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received by WYPF has been low and feedback from both employers and scheme members has been positive with member satisfaction ratings exceeding 90%.

The current administration priority is completion of the data improvement plan prior to commencement of the 2022 triennial valuation.

For enquiries relating to benefit entitlements the administrator can be contacted at:

pensions@wypf.org.uk

London Borough of Barnet Pension Fund, PO Box 67, Bradford, BD1 1UP

Pension Increases

The amount by which pensions are increased annually each April is based on inflation during the 12 months to the previous September as measures by the Consumer Price Index. The pension increase in 2022 was 3.1% (2021: 0.5%).

The Pensions Regulator

The Fund's registration number with the Pensions Regulator is 10123044.

Additional Voluntary Contributions

The Fund provides for members to pay Additional Voluntary Contributions (AVCs) to increase their benefit entitlement at retirement. Such contributions attract tax relief, subject to HMRC limits, and provide increased benefits. The Committee has selected Prudential to be its AVC provider. Further details are available at:

https://www.pru.co.uk/rz/localgov/

3.4 Membership of the Pension Fund 2021/22

	31 March 2021	31 March 2020
Number of employers with active members	65	65
Number of employees in scheme		
London Borough of Barnet	3,561	5,029
Other employers	5,221	3,155
Total	8,782	8,184
Number of pensioners		
London Borough of Barnet	5,248	6,416
Other employers	2,868	2,171
Total	8,116	8,587
Deferred pensioners		
London Borough of Barnet	6,153	7,253
Other employers	3,568	2,779
Total	9,721	10,032
Total number of members in pension scheme	**26,619**	**26,803**

The figure in the previous year accounts for deferred members of 11,695 includes 1,493 historical leavers that had not been processed. These leavers are currently being processed, but may not all result in a deferred pension (many of these cases are found to only be entilted to a refund of their contributions). As at 31 March 2021 there are 1,401 historical leavers to be processed not included in the table above.

In addition to the numbers reported in the table there are 980 preserved redunds (959 as at 31 March 2020), where members are entitled to a refund of contributions but this has not been paid.

Scheme members with multiple roles will be included more than once in the table as will contractors with more than one contract.

Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies comprise private contractors undertaking a local authority function following outsourcing:

Atlas Catering (2)	City and County Healthcare Group	ISS
Barnet Education Arts Trust	Greenwich Leisure	Mi Healthcare
Capita CSG	Hartwig	NSL Ltd
Capita RE	HCL	OCS Group UK Ltd
Caterlink (3)	Hestia	Olive Dining (2)
Churchill Catering	Innovate	Optivo (Viridian Housing)

Scheduled Bodies – local authorities, academies and similar bodies whose staff are automatically entitled to be members of the Fund:

Alma Primary School	Copthall Academy	Mill Hill County High School
Alternative Provision (Oak Hill)	Deansbrook Junior Academy	Oak Lodge School
Archer Academy	East Barnet Academy	Parkfield Primary School
Ark Pioneer	ETZ Chaim Jewish Primary	Queen Elizabeth's Boys' School
Ashmole Academy	Grasvenor Avenue Infant	Queen Elizabeth's Girls' School
Barnet Education and Learning	Hasmonean High School	Sacks Morasha
Barnet & Southgate College	Hendon School	Saracens High
Barnet Homes	Henrietta Barnett School	St Andrew the Apostle School
Bishop Douglass School	Hyde School	Summerside School
Broadfields Academy	Independent Jewish Day School	Totteridge Academy
Childs Hill	Kisharon Academy	Whitefield Trust School
Christ College	London Borough of Barnet	Woodhouse College Academy
Claremont Primary School	London Academy	Wren Academy
Compton Academy	Middlesex University	Your Choice Barnet

4. Statutory Statements

The Pension Fund Committee has approved the statutory statements required by scheme regulations. Copies are included with the Annual Report and Accounts:

Governance Compliance Statement	appendix A
Funding Strategy Statement	appendix B
Investment Strategy Statement	appendix C
Communications Policy	appendix D
Pension Administration Strategy	appendix E

Comments

We welcome and value your comments on the standards of service we provide. If you have any comments please contact us.

Pensions@barnet.gov.uk
Address: London Borough of Barnet Pension Fund, 2 Bristol Avenue, Colindale, London, NW9 4EW

On behalf of the Pension Fund Committee
Councillor Ann Hutton
Chairman of the Pension Fund Committee
London Borough of Barnet

London Borough of Barnet Pension Fund ("the Fund") Actuarial Statement for 2021/22

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the London Borough of Barnet Council, Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £1,152 million, were sufficient to meet 86% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £190 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.4%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	24.0 years
Future Pensioners*	22.9 years	25.7 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Steven Scott

Steven Scott FFA

19 April 2022

For and on behalf of Hymans Robertson LLP

Audit Report – to be added

Audit Report – to be added

Audit 3

Statement of Responsibilities

Pension Fund Responsibilities

The London Borough of Barnet as administering authority of the London Borough of Barnet Pension Fund is required to:

- Make arrangements for the proper administration of the Pension Fund's financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For the London Borough of Barnet Pension Fund that officer is the Director of Finance and Section 151 Officer.
- Manage the Pension Funds' affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance and S151 Officer Responsibilities

The Director of Finance and Section 151 Officer is responsible for the preparation of the London Borough of Barnet Pension Fund's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this Statement of Accounts, the Director of Finance and Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with The Code.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Director of Finance & S151 Officer Responsibilities

I certify that the Pension Fund's Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Pension Fund at 31 March 2021 (the balance sheet) and its income and expenditure for the year ended 31 March 2021.

Anisa Darr (CPFA) **Date:**
Director of Finance and Section 151 Officer

Chairman of Pension Fund Committee Certificate

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Pension Fund Committee.

Councillor Simon Radford, **Date:**
Chairman, Pension Fund Committee

PENSION FUND

STATEMENT OF ACCOUNTS

2021/22

MAIN STATEMENTS

FUND ACCOUNT

	Notes	2021/22 £000	2020/21 £000
Dealings with members, employers and others directly involved in the fund			
Contributions	6	(61,990)	(78,983)
Transfers in from other pension funds	7	(9,247)	(4,066)
		(71,238)	**(83,049)**
Benefits	8	63,583	58,933
Payments to and on account of leavers	9	5,611	3,418
		69,194	**62,350**
Net (additions) from dealings with members		**(2,044)**	**(20,698)**
Management expenses	10	14,942	11,305
Net (additions) / withdrawals including fund management expenses		**12,899**	**(9,393)**
Returns on investments			
Investment income	11	(9,023)	(5,954)
Profit and losses on disposal of investments and changes in the value of investments	13	(110,902)	(299,820)
Net return on investments		**(119,926)**	**(305,773)**
Net (increase) / decrease in the net assets available for benefits during the year		**(107,027)**	**(315,167)**
Opening net assets of the scheme		1,394,600	1,079,433
Closing net assets of the scheme		**1,501,627**	**1,394,600**

NET ASSETS STATEMENT

	Notes	31 March 2022 £000	31 March 2021 £000
Investment assets		1,481,979	1,346,684
Long term investments		150	150
Total net investments	13	**1,482,129**	**1,346,834**
Current assets	17	69,353	51,617
Current liabilities	18	(49,855)	(3,851)
Net assets of the fund available to fund benefits at the end of the reporting period		**1,501,627**	**1,394,600**

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 21.

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The London Borough of Barnet Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund is administered by the London Borough of Barnet (LBB) and the Council is the reporting entity for the Fund.

The day to day administration of the Fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Finance Officer (Section 151 Officer) of the Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the *London Borough of* Barnet *Pension Fund Annual Report 2021/22* and the underlying statutory powers underpinning the scheme.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the LBB Council to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies.

A government scheme supplies teachers' pensions and as such they are not provided for under these arrangements.

The Fund's accounts provide information on the financial position, investment performance and risk showing the results of the Council's stewardship in managing the resources entrusted to it. The Fund is overseen by the Pension Fund Committee which is specifically set up as a committee of the London Borough of Barnet Council and has authority under the Council's constitution to approve the Pension Fund Annual Report and Pension Fund Statement of Accounts.

Membership

Membership of the LGPS is voluntary and employees, including non-teaching staff in schools, are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements (except teachers, who have a separate scheme). Organisations participating in the Fund are classed as admitted and scheduled bodies:

- Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies can include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector

- Scheduled Bodies – local authorities, academies, colleges and similar bodies whose staff are automatically entitled to be members of the Fund

The numbers of members have been extracted from the underlying membership records in the live system as at 31 March 2021, including the comparative figures. An analysis of membership movement in the year is provided in the note below.

The number of employees contributing to the Fund increased during the year from 8,184 to 8,782 at 31 March 2022. During the same period, the number of pensioners increased from 7,605 to 8,116 and the number of deferred pensioners deceased from 11,014 to 9,721.

	31 March 2022	31 March 2021
Number of employers with active members	65	65
Number of employees in scheme		
London Borough of Barnet	3,561	5,029
Other employers	5,221	3,155
Total	8,782	8,184
Number of pensioners		
London Borough of Barnet	5,248	5,638
Other employers	2,868	1,967
Total	8,116	7,605
Deferred pensioners		
London Borough of Barnet	6,153	8,031
Other employers	3,568	2,983
Total	9,721	11,014
Total number of members in pension scheme	**26,619**	**26,803**

NB: Scheme members with multiple roles will be included more than once in the table as will contractors with more
than one contract.

Funding

The Fund is financed by contributions from employers, employees and the income from the Fund's investments. The funding policy aims to ensure that the assets held by the scheme in the future are adequate to meet accrued liabilities, allowing for future increases in pay and pensions.

Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2022. Employers also pay contributions and their rates are set based on triennial actuarial funding valuations. Further details of the last actuarial valuation are given in Note 16.

Benefits

The Fund is operated as a funded, defined benefit occupational pension scheme which provides for the payment of benefits to former employees of LBB and those bodies required to participate or otherwise admitted to the Fund referred to as "members". The benefits include not only retirement pensions, but also widows' pensions, death grants and lump sum payments.

2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounts have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fund account – revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Where the Actuary has agreed to a pre-payment of deficit contributions, the amount paid is allocated to the year in which it was paid and not apportioned between financial years.

Augmentation contributions are accounted for when the contributions are receivable, which is mainly when the relevant benefits are paid.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Investment income

- **Distributions from pooled funds** are recognised at the date of payment. Should there be a timing delay between the date the net asset value is reduced to reflect the distribution and the date of receipt, the income is disclosed in the net assets statement as a current financial asset.
- **Movement in the net market value of investments** are recognised as income and comprise all realised and unrealised profits/losses during the year.

3.2 Fund account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the London Borough of Barnet is the administrating authority of the Fund, VAT input tax is recoverable on all Fund activities.

Members are entitled to request the Pension Funds pays their tax liabilities due in respect of annual allowance and life time allowance in exchange for a reduction in pension. Where the Fund pays members tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Management expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

- All **administrative expenses** are accounted for on an accruals basis. Associated management, accommodation and other overheads are apportioned to this activity, based on estimated time spent, and charged as expenses to the Fund. A proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.
- All **oversight and governance expenses** are accounted for on an accruals basis. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- All **investment management expenses** are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. These expenses also include performance fees and expenses incurred by the investee funds.

3.3 Net assets statement

Financial assets

Investment assets are included in the net assets statement on a fair value or cost basis as at the reporting date. Cash held by fund managers, money market fund investments, long-term investments, receivables and own cash are at amortised cost. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). Further details are provided by note 13.

Purchases and sales of investments in foreign currencies have been accounted for at the spot market rate at the date of the transaction. End of year spot market exchange rates are used to value non-sterling denominated investments.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial liabilities

The Fund recognises financial liabilities at amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 26 and relevant actuarial standards.

Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension Fund. The Fund has appointed Prudential and Aviva as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 19).

3.4 Post Balance Sheet Events

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts

3.5 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Pension Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Asset Statement but, if material, are disclosed in a note to the accounts.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The net pension Fund liability, which is disclosed within note 21 but excluded from the Net Assets Statement, is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 16.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

There is a significant risk of material adjustment in the forthcoming financial year is as follows.

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions, which is disclosed within note 21 but excluded from the Net Assets Statement, depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. Sensitivity analysis and the effects of changes in individual assumptions on the net pension liability are shown in Note 21.

