



PENSION FUND

ANNUAL REPORT

2024/25

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1. Chair's Introduction

I am pleased to present the Annual Report and Accounts for the London Borough of Barnet Pension Fund for the year ended 31 March 2025. The Committee's focus throughout the year has been to ensure strong governance, effective stewardship of assets, and the long-term sustainability of the Fund in line with our statutory responsibilities.

During 2024/25, the Fund continued to operate within the framework of the Local Government Pension Scheme Regulations, maintaining compliance with all legislative and regulatory requirements. The Pension Fund Committee met regularly to review investment performance, funding progress, risk management, and administration service levels. We were supported by the Local Pension Board, whose oversight and scrutiny continue to play an important role in ensuring efficient and effective governance.

The Fund's net assets increased to £1.716 billion, reflecting a positive investment return of £84 million and continued stability in contributions and cashflows. The Fund achieved a 5% annual return, although performance remained below the long-term strategic benchmark. The Committee continues to monitor investment managers closely, supported by our advisers, to ensure that the investment strategy remains appropriate for the long-term needs of members and employers.

Following the 2022 actuarial valuation, the Fund's funding level improved to 96%, with employer contribution rates set to support a long-term path back to full funding. The Committee also continued its work on responsible investment, including transitioning further assets into the London CIV to improve fee efficiency and enhance ESG alignment. As at year-end, 65% of assets were pooled with the London CIV, delivering both financial savings and governance benefits.

Administration performance, delivered through West Yorkshire Pension Fund, remained strong across most KPIs. Membership of the Fund remained stable, with over 31,000 active, deferred and pensioner members, although the number of active members continues to decrease and the number of pensioners continues to increase. The Committee and Board continued to place emphasis on data quality, member communications, and improving digital engagement through the increasing use of online portals.

I would like to thank members of the Committee and Local Pension Board, Council officers, advisers, and our partners at London CIV and West Yorkshire Pension Fund for their continued professionalism and commitment. Their work ensures that the Fund is managed to the highest standards for the benefit of all scheme members and employers.

On behalf of the Pension Fund Committee

Councillor Rishikesh Chakraborty
Chairman of the Pension Fund Committee
London Borough of Barnet

2. 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 2022, with the next valuation starting on 31 March 2025. 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 (which was increased to £220,312 in June 2025). The Fund's investments with Legal and General, LCIV Sustainable Equities, Emerging Market Equities, Paris Aligned Passive Equity, Private Debt, Renewables Infrastructure, Natural Capital, Multi-Asset Credit, Global Bonds and Long Duration Buy and Maintain Credit (65% 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.

3. 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 Fund Actuary, investment advisor, administrator and fund managers. Membership of the Committee is shown under Section 1.3 below. The Committee meet four times during the year. Two members collectively missed six meetings.

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:

- a) Secure compliance with LGPS Government regulations and any other legislation relating to the governance and administration of the LGPS,
- b) secure compliance with the requirements imposed by the Pensions Regulator,
- c) such other matters as the LGPS regulations may specify, and
- d) 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. Three members collectively missed three 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 through 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.

The Pension Fund Committee and Local Pensions Board review knowledge and understanding at every meeting and are updated by Officers on their knowledge requirements and available training. An updated Training Strategy and Policy is being drafted by Officers for both the Pension Fund Committee and Local Pensions Board members to apply from April 2026.

4. Management Structure

Administrating Authority

London Borough of Barnet

Pension Fund Committee Members 2024/25

Chairmen: Councillor Simon Radford (up till January 2025)
Councillor Liron Woodcock-Velleman

Vice-Chairman Councillor Anne Hutton

Members: Councillor Andreas Ioannidis
Councillor Elliot Simberg
Councillor Mark Shooter
Councillor Nick Mearing-Smith

Substitutes
(who attended): Councillor Arijun Mittra

Local Pension Board

Employer Representatives: Professor Geoffrey Alderman (Chairman)
Cllr Nagus Narenthira
Deepani de Silva

Employee Representatives: Hem Savla (Vice-Chairman)
Salar Rida
David Woodcock

Independent: Stephen Ross

Substitute Member: Alice Leach

LB Barnet Officers

Anisa Darr Executive Director of Resources and S151 Officer
Kevin Bartle Interim Executive Director of Resources and S151 Officer
Mark Fox Pensions Manager

Actuary

Hymans Robertson LLP

Investment Advisors

Hymans Robertson LLP

Auditor

Grant Thornton UK LLP

Legal Advisors

HB Law

Performance Monitoring

Hymans Robertson
PIRC

Banks

NatWest

Pensions Administration Manager

West Yorkshire Pension Fund

5. 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.

6. Financial Performance

The Fund asset value increased by £74.221 million in the year to £1,716.760 million. There was an inflow of £0.386 million from dealings with members, expenses of £18.436 million were incurred and a positive return from investments of £ 84.023 million was made.

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

	2020-21	2021-22	2022-23	2023-24	2024-25
	£'000	£'000	£'000	£'000	£'000
Dealing with members					
Contributions and transfers in	-83,049	-71,238	-80,754	-91,871	-85,019
Pensions, lump sums and transfers out	62,351	69,194	74,857	75,641	84,633
Net (additions) from dealings with members	-20,698	-2,044	-5,897	-16,230	-386
Management expenses	11,305	13,349	17,846	20,202	18,436
Investment income	-5,954	-9,023	-4,037	-6,460	-8,248
Change in market value	-299,820	-109,310	20,362	-166,718	-84