Fair Value of Unquoted Investments

The valuation of unquoted investments in infrastructure, property, private equity and destressed debt is made by the relevant fund manager based on net asset values, in most cased derived from valuations provided by the underlying investee companies. Full details of the valuations of these investments is provided in note 13D. These valuations are based on estimates and judgements that cannot be verified. There may be a timing difference between the date of the valuation information and the date of the Fund's financial statements during which the underlying investment values may have increased or decreased by a material amount. Furthermore, because there is no liquid market for these investments, their values may differ from the values that might be achieved had such a market existed. These differences could be material. Sensitivity analysis is also provided in note 13D. The valuation techniques used by fund managers is reviewed for reasonableness using audited accounts and internal controls reporting when available.

6. CONTRIBUTIONS RECEIVABLE

By category

	2021/22	2020/21
	£000	£000
Employees' contributions:	**(13,073)**	**(11,898)**
Employers' contributions:		
Normal contributions	(40,759)	(37,083)
Deficit recovery contributions	(4,023)	(25,930)
Augmentation contributions	(4,135)	(4,072)
Total employers' contributions	**(48,917)**	**(67,085)**
Total contributions receivable	**(61,990)**	**(78,983)**

By authority

	2021/22	2020/21
	£000	£000
London Borough of Barnet	(35,569)	(52,245)
Scheduled bodies	(22,282)	(22,413)
Admitted bodies	(4,140)	(4,325)
Total contributions receivable	**(61,990)**	**(78,983)**

The contributions shown in the table above for the London Borough of Barnet, included the following wholly owned subsidiaries of the Council:

Barnet Homes	£2.265 million (2020/21: £2.465 million)
Your Choice	£0.563 million (2020/21: £0.705 million)
Barnet Education & Learning Services	£0.860 million (2020/21: £0.488 million)

Contributions paid by London Borough of Barnet in 2020/21 included £20.477 million advance payment of deficit contributions due for the period 1 April 2020 to 31 March 2023 of which £7.574 million was payable in 2021/22. As a consequence of paying these contributions early, the Actuary reduced the amount due by £1.409 million. The advance payment was allocated to 2020/21 contributions and not spread over the period to which it relates.

7. TRANSFERS IN FROM OTHER PENSION FUNDS

	2021/22 £000	2020/21 £000
Group transfers	0	(227)
Individual transfers	(9,247)	(3,839)
Total transfers in from other Pension Funds	**(9,247)**	**(4,066)**

8. BENEFITS PAYABLE

By category

	2021/22 £000	2020/21 £000
Pensions	51,384	49,480
Commutation and lump sum retirement benefits	10,479	8,469
Lump sum death benefits	1,719	984
Total benefits payable	**63,583**	**58,933**

By authority

	2021/22 £000	2020/21 £000
London Borough of Barnet	45,503	42,832
Scheduled bodies	13,570	11,834
Admitted bodies	4,510	4,267
Total benefits payable	**63,583**	**58,933**

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2021/22 £000	2020/21 £000
Refunds to members leaving service	153	99
Individual transfers	5,458	3,319
Total payments to and on account of leavers	**5,611**	**3,418**

10. MANAGEMENT EXPENSES

	2021/22 £000	2020/21 £000
Administrative costs	1,049	1,041
Investment management expenses	13,137	9,397
Oversight and governance costs	757	868
Total management expenses	**14,942**	**11,305**

Administration costs represent charges from the third-party pension administrator and LB Barnet staff costs relating to pension administration.Oversight and governance costs include staff cost recharges from LB Barnet, actuarial fees, investment advisory fees and audit fees. A more detailed discussion of investment costs is provided in the annual report, including details of savings achieved through pooling. Most costs (2021/22: £12.1 million, 2020/21: £8.2 million) are charged directly to investee funds. Investment management expenses have increased partly due to the increase in value of investments as most fees are based on a percentage of value and also because of the diversification into more actively managed investments that are expected to generate increased return and manage downside risk.

10A. INVESTMENT MANAGEMENT EXPENSES

	2021/22 £000	2020/21 £000
Management fees	6,273	4,876
Performance related fees	4,713	2,024
Custody fees	15	13
Transaction costs	2,136	2,484
Total investment management expenses	**13,137**	**9,397**

All investment management expenses relate to pooled investments, except for £15,000 (2020/21: £7,000) that relate to money market funds.

11. INVESTMENT INCOME

	2021/22	2020/21
	£000	£000
Pooled investments – unit trusts and other managed funds	(9,002)	(5,936)
Interest on cash deposits	(22)	(18)
Total investment income	**(9,023)**	**(5,954)**

12. AUDIT COSTS

	2021/22	2020/21
	£000	£000
Payable in respect of external audit	36	36
Total external audit costs	**36**	**36**

Prior year audit costs in the above table include additional charges agreed after the closure of the accounts.

13. INVESTMENTS

2021/22	Market value 1 April 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2022
	£000	£000	£000	£000	£000
Investment assets:					
Pooled investments	1,345,152	273,220	(272,297)	110,902	1,456,977
Money market funds	1,530	23,470			25,000
Long term investments	150				150
	1,346,832	**296,690**	**(272,297)**	**110,902**	**1,482,127**
Other investment balances:					
Cash deposits	2				2
Net investment assets	**1,346,834**				**1,482,128**

2020/21	Market value 1 April 2020	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2021
	£000	£000	£000	£000	£000
Investment assets:					
Pooled investments	1,067,106	91,571	(113,345)	299,820	1,345,152
Money market funds	3,682		(2,152)		1,530
Long term investments	150				150
	1,070,938	**91,571**	**(115,497)**	**299,820**	**1,346,832**
Other investment balances:					
Cash deposits	16				2
Net investment assets	**1,070,954**				**1,346,834**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year and any income attributed to the unitised funds that has been retained by the funds and reinvested. Transaction costs are included in investment management expenses (note 10A). Pooled funds include property, private equity and infrastructure and movements in these investments are disclosed with note 13D.

In Q4 of 2021/22 the conflict in Ukraine caused a slight downturn on markets, particularly equities. Fund Managers revalued all holdings in Russia to nil, the overall impact of this on the fund was approximately £2m reduction in valuations.

13A. ANALYSIS OF INVESTMENTS

	31 March 2022	31 March 2021
	£000	£000
Pooled funds – additional analysis		
UK		
Unit trusts	603,354	563,080
UK managed funds	782,137	743,890
Money market funds	25,000	1,530
Non-UK		
Overseas Managed Fund	71,485	38,182
	1,481,976	**1,346,682**
Long term investments	150	150
Cash deposits	2	2
Total investment assets	**1,482,128**	**1,346,834**

All investments are held through managed pooled entities and comprise underlying investments that are domiciled in both the UK and overseas.

13B. INVESTMENTS ANALYSED BY FUND MANAGER

	Market value	31 March 2022	Market value	31 March 2021
	£000	%	£000	%
Legal and General	603,354	40.6	563,080	41.8
Schroder Investment Management	280,896	19.0	281,900	20.9
LCIV	146,718	9.9	119,417	8.9
Alcentra	35,384	2.4	58,006	4.3
Partners Group	49,506	3.3	67,960	5.0
Barings	60,546	4.1	41,140	3.1
Insight Investments	90,056	6.1	45,005	3.3
M&G Investments	0	0.0	31,057	2.3
IFM Investors	84,949	5.7	69,521	5.2
Aberdeen Long Lease Property	34,234	2.3	30,035	2.2
CBRE	29,881	2.0	25,678	1.9
Adams Street	41,604	2.8	12,505	0.9
Aberdeen Standard Life	25,000	1.7	1,530	0.1
	1,482,128	**100.0**	1,346,834	100.0

The investments of the Pension Fund are wholly invested within pooled vehicles with year-end valuations provided by the fund operator. Some of the underlying investments in these pools are highly illiquid and valuations are not verifiable to identical transactions at the year-end and are therefore estimated by the fund operator based on established models and guidelines. In particular, holdings in property, infrastructure and private equity with a year-end valuation of £198.2 million (31.3.21: £137.7 million) are particularly difficult to verify and rely on the fund operator adopting prudent valuation techniques. Valuations are monitored both internally and by the external investment advisor.

Pooling

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. The Fund's was invested in four pooled products at 31 March 2022 being LCIV Emerging Market Equities, value £68.1 million (31.3.21: £75.9 million), LCIV Sustainable Equities, value £42.9 million, LCIV Private Debt, value £24.4 million, and LCIV Renewables Infrastructure, value £11.1 mllion representing 10.0% of the fund's value. The Fund's investments with Legal & General (40.7% of investments) are monitored by LCIV. The table below provides further analysis of the investments as at 31 March 2022 by both asset class and geographical exposure, breaking down pooled funds into their underlying exposures. Additional details of each fund are provided in the investment policy report.

INVESTMENTS ANALYSED BY ASSET CLASS

Asset Class		31 March 2022			31 March 2021		
		£'000	£'000	%	£'000	£'000	%
Equities							
	UK	44,155		3%	49,472		4%
	Overseas	697,376		46%	651,353		47%
	Global	34,397		2%	35,793		3%
			775,928	52%		736,618	53%
Bonds							
	UK	142,174		9%	159,769		11%
	Overseas	211,587		14%	212,066		15%
	Global	55,994		4%	45,242		3%
			409,755	27%		417,077	30%
Property							
	UK	42,041		3%	37,685		3%
	Overseas	28,895		2%	24,471		2%
			70,936	5%		62,156	5%
Infrastructure			97,499	6%		75,327	5%
Private Equity			41,604	3%		13	0%
Other assets			37,807	3%		39,802	3%
FX Forward derivative			0	0%		1,370	0%
Cash			48,600	3%		14,471	1%
Net Current Assets			19,498	1%		47,766	3%
Total Investment Assets			**1,501,627**	**100%**		**1,394,600**	**100%**

Where no geographic split is available, global in the table above represents both UK and overseas. With the exception of Money Market Funds (£25.0 million) none of the investment funds are listed. However, the underlying investments e.g. those managed by Legal & General, may be listed. The following investments represent more than 5% of the net assets of the scheme. These funds are registered in the UK.

	31 March 2022		31 March 2021	
	£000	as % of investment assets	£000	as % of investment assets
Legal and General RAFI 3000 Tracker Fund	239,054	16.1	251,394	18.7
Legal and General Global Equity Tracker Fund	171,730	11.6	224,271	16.7
Schroder Life Diversified Growth Fund	148,264	10.0	143,172	10.6
Schroder All Maturities Corporate Bond Fund	132,630	8.9	138,726	10.3
Legal and General Future Worlds Fund	171,947	11.6	0	0.0
IFM Global Infrastructure	84,949	5.7	69,521	5.2

13C. FAIR VALUE – BASIS OF VALUATION

Financial assets are shown in the Net Asset Statement at Fair Value. Fair Value has been determined as:

- Unit trust investments are stated at the latest closing bid prices quoted by their respective managers as at 31 March 2022.
- UK managed funds are stated at net asset value as calculated by their respective managers as at 31 March 2022.
- Infrastructure funds - The fund manager values the investments by engaging external valuation services. Different valuation techniques are used by the valuers to value the different investments of the funds. For instance the discounted Cash flows applied to equity and debt instruments.

13D. FAIR VALUE – HIERARCHY

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and exchange traded quoted unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. This included unit trusts priced by the fund managers that are not held as exchange traded funds.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

31 March 2022	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Amortised Cost
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss	25,000	1,233,932	198,196	
Amortised cost				
Total financial assets	**25,000**	**1,233,932**	**198,196**	**0**
Grand Total:				**1,457,128**

31 March 2021	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3	Amortised Cost
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss	1,530	1,206,035	137,739	
Amortised cost				
Total financial assets	**1,530**	**1,206,035**	**137,739**	**0**
Grand Total:				**1,345,304**

All investments are classified as Level 2 with the exception of most property, infrastructure and private equity, which are classified as Level 3. The Aberdeen Money Market Fund is the only investment classed as Level 1. These disclosures take into consideration the classifications used in the underlying funds' own financial statements. Level 3 investments as at 31 March 2022 comprise:

IFM Infrastructure	£84.950 million (31 March 2021: £69.521 million)
CBRE Global Property	£29.881 million (31 March 2021: £25.678 million)
Aberdeen Long Lease Property	£34.234 million (31 March 2021: £30.035 million)
Adams Street Private Equity	£38.064 million (31 March 2021: £30.035 million)
LCIV Renewables Infrastructure	£11.066 million (31 March 2021: £0)

Fair Value Measurements using Significant Unobservable Inputs (Level 3)

IFM Investors (Infrastructure) – valuation 31 March 2022 £84.950 million

The significant unobservable inputs used in the fair value measurement of the fund's equity and debt instruments are cashflow forecasts and discount rates. The fund manager determines the fair value for these securities by engaging external valuation services. These external valuation services utilise cash flow forecasts obtained from investee company management and other sources. Significant increases or decreases in either of these inputs in isolation would result in a significant change in fair value measurement.

CBRE (Pooled Global Property) – valuation 31 March 2022 £29.881 million

Level 3 investments include (1) open-ended investee funds are classified as level 3 when subject to lock-up provisions or redemption notice periods which do not qualify as near-term, or which are exposed to a low level of trading or significant liquidity issues, and (2) close-ended investee funds that cannot be redeemed at the option of the fund manager.

The fair value of the investee funds classified in level 3 is based on their published NAV from the respective administrators or fund managers adjusted where deemed necessary by the Pricing Committee of CBRE.

The significant unobservable inputs used in the fair value measurement are related to the fair value of the underlying property assets of the investee funds. Based on the current investee funds' portfolios, these underlying assets comprise a mixture of office, retail and industrial properties mainly located in developed countries within Americas, Europe and Asia Pacific. To value these assets, investee funds use recognized valuation techniques (including discounted cash flow and income capitalization methods) for which the significant unobservable inputs include discount rate, capitalization rate, estimated rental value and long-term vacancy rate.

Aberdeen (Pooled UK Long Lease Property) – valuation 31 March 2022 £34.234 million

The fair value of long lease property is based on valuations provided by external property valuation experts. The fair value of investment properties is measured based on each property's highest and best use from a market participant's perspective and considers the potential uses of the property that are physically possible, legally permissible and financially feasible.

Valuations are completed in accordance with the Royal Institution of Chartered Surveyors (RIGS) valuation standards. These are predominantly produced using an income capitalisation approach. The income capitalisation approach is based on capitalising an annual net income stream using an appropriate yield. The annual net income is based on both current and estimated future net income. The yield and future net income used is determined by considering recent transactions involving properties with similar characteristics to the property being valued. Where it is not possible to use an income capitalisation approach, for example on property with no rental income, a market comparison approach is used by considering recent transactions involving properties with similar characteristics to the property being valued. In both approaches, where appropriate, adjustments will be made by the valuer to reflect differences between the characteristics of the property being valued and the recent market transactions considered.

As income capitalisation and market comparison valuations generally include significant unobservable inputs including unobservable adjustments to recent market transactions, equivalent yield and estimated rental value these assets are categorised as level 3 within the fair value hierarchy.

Adams Street (Private Equity) – valuation 31 March 2022 £38.064 million

Level 3 investments held by the fund typically consist of other investments that are not measured at net asset value. When observable prices are not available management uses valuation techniques for which sufficient and reliable data is available. The valuation of non-marketable privately held investments requires significant judgment by management due to the absence of quoted market values, inherent lack of liquidity, changes in market conditions and the long-term nature of such assets. Such investments are valued initially based upon the transaction price. Valuations are reviewed quarterly utilizing available market data and additional factors to determine if the carrying value of these investments should be adjusted. Market data includes observations of the trading multiples of public companies considered comparable to the private companies being valued. Valuations are adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the companies being valued. In addition, a variety of additional factors are reviewed by Adams Street's management, including, but not limited to, estimates of liquidation value, prices of recent transactions in the same or similar issuer, current operating performance and future expectations of the particular investment, changes in market outlook and the financing environment. In determining valuation adjustments, emphasis is placed on market participants' assumptions and market-based information over entity specific information.

LCIV Renewables Infrastructure (Infrastructure) – valuation 31 March 2022 £11.066 million

The significant unobservable inputs used in the fair value measurement of the fund's equity and debt instruments are cashflow forecasts and discount rates. The fund manager determines the fair value for these securities by engaging external valuation services. These external valuation services utilise cash flow forecasts obtained from investee company management and other sources. Significant increases or decreases in either of these inputs in isolation would result in a significant change in fair value measurement.

Reconciliation of Level 3 investments

2021/22	Market Value 1 April 2021	Purchases during the year	Sales during the year	Change in Market Value	Market Value 31 March 2022
	£000	£000	£000	£000	£000
Infrastructure	69,521	11,706	(640)	15,428	96,016
Pooled UK Long Lease Property	30,035			4,199	34,234
Pooled Property (global)	25,678		(95)	4,299	29,881
Private equity	12,505	9,794		15,765	38,064
Total	**137,739**	**21,500**	**(735)**	**39,691**	**198,196**

2020/21	Market value 1 April 2020	Purchases during the	Sales during the year	Change in market value	Market value 31 March 2021
	£000	£000	£000	£000	£000
Investment assets:					
Infrastructure	67,629	1,621	(1,621)	1,892	69,521
Pooled UK Long Lease Property	28,933	0	0	1,102	30,035
Pooled Global Property	25,390	0	0	288	25,678
Private Equity	2,165	6,372	0	3,968	12,505
	124,117	**7,993**	**(1,621)**	**7,250**	**137,739**

Change is value represents unrealised gains and losses.

Sensitivity of assets valued at Level 3

Using volatility data provided by PIRC, the fund has determined that the valuation is likely to be accurate to within the following ranges, and as set out below the consequent potential impact on the closing value of investments held at 31 March 2022 & 31 March 2021. These ranges consider all potential factors including market prices, currency and valuation techniques. This is not a 'worse' case scenario but rather a measure of typical annual price movements.

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2022	Value on increase	Value on decrease
	£000	£000	£000	£000
Infrastructure	5.5%	96,016	101,297	90,735
Pooled UK Long Lease Property	3.1%	34,234	35,296	33,173
Pooled Property (global)	3.1%	29,881	30,808	28,955
Private equity	5.5%	38,064	40,158	35,971
Total		**198,196**	**207,558**	**188,834**

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2021	Value on increase	Value on decrease
	£000	£000	£000	£000
Infrastructure	6.9%	69,521	74,318	64,724
Pooled UK Long Lease Property	2.2%	30,035	30,696	29,375
Pooled Property (global)	2.2%	25,678	26,243	25,113
Private equity	6.9%	12,505	13,367	11,642
Total		**137,739**	**144,625**	**130,854**

The key unobservable inputs that are being sensitised in the above tables are identified on pages 18 and 19.

14. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

	31 March 2022			31 March 2021		
	Fair value through profit and loss	Amotised Cost	Financial liabilities at amortised cost	Fair value through profit and loss	Amortised cost	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial assets						
Pooled investments	1,456,977			1,345,152		
Cash and cash equivalents		87,941			25,482	
Other investment balances		150			150	
Receivables		6,414			27,667	
Total financial assets	**1,456,977**	**94,505**	**0**	**1,345,152**	**53,299**	**0**
Financial liabilities						
Creditors			(49,855)			(3,851)
Total financial liabilities	**0**	**0**	**(49,855)**	**0**	**0**	**(3,851)**
Total	**1,456,977**	**94,505**	**(49,855)**	**1,345,152**	**53,299**	**(3,851)**
Grand Total			**1,501,627**			**1,394,600**

The net return on investments is wholly attributable to assets held at fair value through the profit and loss except for interest earned on cash balances of £22,000 (2020/21: £18,000) classified as loans and receivables.

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to have a reasonable probability of achieving in the long-term returns at least in line with the 'prudent' return set by the Scheme Actuary when calculating the required employers' contributions. The Fund achieves this through selection of appropriate returning asset classes, asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

Responsibility for the fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, which require an administering authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund in accordance with its Investment Strategy Statement. The administering authority's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise these risks.

The Pension Fund Committee has prepared an Investment Strategy Statement which sets out the Pension Fund's policy on matters such as the type of investments to be held, the balance between types of investments, investment restrictions and the way risk is managed. Investment performance by external investment managers is reported to the Pension Fund Committee quarterly. Performance of Pension Fund investments managed by external Investment managers is compared to benchmark returns.

15A. Market risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities.

The Pension Fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term. In order to manage the market value risk, the Pension Fund has set restrictions on the type of investments it can hold, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016. Details of the (Management and Investment of Funds) regulations 2016 can be found in the Investment Strategy Statement adopted by Pension Fund Committee on 14th March 2017 (updated 26th March 2019 & 24 February 2021).

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

Accounting standards require that potential changes in the valuation of investments in the next 12 months are provided, described as sensitivity analysis. This analysis is to be derived from an historical analysis of the factors that drive changes in valuation. As can be seen from recent events e.g. global financial crisis, Covid-19, conflict in Ukraine etc market movements are rarely predictable using look back techniques. The valuation ranges below are calculated using the volatility of the actual fund returns over the last three years by the Fund's investment performance measurer, PIRC. Had the market price of the fund's investments increased/decreased in line with the above, the change in the net assets would have been as follows (the prior year comparator is shown below).

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2022	Value on increase	Value on decrease
	£000	£000	£000	£000
Equity	15.6%	775,928	896,973	654,883
Bonds	5.9%	409,754	433,929	385,579
Property	3.1%	70,936	73,135	68,737
Alternatives	5.5%	176,860	186,587	167,133
Cash	0.8%	48,600	55,890	48,211
Total		**1,482,078**	**1,646,515**	**1,324,543**

Volatilities have been calculated at asset class level based on the 'look through' pooled fund valuations provided on page 16. Using PIRC volatility based on three years movements would have generated the following valuation ranges as at 31 March 2021:

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2021	Value on increase	Value on decrease
	£000	£000	£000	£000
Equity	15.8%	736,618	853,004	620,232
Bonds	5.8%	417,077	441,267	392,887
Property	2.2%	62,156	63,523	60,789
Alternatives	6.9%	115,142	123,087	107,197
Cash	0.7%	15,841	15,952	15,730
Total		**1,346,834**	**1,496,833**	**1,196,835**

The assessed valuation range as of 31 March 2022 represents 11.1% of asset value and is similar to the average annual change in asset value (positive or negative) during the last ten years of 8.9%. It should be noted that large changes in value in one direction are often followed by a reversal. For example, the 13.3% decline in Q1, 2020 due to Covid-19 was followed by a 27% gain in 2020/21.

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements as of 31 March 2022 is included within the tables immediately above.

The Pension Fund holds financial assets and liabilities in overseas financial markets and therefore could be exposed to the risk of loss from exchange rate movements of foreign currencies against sterling. This risk is deemed acceptable as the investments are widely diversified by currency and the scheme's short-term expenditure liquidity requirements are broadly covered by contributions and income. Many of the overseas investments are hedged into sterling by the investment managers. After hedging, the net exposure to non-sterling currencies is £546.0 million (2020/21: £417.0 million). The table below discloses the main foreign currency exposures and estimated currency volatility. For 2020/21 a volatility of +/- £30.558 million was included in last year's statement of accounts.

Currency	Assessed valuation range (+ / -)	Value as at 31 March 2022	Value on increase	Value on decrease
	£000	£000	£000	£000
US Dollars	8.3%	295,240	319,745	270,735
Euro	5.6%	81,320	85,874	76,766
Other	7.3%	169,448	181,818	157,079
Total		**546,007**	**587,436**	**504,579**

Currency	Assessed valuation range (+ / -)	Value as at 31 March 2021	Value on increase	Value on decrease
	£000	£000	£000	£000
US Dollars	8.5%	220,460	239,199	201,721
Euro	5.8%	109,994	116,374	103,614
Other	6.3%	92,476	98,302	86,650
Total		**422,929**	**453,875**	**391,985**

15B. Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the Pension Fund reviews its exposure to credit and counterparty risk through its external investment managers by review of the managers' annual internal control reports to ensure that managers exercise reasonable care and due diligence in their activities for the Pension Fund.

As at 31 March 2022 working capital was held in the Pension Fund bank accounts with NatWest and in a money market fund with Aberdeen Standard Life, in accordance with the credit rating criteria within the Council's Treasury Management Strategy. Pension administration working capital was held in a bank account at HSBC operated by West Yorkshire Pension Fund on behalf of the Pension Fund.

Summary	Rating	Source	Balances as at 31 March 2022	Balances as at 31 March 2021
			£000	£000
Standard Life MMF cash	AAAm	Moody's	25,000	1,530
Royal Bank of Scotland	A1	Moody's	60,161	21,371
HSBC	Aa3	Moody's	2,778	2,579
Cash held by Fund Managers			2	2
Total			**87,941**	**25,482**

15C. Liquidity risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this, the Pension Fund has a comprehensive cash flow management system that seeks to ensure that the cash is available when needed. The Pension Fund also manages its liquidity risk by having access to money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours. The Fund is also able to sell units in its Pooled Investment Vehicles if required, most of which can be realised within one month.

The key refinancing risk is that the Council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its investment strategy.

16. ACTUARIAL VALUATION

Hymans Robertson LLP were appointed as fund actuary in 2016 and undertook a formal triennial actuarial valuation of the fund as at 31 March 2019 in accordance with the Local Government Pension Scheme Regulations 2013. The actuarial valuation calculates the contribution rate payable by the employers, including the LBB Council, to meet the administering authority's funding objectives.

The funding level at 31 March 2019 was 86% (2016: 73%). This corresponded to a shortfall on the funding target of £190 million (2016: £339 million). The aggregate primary contribution rate for 2019/20 was a primary rate of 17.9% of pensionable pay plus a secondary contribution of £16.047 million. Under the new three-year schedule of contributions effective from 1 April 2020 the aggregate primary rate is 20.6% and the secondary contribution for 2021/22 is £12.347 million (2020/21: £11.142 million). This is the average required employer contribution to restore the funding position to 100% over the next 17 years. For the main employer, the London Borough of Barnet, the employer's contribution rate for 2021/22 is 28.9% (2020/21: 27.9%).

The assumptions used for the triennial valuation were:

Financial assumptions

	31 March 2019	31 March 2016
	%	%
Assumed future investment return (Discount rate)	4.4	4.2
CPI	2.3	2.1
Pension increases rate	2.3	2.1
Salary increases rate	3.0	2.4

The assumed future return is based on a economic scenario generator that utilises a range of future economic outcomes, each with an associated asset class return highlighted in the table below. The table ranks outcomes from 1st percentile (worst case) to 100th percentile (most favourable). At the 2019 triennial valuation, the Actuary determined that there is a 75% likelihood of the Fund's investments achieving at least an annual return of 4.4% p.a. over the next 20 years.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

Demographic assumptions

	31 March 2019	31 March 2016
Life expectancy from age 65		
Retiring today:		
Males	21.7	21.9
Females	24.0	24.3
Retiring in 20 years:		
Males	22.9	23.9
Females	25.7	26.5
Othyer demographic assumptions		
Commutation	50%	50%
50:50 option	1%	5%

The 2019 triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 13 February 2020. The next actuarial valuation will be based on the value of the fund as at 31 March 2022.

17. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The Statement of Accounts are required to include the value of promised retirement benefits as at the year-end. These are discussed in the statement below, which has been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes.

London Borough of

Pension Fund Accounts Reporting R

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2021/22
funds that prepare pension fund accounts to disclose what IAS26
promised retirement benefits. I have been instructed by the Admi
information for the London Borough of Barnet Pension Fund ("the

The actuarial present value of promised retirement benefits is to I
Obligation under IAS19. There are three options for its disclosure

- showing the figure in the Net Assets Statement, in which resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actu

If an actuarial valuation has not been prepared at the date of the
recent valuation to be used as a base and the date of the valuatio
out using assumptions in line with IAS19 and not the Fund's fund

Present value of promised retirement benefits

Year ended	3
Active members (£m)	
Deferred members (£m)	
Pensioners (£m)	
Total (£m)	

The promised retirement benefits at 31 March 2022 have been p
from the latest formal funding valuation as at 31 March 2019. Th
model means that the split of benefits between the three classes
satisfied that the total figure is a reasonable estimate of the actua

The figures include both vested and non-vested benefits, althoug
value. Further, I have not made any allowance for unfunded ben

It should be noted the above figures are appropriate for the Admi
pension fund accounts. They should not be used for any other pu
measures on a funding basis or a cessation basis).

Assumptions

London Borough

Financial assumptions

Year ended
Pension Increase Rate (CPI) Salary Increase Rate Discount Rate

Demographic assumptions

The longevity assumptions have changed since the previous IA

Life expectancy is based on the Fund's VitaCurves with improv 0% weighting of 2021 (and 2020) data, standard smoothing (Sk rate of improvement of 1.5% p.a.. Based on these assumptions are summarised below:

Current pensioners Future pensioners (assumed to be aged 45 at the latest valua

All other demographic assumptions are unchanged from last ye Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the The sensitivities regarding the principal assumptions used to m

Change in assumption at 31 March 2022	Inc r
0.1% p.a. decrease in the Discount Rate 1 year increase in member life expectancy 0.1% p.a. increase in the Salary Increase Rate 0.1% p.a. increase in the Pension Increase Rate (CPI)	

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 reliances and limitations for the use of the figures in this paper, professional requirements and assumptions.

18. CURRENT ASSETS

	31 March 2022	31 March 2021
	£000	£000
Contributions due – employees	1,095	1,029
Contributions due – employers	5,309	4,219
Sundry debtors	10	22,419
Cash balances	62,939	23,950
Total current assets	**69,353**	**51,617**

In 2020/21 £22m was included in sundry debtors for money redistributed between funds managed by L&G. A at the 31st March 2021 £22m had been disinvested from these funds, but not reinvested, as the money was held by L&G it was included as a sundry debtor. The redistribution was completed in April 2021.

19. CURRENT LIABILITIES

	31 March 2022	31 March 2021
	£000	£000
Sundry creditors	(46,261)	(2,483)
Benefits payable	(3,593)	(1,368)
Total current liabilities	**(49,855)**	**(3,851)**

Prior to 31 March 2022 a £44 million investment into the Insight IIFG was agreed, with Insight recognising this investment in their valuation as at 31 March 2022. However, the trade was settled until April 2022, resulting in a sundry creditor of £44 million at the year-end.

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

	Market value 31 March 2022	Market value 31 March 2021
	£000	£000
Aviva	397	522
Prudential	3,360	3,108
Total AVC	**3,757**	**3,630**

AVC contributions of £0.326 million (2020/21: £0.391 million) were paid directly to Prudential and £0.002 million (2020/21: £0.005 million) were paid to Aviva during the year.

21. RELATED PARTY TRANSACTIONS

The London Borough of Barnet Pension Fund is administered by the London Borough of Barnet. Consequently, there is a strong relationship between the Council and the Pension Fund. During the reporting period, the Council incurred costs of £0.956m (2020/21: £1.144m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £35.569 million to the Fund in 2021/22 (2020/21: £52.245 million). These amounts include employee contributions of £7.531 million (2021/22) and £6.630 million (2020/21), and also contributions from companies wholly owned by the Council see note 6). Contributions paid by the Council in 2020/21 included £20.477 million advance payment of deficit contributions due for the period 1 April 2020 to 31 March 2023 of which £7.574 million was payable in 2021/22. As a consequence of paying these contributions early, the Actuary reduced the amount due by £1.409 million.

The London CIV is not treated as a related party as neither party is able to exercise control or significant influence over the other.

Governance

One member of the Pension Fund Committee as at 31 March 2022 & 31 March 2021 is in receipt of a pension from the Barnet Pension Fund. There are no active members of the Fund that are members of the Pension Fund Committee. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

21A. KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Chief Executive, the s.151 officer and the Head of Pensions. The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below.

	2021/22	2020/21
	£000	£000
Short-term benefits	132	126
Post-employment benefits	37	35
Total remuneration	**168**	**161**

Post-employment benefits are employers pension contributions at 27.9% of salary.

22. CONTRACTUAL COMMITMENTS

The Fund has the following outstanding investment commitments as at 31 March 2022:

Adams Street 2019 Global Private equity - $40.3 million (£32.0 million)
Adam Street Global Secondaries Fund 7 - $55 million (£43.7 million)
LCIV Private Debt - £34.7 million
LCIV Rewables Infrastructure- £30.31 million
Barings Special Situation Credit- £19.8 million
Fiera Real Estate- £30.0 milion

The outstanding commitments are expected to be substantially invested within three years.

23. CONTINGENT LIABILITIES

Barnet College and Southgate College merged in 2011. As part of the merger the active employees of Southgate College transferred to the LB Barnet Pension Fund whereas deferred and Pensioner members remained with LB Enfield Pension Fund. LB Barnet Pension Fund assumed responsibility for past service accrued benefits and on-going benefits for the transferred employees from the LB Enfield Pension Fund. LB Enfield Pension Fund has requested a transfer value buy-out from LB Barnet Pension Fund or Barnet Southgate College estimated at £4.2 million to fund the liability shortfall for the deferred and pensioner members based on a cessation funding formula.

The Council has sought advice from the Scheme Actuary who stated that the original LB Enfield proposal to seek settlement of the liability on a cessation funding basis was not out of line with other similar cases. However, the Pension Fund may be able to mitigate some of the cost through agreeing a direction order for the transfer. This approach is also supported by the latest legal opinion obtained by the Council.

Negotiations are still on going with LB Enfield to agree a way forward which may result in the LB Barnet Pension Fund not having to make payments to LB Enfield Pension Fund by agreeing that LB Enfield's pensioners and deferred members being transferred into the LB Barnet Fund, with LB Barnet Pension Fund receiving a share of LB Enfield Pension Fund's assets attributable to the Southgate liabilities.

The process is not concluded and at this stage the potential liability for LB Barnet Pension Fund remains uncertain in terms of the amount and the timing of any payment.

24. EVENTS AFTER THE REPORTING PERIOD

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

Appendix A

London Borough of Barnet Pension Fund

Governance Policy and Compliance Statement

This document sets out the
Governance arrangements
for the
London Borough of Barnet Pension Fund
As at 31st December 2017

Governance Policy and Compliance Statement

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Policy and Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government.

Administering Authority

London Borough of Barnet (LBB) is the **Administering Authority** of the London Borough of Barnet Pension Fund and administers the pension fund on behalf of participating employers and scheme members.

<u>Roles and Delegations</u>

LBB has delegated its pension functions to the **Pension Fund Committee.**

A **Local Pension Board** has been established by LBB to assist in ensuring compliance with regulations and legislation

LBB has delegated responsibility for the administration and financial accounting of the LB Barnet Pension fund to the **Chief Financial Officer.**

Each of these roles is discussed below.

Pension Fund Committee

<u>Responsibilities</u>

The responsibilities of the Pension Fund Committee as set out in the Council's constitution are:

To consider approval and act in accordance with statutory Pension Fund documents:

- Investment Strategy Statement
- Funding Strategy Statement
- Governance Policy Statement
- Pension Administration Strategy
- Communication Policy Statement

To review the above documents at least triennially, or more frequently if advised by the Chief Financial Officer of the need to do so.

To meet review and consider approval of the Pension Fund Statement of Accounts, income and expenditure and balance sheet or record of payments and receipts

To receive and consider approval of the Pension Fund Annual Report.

To appoint independent investment advisors.

To appoint Pension Fund investment managers.

To appoint Pension Fund actuaries.

To appoint a performance management company.

To appoint custodians.

To review and challenge the Pension Fund investment managers' performance against the Investment Strategy Statement in general and investment performance benchmarks and targets in particular.

To consider actuarial valuations and their impact on the Pension Fund.

To consider for approval applications from organisations wishing to become admitted bodies into the Pension Fund where legislation provides for discretion, including the requirements for bonds.

The Pension Fund Committee oversees the management of the LB Barnet Pension Fund. Their overriding duty is to ensure that the best possible outcome for the Pension Fund, its participating employers, scheme members and local taxpayers.
Their knowledge is supplemented by professional advice from Council officers, professional advisers and external experts. An ongoing programme of training is delivered to the Committee (and substitutes).

<u>Membership</u>
The Pension Fund Committee consists of seven councillors appointed by Full Council. There are also six nominated substitutes who can attend meetings. The Committee members do not include representatives of other employers or scheme members, although a representative of Middlesex University attends and participates at meetings without voting rights. The Chairman and Vice-Chair are appointed by Full Council.

<u>Meetings</u>
The Pension Fund Committee meets at least four times a year. Meeting dates are published on the LBB's web site as are the meeting agenda and papers. The agenda and papers are published at least 7 days in advance of the meeting. Minutes are also made available on the LBB web site after approval by the Chairman.
All members of the Committee have equal voting rights at meetings.

Local Pension Board

<u>Responsibilities</u>
The Board is responsible for assisting with:

Securing compliance with Local Government Pension Scheme (LGPS) Government regulations and any other legislation relating to the governance and administration of the LGPS

Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator.

Such other matters that the LGPS regulations may specify.

Ensure the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.

The Board's terms of reference detail their full remit.
The Council has charged the Local Pension Board with providing oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and

responsibilities, which have been delegated by the Council to the Pensions Fund Committee or otherwise, remain solely the powers and responsibilities of them.

Membership
The Board consists of seven members constituted as follows:

3 employer representatives comprising:

1 councillor who is not a member of the Pension Fund Committee.
2 employer representatives from an admitted or scheduled body

3 scheme member representatives (employee side) comprising:

1 active member
2 retired/deferred members

1 independent member/advisor having no current employment, contractual, financial or other material interest in the Council or any scheme employer fund and not being a member of the LGPS Fund.

The Council employer representative is appointed by LBB Full Council. Other members are appointed following a public recruitment, selection and interview process. Each member is appointed for a 4-year term.

Substitute members may also be appointed who can attend meetings.
The Board members shall elect a Chairman and Vice-Chair. Should the elected Chairman be an Employer representative the Vice-Chairman must be a Scheme Member representative and vice versa.

All members of the Board are required to complete the Pension Regulator's public service toolkit. In addition, collective and bespoke training is provided based on a self-assessment of the training needs of each Board member.

Meetings
The Local Pension Board meets at least 4 times a year. Meeting dates are published on the LBB's web site as are meeting agenda and papers. The agenda and papers are published at least 7 days in advance of the meeting. Minutes are also made available on the LBB web site after approval by the Chairman.
All members of the Committee have equal voting rights at meetings. Substitute members have no voting rights unless they are replacing an absent member.

Chief Financial Officer

The Chief Financial Officer (section 151 officer) is responsible for the preparation of the Pension Fund Annual Report & Accounts and ensuring the proper financial administration of the Fund. As appropriate, the Chief Finance Officer will delegate aspects of the role to other officers of the Council and to professional advisors within the scope of the LGPS Regulations.

Under the Council's Constitution, the Chief Finance Officer is responsible for, or responsible for delegating authority for:

Approving early payment of deferred benefits under regulation 30 of the Benefits Regulations or similar provisions in previous Regulations

Exercising discretion on compassionate grounds not to actuarially reduce deferred benefits paid early under regulation 30 of the Benefits Regulations or similar provisions in previous Regulations;

Exercising the power to accept late applications (made more than 30 days after return to work or, if does not return to work, 30 days after the date of leaving) from a member who wishes to pay optional contributions for a period of absence (Regulation 22 of the Administration Regulations);

Informing a member, who is entitled to a pension or retirement grant under two or more provisions, which provision shall apply (Regulation 34 of the 1997 Regulations);

Determining that late applications to convert scheme AVCs into a membership credit will be accepted provided such a late claim is not made within one year of attaining NRD or six months after leaving service whichever is the later (Regulation 26 of the Administration Regulations).

Determining (for Barnet Council Employees only) whether to accept any request for the inwards transfer of pension rights made more than 12 months after the member joined the Scheme (Regulation 83 of the Administration Regulations).

Determining (for Barnet Council employees only) whether to accept any request for joining previous Scheme membership (either with this Employer and/or with another scheme employer) made more than 12 months after the member re-joined the Scheme (Regulation 16 of the Administration Regulations).

Exercising absolute discretion in determining the recipient(s) of any death grant payable from the Scheme (Regulations 23, 32 and 35 of the Benefits Regulations);

Deciding whether to treat education or training as continuous despite a break for the purpose of determining eligibility for a child's pension (Regulation 26 of the Benefits Regulations);

Communicating with other employers that are scheduled or admitted bodies as appropriate

Policy Documents

There are number of other documents that are relevant to the governance and management of the scheme. These are listed below and are available from the administering authority.

Funding Strategy Statement
Investment Strategy Statement
Communications Policy
Discretions Policy
Administration Strategy Statement
Internal Disputes Resolution Procedure
Annual report and accounts

Compliance with guidance

The Council is required to report on compliance with guidance issues by the Secretary of State, Department of Communities and Local Government. The current position on compliance is set out in appendix A.

Consultation

In preparing this statement, LBB has consulted with the Local Pension Board.

Contact us

Any questions on the operation of the Pension Fund Committee or Local Pension Board should be directed to Paul Frost, telephone 02083892205, email paul.frost@barnet.gov.uk

Statement of Compliance with Guidance

Principle	Requirement	Compliance	Comment
Structure	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The decision making structure is clearly defined. Council delegates responsibility to the Pension Fund Committee which meets quarterly
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Not Compliant	Only Councillors are members of the Pension Committee. Representatives of other employers and scheme members are members of the Local Pension Board and can attend the Pension Fund Committee as observers.
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	N/A	No Secondary Committee
	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	N/A	No Secondary Committee

Representation	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-	Not compliant	Only Councillors are members of the Pension Committee. Representatives of other employers and scheme members are members of the Local Pension Board and can attend Pension Fund Committees as observers.
	- employing authorities including non-scheme employers e.g. admitted bodies,		
	- scheme members (including deferred and pensioner scheme members),		
	- independent professional observers, and		
	- expert advisors (on an ad-hoc basis)		
	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	N/A	Only Councillors are members of the Pension Fund Committee.
Selection and role of lay members	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	Members of the Pension Fund Committee have access to the terms of reference and are aware of their responsibilities.
Voting	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	All members of the Pension Fund Committee have equal voting rights.

Training / Facility / Time / Expenses	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	There is a clear policy on training. The Fund pays all approved training courses for all members. The training plan reflects the needs of the committee agenda.
	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	The rules on training, facilities, time and expenses apply equally to all Committee members.
Meetings (Frequency / Quorum)	That an administering authority's main committee or committees meet at least quarterly.	Compliant	There are at least four meetings a year.
	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	N/A	No Secondary Committee
	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant	The Local Pension Board provides a forum for all groups of employers and scheme members.
Access	Subject to any rules in the Council's Constitution, all members of the main and secondary committees or panels have equal access to committee papers, documents and advice that fails to be considered at meetings of the main committee.	Compliant	Committee meeting papers are circulated at the same time to all members of the Pension Fund Committee.
Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	The Pension Fund Committee mainly discuss investment and funding issues but are responsible for all governance matters relating to the pension fund.

Publicity	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	The Governance Policy Compliance Statement is made available to all interested parties and is attached to the Fund's Annual Report.

GCS, appendix B

Regulatory Framework

Extract from LGPS Regulations 2013

(1) An administering authority must prepare a written statement setting out—

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so—
- (i) the terms, structure and operational procedures of the delegation,
- (ii) the frequency of any committee or sub-committee meetings,
- (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

(2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

(3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

(4) An administering authority must publish its statement under this regulation, and any revised statement.

London Borough of Barnet Pension Fund

Funding Strategy Statement

13 February 2020

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1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Barnet Pension Fund ("the Fund"), which is administered by London Borough Barnet Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 13 February 2020.

1.2 What is the London Borough of Barnet Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the London Borough of Barnet Pension Fund, in effect the LGPS for the London Borough of Barnet area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;

- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact George Bruce, Head of Pensions in the first instance at george.bruce@barnet.gov.uk.

2 Basic Funding Issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However, over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB the terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However, it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. Uncertainty over the McCloud remedy impact makes it impossible to calculate an 'exact' loading so the Fund's preferred approach is increase prudence via a higher likelihood of meeting funding target.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore, the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower asset share on which future investment returns will be earned. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies*
Sub-type	**Local Authorities**	**Colleges & Universities**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No
Maximum time horizon – Note (c)	17 years	15 years	17years	15 years or less depending on circumstance	15 years or less depending on circumstance	As per the letting employer
Secondary rate – Note (d)	Monetary amount	Monetary amount	% of payroll	% of payroll or Monetary amount	Monetary amount	% of payroll or Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Administering Authority	Covered by academy approach detailed below	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Administering Authority		Reduce contributions by spreading the surplus over the time horizon where appropriate
Likelihood of achieving target – Note (e)	70%	70%	70%	70%	70%	70% - assuming there is a guarantor
Phasing of contribution changes	Covered by stabilisation arrangement	Maximum of 3 years	Maximum of 3 years	Maximum of 3 years	Maximum of 3 years	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of non pass-through contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis as set out in the admission agreement. The letting employer will be liable for future deficits and contributions arising. See Note (j) for further details

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long-term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	London Borough of Barnet Council
Max cont increase per year	TBC: Max of +1% pa until 2020, to be confirmed thereafter
Max cont decrease per year	TBC: -0.5% pa

The stabilisation criteria and limits will be reviewed at the next formal valuation. However, the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority normally expect the same target end date to be used at successive triennial valuations, but reserves the right to propose alternative time horizons, for example significant market developments or where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of secondary contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. Academies existing in the Fund as at 31 March 2020 and those who convert between 1 April 2020 and 31 March 2023 will pay a pooled rate until the certification of rates following the 31 March 2022 valuation.

vi. From 1 April 2023 onwards (i.e. when the Rates and Adjustments certificate comes into force following the 31 March 2022 formal valuation) rates will be set as follows:

    a. all academies' stand-alone rates will be calculated either at the valuation or on conversion, and

    b. stabilisation of rates will apply; this means that academies will take steps upwards or downwards towards their stand-alone rate in line with the parameters set out in Note (b).

vii. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer and will be reassessed on an annual basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular, there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

The letting authority and the contractor may agree that the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer. In these circumstances the certified employer contribution rate will not reflect the pass through arrangements but will be documented in a separate agreement between the letting authority and the contractor.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example, the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see note (i) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will

- apply a 1% loading to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes for any employer ceasing on a "gilts exit basis"; or
- make no adjustment to the cessation valuation for any employer ceasing on the ongoing participation basis.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Where there is a Deficit

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the "gilts exit basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

Where there is a surplus

Where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, the Administering Authority will determine the amount of exit credit to be paid.
In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising because of the Admission Body's employer contributions, any representations (such as risk sharing agreements or guarantees) made by the employer and any employer providing a guarantee to the Admission Body.

Where the Administering Authority determines an exit credit is payable, it must be paid within six months of the date on which the employer ceased to participate in the Fund, or such longer time as the Administering Authority and exiting employer agree.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. Currently the pools in place within the Fund are as follows:

- London Borough of Barnet Council pool
- Colleges
- Orphan employer codes with the relevant successor body
- Academies

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand, it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires on an unreduced basis before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Early retirement strains are payable immediately.

3.7 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay.

To mitigate this risk, individual employers may elect to use external insurance, which has been made available by the Fund.

If an employer provides satisfactory evidence to the Administering Authority of putting in place an external insurance policy covering ill health early retirement strains, then:

- the employer's contribution rate to the Fund each year is reduced by the amount of that year's insurance premium rate, and
- there is no need for monitoring of ill health allowances versus experience (as typically required for some employers).

When an active member retires on ill health early retirement the claim amount will be paid directly from the insurer to the insured employer. This amount should then be paid to the Fund to allow the employer's asset share to be credited.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

If employers do not insure the benefit externally then the Administering Authority may monitor each employer's ill health experience. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer may be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.8 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.9 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

3.10 Advanced payment of Employer Contributions

The Fund will gain through the early payment of employers' contributions. Should an employer wish to pay single or multiple years contributions in advance, the amount payable may be reduced by the assumed additional investment returns earned by the Fund.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

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

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long-term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long-term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under "relative considerations" above compares to the estimated future return being targeted by the Fund's current investment strategy;

3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and

4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds' actuarial bases do not make comparisons straightforward.

FSS - appendix A – Regulatory framework

Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

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

These objectives are desirable individually but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

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

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate" and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in [DATE] for comment;

b) Comments were requested within 14 days;

c) Scheme officers were available to discuss questions regarding the FSS;

d) Following the end of the consultation period the FSS was updated where required and then published, in [DATE].

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at www.barnet.gov.uk;
- A copy sent by e-mail to each participating employer in the Fund;
- A copy sent to employee/pensioner representatives via the Local Pensions Board;
- A summary published on the Scheme website;
- A full copy linked from the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three-year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pension Fund Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.barnet.gov.uk.

FSS - appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1 operate the Fund as per the LGPS Regulations;

2 effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;

3 collect employer and employee contributions, and investment income and other amounts due to the Fund;

4 ensure that cash is available to meet benefit payments as and when they fall due;

5 pay from the Fund the relevant benefits and entitlements that are due;

6 invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;

7 communicate appropriately with employers so that they fully understand their obligations to the Fund;

8 take appropriate measures to safeguard the Fund against the consequences of employer default;

9 manage the valuation process in consultation with the Fund's actuary;

10 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

11 prepare and maintain a FSS and an ISS, after consultation;

12 notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and

13 monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1 deduct contributions from employees' pay correctly;

2 pay all contributions, including their own as determined by the actuary, promptly by the due date;

3 have a policy and exercise discretions within the regulatory framework;

4 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and

5 notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

6 prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;

7 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

8 provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);

9 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;

10 assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;

11 advise on the termination of employers' participation in the Fund; and

12 fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

13 investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;

14 investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;

15 auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;

16 governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;

17 legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;

18 MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

FSS - appendix C – Key risks and controls

Types of risk

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

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

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are

Risk	Summary of Control Mechanisms
admission/scheduled bodies	also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long-term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission	The Administering Authority requires employers with

Risk	Summary of Control Mechanisms
the Fund Actuary to carry out a termination valuation for a departing Admission Body.	Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

FSS - appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund’s actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer’s funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

19 meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)

20 at the end of the determined time horizon (see 3.3 Note (c) for further details)

21 with a sufficiently high likelihood, as set by the Fund’s strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer’s valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer’s liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer’s asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore, it cannot account for each employer’s assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

1) A technique known as “analysis of surplus” in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer’s liability value to calculate the employer’s asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.

2) A ‘cashflow approach’ in which an employer’s assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer’s assets.

Until 31 March 2016 the Administering Authority used the ‘analysis of surplus’ approach to apportion the Fund’s assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary tracks employer assets on an annual basis. Starting with each employer’s assets from the previous year end, cashflows paid in/out and investment returns achieved on the Fund’s assets over the course of the year are added to calculate an asset value at the year end. The approach has some simplifying assumptions in that all cashflows and investment returns are assumed to have occurred uniformly over the course of the year. As the actual timing of cashflows and investment returns are not allowed for, the sum of all employers’ asset values will deviate from the whole fund asset total over time (the deviation is expected to be minor). The difference is split between employers in proportion to their asset shares at each triennial valuation.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer’s asset share to the receiving employer’s asset share. This sum is equal to the member’s Cash Equivalent Transfer Value (CETV) as advised by the Fund’s administrators.

FSS - appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities") and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

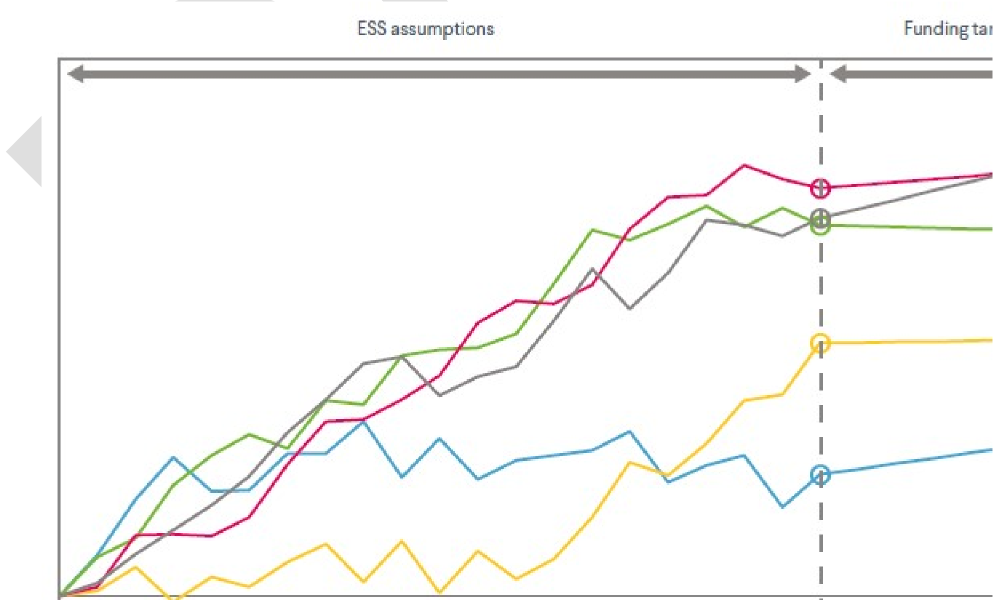
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary's approach to calculating employer contribution rates involves the projection of each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer's required likelihood) being successful at the end of the employer's time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose, the actuary uses Hymans Robertson's proprietary stochastic economic model - the Economic Scenario Service ("ESS").

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	**Ongoing participation basis**	**Contractor exit basis**	**Low risk exit basis**
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants

Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 2.0% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2022, followed by

2. the retail prices index (RPI) p.a. thereafter.

This gives a single "blended" assumption of CPI less 0.3%. This is a change from the previous valuation, which assumed a blended assumption of CPI plus 0.3% per annum. The change has led to a reduction in the funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government and is not under the control of the Fund or any employers.

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long-term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

FSS - appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is

autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

Maturity A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Primary contribution rate The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.

Profile The profile of an employer's membership or liability reflects various measurements of that employer's **members**, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.

Rates and Adjustments Certificate A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.

Scheduled Bodies Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary contribution rate The difference between the employer's actual and Primary contribution rates.
See Appendix D for further details.

Stabilisation Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.

Valuation A risk management exercise to review **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

London Borough of Barnet Pension Fund

Investment Strategy Statement

Introduction and background

This is the Investment Strategy Statement ("ISS") of the London Borough of Barnet Pension Fund ("the Fund"), which is administered by Barnet Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016.

The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee on 24 February 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement dated March 2017.

The suitability of particular investments and types of investments

The primary investment objective of the Fund is to ensure that the assets are invested to secure the benefits of the Fund's members under the Local Government Pension Scheme. Against this background, the Fund's approach to investing is to:

- Optimise the return consistent with a prudent level of risk;
- Ensure that there are sufficient resources to meet the liabilities; and
- Ensure the suitability of assets in relation to the needs of the Fund.

The Fund's funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is as follows:

Every three years following the actuarial valuation, the Fund undertakes an asset liability modelling exercise. This exercise focuses on key risk metrics of probability of success (how likely is the Fund to be fully funded over the agreed funding period) and downside risk (how poor could the funding position become in the worst economic outcomes).

Within each major market the Fund's investment managers will maintain a diversified portfolio of securities through direct investment or via pooled vehicles. An Investment Management Agreement is in place for each investment manager, which sets out the relevant benchmark, performance target and asset allocation ranges, together with further restrictions.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

In addition, the Committee monitors investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation; the Fund does not have a formal rebalancing policy at present, however, a suitable policy is currently under consideration. In the meantime the Fund's position is monitored both by Officers and the Fund's advisers. A rebalancing back towards target weightings was undertaken in January 2017.

Investment of money in a wide variety of investments

Asset classes

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e).

Table 1 - Fund asset allocation

Asset class	Benchmark	Benchmark Proportion	Maximum Allocation
Equity		**50%**	**60%**
Listed equity	FTSE All World Index	20%	
	FTSE RAFI All World Equity GBP Hedged Index	20%	
	MSCI Emerging Market Index (TR) Net	5%	
Private equity	FTSE All World Index +3% (tbc)	5%	
Diversified growth funds	libor or inflation plus margin	**5%**	**25%**
Property	IPD UK All Property Funds	**5%**	**12%**
Infrastructure	8-12% p.a. return (tbc)	**5%**	**7%**
Corporate bonds	Merrill Lynch Sterling Non-Gilts All Stocks Index	**10%**	**13%**
Illiqid credit	3 month libor plus 5%	**11%**	**23%**
Multi-credit	3 month libor plus 4%	**7%**	**10%**
Alternative credit	3 month libor plus 2%	**7%**	**10%**
		100%	

Consideration of the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

The approach to risk, including the ways in which risks are to be measured and managed

The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.

- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. This analysis will be revisited as part of the 2016 valuation process. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- Currency risk - The risk that the currency of the Fund's assets underperforms relative to sterling (i.e. the currency of the liabilities).

- Environmental, social and governance ("ESG") - The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.

- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee is developing formal rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. Rebalancing is considered currently but not on a formal structured basis. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as liquid diversified growth funds, the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assess the Fund's currency risk during their risk analysis. Currently the Committee hedges 50% of its exposure to currency risk within its quoted equity allocation.

Details of the Fund's approach to managing ESG risks is set out later in this document.

The Committee has considered the risk of underperformance by any single investment manager and has attempted to reduce this risk by appointing more than one manager and having a significant proportion of the Scheme's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending - The possibility of default and loss of economic rights to Fund assets.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

The Pension Fund Committee reviews its risk register annually with emerging risks reported to Pension Fund Committee as they arise.

A more comprehensive breakdown of the risks to which the Fund is exposed and the approach to managing these risks is set out in appendix A. A separate schedule of risks that the Fund monitors is set out in the Fund's Draft Funding Strategy Statement.

The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund's intention is to invest its assets through the London CIV as and when suitable pool investment solutions become available. An indicative timetable for investing through the pool was set out in the July 2016 submission to Government. They key criteria for assessment of pool solutions will be as follows:

22 That the pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund

23 That there is a clear financial benefit to the Fund in investing in the solution offered by the pool, should a change of provider be necessary.

Any assets not currently invested in the London CIV will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money.

The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning liquid assets across to the London CIV as soon as there are suitable sub-funds to meet the Fund's investment strategy requirements.

The Fund holds 36% of its assets in life funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool

In addition the Fund has already transitioned other assets into the London CIV with a value of 11% of the assets and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

The Fund holds c.8% of its assets in illiquid strategies (private market credit and direct lending) and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

Structure and governance of the London CIV

The July 2016 submission to Government of the London CIV provided a statement addressing the structure and governance of the pool, the mechanisms by which the Fund can hold the pool to account and the services that will be shared or jointly procured.

How Responsible Investment (social, environmental and corporate governance considerations and stewardship) are taken into account in the selection, non-selection, retention and realisation of investments

In this section responsible investment (RI) refers to investment practices that integrate the consideration of environmental, social and governance (ESG) factors into investment management processes and ownership practices recognising that these factors can have a material impact on financial performance. Stewardship and governance refer to acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

Beliefs

The Pension Fund Committee (The Fund) has reviewed its responsible Investment beliefs with the assistance of a workshop facilitate by its investment advisor and external speakers. This was followed up with a survey of members of both the Pension Fund Committee and Local Pension Board. As a consequence the Committee has expressed the following beliefs with regards to Responsible Investment.

- Well run companies will generate better long-term returns.
- Incorporating a regard for ESG into investment decision making will help mitigate risk such as climate change.
- The change to a low carbon economy offers both opportunities and risks (stranded assets).
- The Fund should avoid/limit exposure to securities where environmental, social or governance aspects will be financially detrimental to the portfolio.
- Engagement, particularly in collaboration with other investors, is a better approach than disinvestment, although the latter may be appropriate when engagement will not achieve the desired outcomes.
- Obtaining the best long-term financial outcomes remains the primary objective of investment policy and ESG is a factor, but not the only factor in choosing investments

These beliefs will be reviewed annually and will be taken into consideration when making investment decisions both in relation to setting and implementing investment strategy.

The Fund is committed to be a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition training is taken on a regular basis and this will include matters of social, environmental and corporate governance.

Implementation of Beliefs

The Fund has agreed that investment sustainability and pooling should be enhanced. In doing so the following actions will be / have been taken:

1. The majority of passive quoted equities are currently invested in line with either market capitalisation or a value based index. Consideration will be given to changing the indices to one's that incorporate ESG factors into the selection of investment particularly with the aim of reducing exposure to climate changing emissions and preferring companies with good social and governance practices.
2. Consideration of moving assets from passive equities to pooled active equities that have a strong sustainability approach to the selection of investments.
3. Consideration of investing into other products offered by the London CIV that focus on opportunities with sustainability characteristics e.g. renewables.

4. Monitor through regular dialogue and reporting that appointed investment managers, including the London CIV (1) integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments, and (2) use their influence, including through collaboration where appropriate, to promote good practice in the investee companies and markets to which the Fund is exposed.
5. Periodic qualitative and quantitative reviews of the ESG risks within the portfolio and consideration of alternatives.

<u>Social Investment</u>

The Fund is consistent in the application of risk and returns requirements when evaluating all investment opportunities, including those that address societal challenges. The Fund would invest in opportunities that address societal challenges but generate competitive financial returns. Seeking such opportunities is generally delegated to our external fund managers but will be a factor in selecting managers and investee funds.

<u>Reporting of Responsible Investment Outcomes</u>

It is expected that the Fund will be required to manage and monitor its exposure to climate change using the framework developed by the Taskforce on Climate-related Financial Disclosures. The Fund will develop its approach to compliance with the framework during 2021 & 2022. Where possible, reporting will also incorporate the social and governance aspects to RI. In doing so, the Fund will take a long-term view on RI, including the direction of travel as well as the current implementation.

The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee monitor the voting decisions made by all its investment managers on a regular basis.

Stewardship

The Fund fully endorses the principles embedded in the Stewardship Code. The Fund will be reviewing this position during 2021-22 and will consider becoming a signatory to the Code as part of this review.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Committee expects both the London CIV and all directly appointed fund managers to also comply with the Stewardship Code and this will be monitored on an annual basis.

The Fund is a member of the Local Authority Pension Fund Forum and Pension and Lifetime Savings Association and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners.

Approved by:-

London Borough of Barnet Pension Fund Committee

24 February 2021

ISS - appendix A – Approach to Risk

Investment invariably involves an element of risk. The Committee, in recognition of this, has adopted a number of strategies to mitigate the impact of unavoidable risks on the Fund. The Fund is subject to the following risks:

Funding risk: Asset values may not increase at the same rate as liabilities, resulting in an adverse impact on the funding position. The Committee monitors the funding position by considering the Fund's investment strategy and performance relative to the liabilities as part of the Fund's quarterly performance monitoring exercise.

Financial mismatch risk: The Committee recognises that assets and liabilities have different sensitivities to changes in financial factors. To mitigate this risk, the investment strategy is set such that it provides exposure to real assets (which provide some form of inflation-hedging) as well as income generating assets that, to some extent, match the Fund's liabilities.

Liquidity/Cashflow risk: Investments are held until such time as they are required to fund payment of pensions. In 2016/2017 it is anticipated that the contributions due will exceed the net payments from the fund to pensioners. However, the liquidity risk is being closely monitored. The Committee manages its cashflows and investment strategy to ensure that all future payments can be met and that sufficient assets are held in liquid investments to enable short term cash requirements to be met.

Manager risk: Fund managers could fail to achieve the investment targets specified in their mandates. This is considered by the Committee when fund managers are selected and their performance is reviewed regularly by the Committee as part of the manager monitoring process.

Concentration risk: This relates to the risk that the performance of a single asset class, investment or manager has a disproportionate influence on the Fund's performance. The Committee attempts to mitigate this risk by establishing a well-diversified strategic asset allocation, reviewing the investment strategy regularly, and following a regular fund manager review process.

Demographic risk: This relates to the uncertainty around longevity. The Committee recognises there are effectively no viable options to mitigate these risks and assesses the impact of these factors through the Funding Strategy Statement and formal triennial actuarial valuations.

Counterparty risk: This risk relates to the counterparty in a financial transaction failing to meet its obligations to the Fund. The Committee has set guidelines with its fund managers and its custodian to limit its exposure to counterparty risk by specifying minimum credit ratings and credit limits. It has similarly applied this strict criteria within its stock lending agreements to mitigate counterparty risk in these transactions.

Currency risk: The strategic asset allocation adopted by the Committee provides for an overseas allocation to enhance diversification via exposure to different economies. Such investments are, however, subject to fluctuations in exchange rates with an associated impact on performance. As such, the Committee has opted to hedge 50% of the Fund's currency risk (based on overseas exposure of the passive global equity allocation). This is considered to strike a suitable balance between dampening the volatility associated with currency fluctuations and the cost associated with currency hedging.

Environmental, Social, and Governance Issues risk: The Committee recognises that environmental, social and ethical issues have the potential to impact on the long term financial viability of an organisation. The Committee encourages managers to exercise votes in line with their stated ESG objectives.

ISS - appendix B – CIPFA Compliance

The statements below state the extent to which the Fund complies with the principles of investment practice originally issued by the Government in October 2001 in response to the recommendations of the Review of Institutional Investment undertaken by Lord Myners.

Principle 1: Effective decision-making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they received, and manage conflicts of interest.

Compliant. The Council, as the administering authority, appoints the Pension Fund Committee, specifically for the purpose of managing the Fund's Investments. The Committee is supported by the actuary, independent advisors and officers.

Principle 2: Clear Objectives

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant, and clearly communicate these to advisers and investment managers.

Compliant. The Fund's investment objective and attitude to risk are reviewed and adjusted where necessary, on the basis of the outcomes of asset liability studies.

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Compliant. The investment strategy is reviewed annually and updated to take account of the latest actuarial information. Risk of sponsor or fund default is irrelevant as the London Borough of Barnet Pension Fund benefits are guaranteed by law.

Principle 4: Performance Assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.

Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Part Compliant. The performance of the Fund's investments is monitored on a quarterly basis by officers and also the adviser, Hymans Robertson. The Committee is looking into how to assess the performance of decisions taken.

Principle 5: Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt the Institutional Shareholder's Committee Statement of Principles on the responsibilities of shareholders and agents.

A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.

Trustees should report periodically to members on the discharge of such responsibilities.

Compliant. Investment managers employed by the fund have clear corporate governance policies. The Pension Fund Committee has an approved voting policy.

Principle 6: Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

Trustees should provide regular communication to members in the form they consider most appropriate.

Compliant. The Committee publishes documents including the Investment Strategy Statement, Funding Strategy Statement, Corporate Governance policy and committee meeting minutes on the London Borough of Barnet website. Annual reports and accounts are also published on the website.

Communication Policy Statement

An effective communications strategy is vital for the pension administration service (provided on behalf of the Council by Capita Employee Benefits) in its aim to provide a high quality and consistent service to its customers.

This document sets out a policy framework within which the pension administration service will communicate with:-

- Fund members and their representatives
- Prospective Fund members and their representatives
- Fund employers

Set out in this statement are the mechanisms which are used to meet those communication needs.

It identifies the format, frequency and method of distributing information and publicity.

The pension administration service aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

- **Capita Employee Benefits:** for day-to-day contact between the hours of 9am and 5pm.
- **Correspondence:** the Fund utilises both surface mail and e-mail to receive and send correspondence.
- **Website:** A members' website is available and other information is available on the national websites at http://www.lgps.org.uk/lge/core/page.do?pageId=97977
- **Member Self-Service** as above
- **Annual Benefits:** An annual benefits statement is sent direct to the home addresses of deferred members where a current address is known and is available online for active members.
- **Pensions Roadshows:** The pension administration service also stages ad hoc roadshows for Fund members particularly where there are changes to the Fund organisational changes which have pension implications.
- **Existence Validation – Pensioners Living Abroad:** Capita Employee Benefits undertakes an annual exercise conducted through correspondence in order to establish the continued existence of pensioners living abroad.
- **All Employer Meetings:** Periodic meetings are arranged for employers. Specifically this has been used as a mechanism for communicating major strategic issues, significant changes in legislation and triennial valuation matters.

Comments

We welcome and value your comments on the standards of service we provide. If you have any comments please contact us.

pensions@barnet.gov.uk

Address: London Borough of Barnet Pension Fund, 2 Bristol Avenue, Colindale, London, NW9 4EW
Telephone: 0208 359 3341

LONDON BOROUGH OF BARNET PENSION FUND ADMINISTRATION STRATEGY

1. PURPOSE OF STRATEGY

1.1 This strategy outlines the processes and procedures agreed between West Yorkshire Pension Fund (WYPF) and the London Borough of Barnet (LBB) as administering authority to the London Borough of Barnet Pension Fund. Its aim is for WYPF and employers to work collaboratively together in a cost-effective way to administer the London Borough of Barnet Pension Fund whilst maintaining an excellent level of service to members.

1.2 This strategy is also the agreement between London Borough of Barnet and employers participating in the Fund about the levels of performance and associated matters. It does not override any existing commercial contracts or contractual performance indicators which exist between LBB and WYPF.

1.3. Performance levels are set out in this document for the Administering Authority, employers participating in the Scheme, WYPF and where applicable third-party contractors. These will be reviewed from time to time and only changed with agreement of the London Borough of Barnet and WYPF.

2. REGULATORY BACKGROUND

2.1 This Strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations (LGPS) 2013. In line with these regulations employers have been consulted on the strategy, and a copy has been sent to the Secretary of State.

3. REVIEW OF THE STRATEGY

3.1 WYPF and LBB jointly own this strategy and a review will take place at least every 24 months or as soon as possible following any changes to the regulations, processes or procedures that affect this strategy.

3.2 Any changes to this strategy will be made following consultation with employers and will be reviewed and agreed by LBB. Employers may submit suggestions to improve any aspect of this strategy at any time. A copy of the updated strategy will be sent to the Secretary of State.

4. ADMINISTRATION AND PERFORMANCE

4.1 WYPF will administer the Pension Fund in accordance with the LGPS Regulations (and any overriding legislation including employer discretions). When carrying out their functions WYPF will have regard to the current version of this strategy.

4.2 Scheme administration

4.2.1 WYPF will support employers and actively seek to promote the Local Government Pension Scheme by:

a) Providing appropriate technical information, updates, training and assistance on the Fund and its administration.

b) Arranging biannual Employer forum meeting

c) Issuing any other such other materials as necessary in the administration of the Scheme

d) Allowing access to the employer section of the WYPF website (www.wypf.org.uk) and the employer portal of these website to allow for employers to view their members' details and submit relevant notifications.

e) Reminding employers of their responsibilities

f) Promptly dealing with queries arising from the submission of monthly contribution returns

g) Assisting employers with the ill health retirement process for their current and deferred members.

4.3 WYPF Responsibilities

4.3.1 WYPF will ensure the following functions are carried out:

a) Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point of access for information relating to the LGPS

b) Create a member record for all new starters admitted to the LGPS

c) Maintain and update members records for any changes received from the employer

d) Provide the required data in respect of each member and provide statistical information over the valuation period to the fund actuary at each triennial valuation so that they can determine the assets and liabilities for each employer

e) Provide every active, deferred and pension credit member with a benefit statement each year

f) Provide estimate of retirement benefits on request by the employer and member

g) Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS regulations, members' options and statutory limits

h) Process all casework in line with the agreed Key Performance indicators (KPIs) as set out in Appendix A of this document

i) Comply with HMRC and other statutory pensions legislation and regulations

j) Ensure that members are notified of any decisions made under the regulations in relation to their benefits within 10 working days of the decision being made and ensure that the member is informed of their right of appeal.

4.4 Employer Responsibilities

4.4.1 Employers are responsible for:

a) Ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions.

b) Arranging payment of member and employer contributions to the London Borough of Barnet Pension Fund by the 19th day of the month following the month in which the deductions were made. Where the 19th falls on a weekend or bank holiday, the due date becomes the last working day prior to the 19th. Late payment of contributions will be reported to The Pensions Regulator.

c) Uploading the monthly contribution schedule to the WYPF Monthly Return Portal also by the 19th day of the month following the month in which the deductions were made. The data should reconcile to the payment made to the relevant fund.

d) Arranging payment of Additional Voluntary Contributions (AVCs) to the relevant provider within one week of them being deducted.

e) Providing the information to WYPF in relation to their employees in the Fund, as set out in Appendix B.

f) Arranging payment of the full amount of the cost of any early retirements within the 30-day payment term stated on the invoice. Interest for late payment will be charged at Bank of England base rate plus 1%.

g) Keeping the Administering Authority informed of all events or decisions which might affect their participation in the Scheme, including the ‘notifiable events’ as set out in Appendix C.

h) Exercising the discretionary powers given to employers by the regulations, including compiling and publishing its policy to employees in respect of the key discretions as required by the regulations. A copy of these discretions should be sent to the WYPF.

4.5 Performance Monitoring

4.5.1 LBB, as administering authority, will monitor the performance of WYPF on a quarterly basis as set out in Appendix D of this document.

4.5.2 Should LBB determine that the performance levels are not up to the expected levels, this will be discussed with WYPF with the aim for improvement by the next quarterly review.

4.5.3 LBB will report performance at each meeting of the Local Pensions Board and in the Annual Report & Financial Statements.

5. WYPF/EMPLOYER LIASION

5.1 Each employer will nominate to WYPF a contact to administer the three main areas of the Barnet Pension Fund:

5.1.1 a strategic contact for valuation, scheme consultation, discretionary statements and I DRPs

5.1.2 an administration contact for the day-to-day administration of the scheme, completing forms and responding to queries, and

5.1.3 a finance contact for completion and submission of monthly postings and co-ordination of exception reports

5.2 If a third-party organisation provides services for the employer they too can be added as an authorised contact.

5.3 WYPF will issue all contacts will receive a login name and password that allows them to access the WYPF Employer portal for online administration and the combined remittance and monthly return.

6. COMMUNICATIONS

6.1 A Communications Policy has been prepared to meet the objectives about how WYPF and LBB communicate with key stakeholders to the Barnet Pension Fund.

6.2 Key stakeholders include:

6.2.1 Members

6.2.2 Representatives of members

6.2.3 Prospective members

6.2.4 Employing authorities

7. COMPLAINTS/INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

7.1 Complaints

7.1.1 Any member complaints received by WYPF will be dealt with promptly, with members offered the option of talking further action via an IDRP if they are not satisfied with the resolution.

7.1.2 WYPF will report all member complaints to LBB monthly, but sooner if any input is required from LBB or employers to resolve the issues raised.

7.1.3 Complaints from employers should be sent to WYPF with the Pensions Manager at LBB copied in. Again, the complaint should be dealt with promptly by WYPF with LBB offering to assist with any disputes.

7.2 Internal Dispute Resolution Procedure (IDRP)

7.2.1 Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making.

7.2.2 Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.

7.2.3 WYPF will nominate an adjudicator to deal with appeals at stage one of the IDRP, where the appeal is against a decision the administrator has made or is responsible for making.

7.2.4 The Pensions Manager at LBB will be the adjudicator for stage two of the IDRP.

8. CHARGES AND FINES

8.1 Charges to the Employer

8.1.1 The administrative costs of running the Pension Fund are charged by LBB directly to the Fund. The Actuary takes these costs into account in assessing the employer contribution rate.

8.1.2 LBB will under certain circumstances consider giving written notice to employers under regulation 70(2) of The Local Government Pension Scheme Regulations (LGPS) 2013 because the employer’s unsatisfactory performance in carrying out the required functions when measured against levels of performance established within this document. The written notice may include charges imposed by LBB for chasing employing authorities for outstanding information.

8.1.3 If the London Borough of Barnet Pension Fund undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work.

8.1.4 Details of the potential charges are set out in Appendix E.

8.2 Fines

8.2.1 If LBB is fined by the Pensions Regulator, this will be passed on to the relevant employer where that employer's action or inaction caused the fine.

9. ADDITIONAL INFORMATION

9.1 Employers should note that LBB is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. That responsibility rests solely with the employer.

9.2 Any overpayment made by the London Borough of Barnet Pension Fund resulting from inaccurate information supplied by the employer shall be recovered by the Fund from the employer.

9.3 Employers should note that it is their responsibility to ensure that the correct procedures are followed and that any contractor which is admitted because of a TUPE transfer is aware of their responsibilities and costs in relation to staff.

9.4 Employers are responsible for any work carried out on its behalf by another section of their organisation or by a contractor appointed by that organisation (e.g. Payroll and/or HR services).

9.5 West Yorkshire Pension Fund and LBB will ensure compliance with the requirements of the Data Protection Act 2018.

Written by: Mark Fox - Pensions Manager, LBB - on behalf of the Administering Authority.

Created: April 2021

PAS - APPENDIX A - Key Performance indicators (KPIs)

The minimum performance targets are shown below.

proceed with the transaction from the employer, member and

Type of Work	Workin
New Joiners/membership updates -issue letter/certificates	10
General requests for information from members	10
Deferred Benefit On Leaving Calculation complete	10
Pension Estimate despatched to appropriate recipient	7
Refund Calculation completed	10
Refund Payment despatched	5
Transfer Out Calculation complete	20
Transfer Out Payment despatched to appropriate recipient	10
Transfer In Calculation complete	10
Transfer In Payment Received by relevant fund or scheme	10
Pension Set Up - Payment of Lump Sum despatched to appropriate recipient	5
Death in Service - Payment of Death Grant despatched to appropriate recipient	5

PAS - APPENDIX B - Information to be provided to WYPF by employer's relation to their employees in the Fund

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions were deducted	100% compliance of returns received in target
New starters	Monthly return	None	Notified via the monthly return, the administrator will process the data within 2 weeks following monthly return submission	90% compliance or better
Change of hours, name, payroll number, or job title	Monthly return (exception report)	Web form	Notified via monthly returns, the administrator will process the data within 2 weeks following monthly return submission For exception report output from the monthly return, change data response must be provided to the administrator within 2 weeks of receipt of the exception report	90% compliance or better
50/50 & main scheme elections	Monthly return		Notified by the employer via monthly return, the administrator will process the data within 2 weeks following monthly data submission	90% compliance or better

Service breaks/absence	Web form		Within 6 weeks of the date of the absence commencing	90% compliance or better
Under 3 months opt-outs	Monthly return		Notified by the employer via monthly return, the administrator will process the data within 2 weeks following monthly data submission	90% compliance or better
Leavers	Web form	Monthly returns (exception)	Notified by employer submission within 6 weeks of leaving. For exception reports leaver forms must be provided within 2 months of receipt of the exception report.	90% compliance or better
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy	90% compliance or better
Death in service notifications	Web form		Within 3 days of the date of notification	100% of compliance

PAS - APPENDIX C – Notifiable events

Employers should provide information on any circumstances which might affect their future participation in the Fund or their ability to make contributions to the Fund (called "notifiable events").

These include the following:

- A decision which will restrict the employer's active membership in the Fund in the future. Examples include:
    - ceasing to admit new members under an admission agreement;
    - ceasing to designate a material proportion of posts for membership;
    - setting up a wholly owned company whose staff will not all be eligible for Fund membership;
    - outsourcing a service which will lead to a transfer of staff

- Any restructuring or other event which could materially affect the employer's membership. Examples include:
    - a Multi-Academy Trust re-structuring so there is change in constituent academies,
    - the employer merging with another employer (regardless of whether or not that employer participates in the Fund),
    - a material redundancy exercise,
    - significant salary awards being granted,
    - a material number of ill health retirements,
    - large number of employees leaving voluntarily before retirement
    - the loss of a significant contract or income stream

- A change in the employer's legal status or constitution which may jeopardise its participation in the Fund. Examples include:
    - the employer ceasing business (whether on insolvency, winding up, receivership or liquidation),
    - loss of charitable status,
    - loss of contracts or other change which means the employer no longer qualifies as an employer in the Fund

- If the employer has been judged to have been involved in wrongful trading.

- If any senior personnel, e.g. directors, owners or senior officers have been convicted for an offence involving dishonesty, particularly where related to the employer's business.

- Where the employer has, or expects to be, in breach of its banking covenant.

- Details of any improvement notice (or equivalent) served by the appropriate regulator, e.g. Education Funding and Skills Agency, Office for Students, Charity Commission, Regulator for Social Housing etc, or S114 notice for local authorities.

Employers should provide this information in advance of the event occurring (where possible) or as soon as practicable thereafter

PAS - APPENDIX D – Monitoring Performance

London Borough of Barnet (LBB) Pension Fund - Local Government Pension Scheme

Monitoring West Yorkshire Pension Fund (WYPF) Performance

LBB Officers will monitor the performance of WYPF against the objectives as outlined in the table below. We will report performance to the Local Pensions Board at each meeting and in the Annual Report & Financial Statements.

Objectives	Measurement
WYPF provides a high quality, proactive and efficient service for both members and employers.	WYPF achieve all service standards (in line with the Key Performance Indicators (KPIs)) as set out in the Schedule 4 of the Collaboration agreement signed between City of Bradford Metropolitan District Council (CBMDC) and LBB (attached below). WYPF receives: • at least 90% positive responses from quarterly member satisfaction survey • positive employer feedback with minimal employer complaints.
WYPF pays accurate benefits.	Positive audit results through internal and external audit and other reviews. Minimal member complaints/IDRPs resulting from incorrect calculation of benefits. WYPF to provide an annual sample of calculations for LBB Officers to spot check the automated calculations on UPM. Types of calculation to be tested to be determined each year. To take place in May/June each year to link in with external audit.
WYPF sets out clear roles and responsibilities for employers	Minimal issues identified as part of monthly data checks and ongoing reconciliations when monthly returns received by WYPF. All issues resolved within 2 months.
WYPF identifies, mitigates and monitors potential risks to the Fund and employers	WYPF to update LBB Officers at regular fortnightly "catch up" meetings of any potential issues or identified risks and works with LBB Officers on ways to mitigate risks. Details and actions to feed in the LBB Pension Fund Administration Risk Register presented to the Local Pensions Board at

	each meeting and annually to the Pension Fund Committee.
WYPF puts in place effective governance arrangements to monitor and improve pension administration	Monthly reporting to LBB Officers on any governance issues identified (to be included in Local Pension Board updates) included in Annual Report & Financial Statements. WYPF maintain their ISO9001 accreditation and provide Officers details of the annual external audit. WYPF provide Officers with monthly updates on number of LBB Pension Fund members registered on the WYPF member portal.
WYPF maintains accurate records and communicates all information and data accurately, and in a timely and secure manner	Minimal issues identified as part of monthly data checks and ongoing reconciliations. All issues resolved within 2 months. No breaches of data security protocols. Positive audit results through internal and external audit and other reviews. Annual target for common data score - 95% or better (in line with TPR expectations). Annual improvement in conditional data score (base limit is 27% in 2020). Annual test of data using Hymans data portal to check data quality for valuations etc. All data errors from previous year corrected and continued reduction in new data issues Completion of the data improvement plan within agreed timescales. WYPF maintain their ISO27001 accreditation and provide Officers details of the annual external audit.
WYPF uses appropriate technology and best practice to continually improve the quality of service	WYPF to update Officers on progress on update their member portal to allow members to obtain estimates. .
Communication between WYPF and LBB Officers	WYPF to participate in fortnightly meetings with LBB Officers and ensure timely completion of actions outstanding to them. LBB Officers to be invited to Management Review meeting with other WYPF LGPS clients. No major issues identified that have an impact on the administration of the

	Barnet Fund.

Where LBB Officers identify areas of improvement from benchmarking or performance monitoring, the Head of Governance and Business Development will be responsible for putting in place a work plan to make the improvements.

Future reports to both the Local Pensions Board and Pension Fund Committee will consider the measurements set out in this document, which will be shared with both bodies.

PAS - APPENDIX E - CHARGES

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Performance areas	Reason for charge	Bas
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Actu (adr mar inpu
2. Contributions to be paid anytime but latest date by 19th of month (weekends and bank holidays on the last working day before 19th)	Due by 19th month – late receipt of funds, plus cost of additional time spent chasing payment.	Nur bas
3. Monthly return due anytime but latest by 19th month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Fail info resu adm Offi leve
5. Early leavers information	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report.	Failu infor resul admi
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failu infor resul admi level
7. Death in membership	Due within 3 working days of the notification – additional work caused by	Failu infor resul

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9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at

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		pens
10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify the administrator of change in authorised officers list.	Failu addit admi l).
11. Security breach on system re data	Recharge employers any fines imposed	Actu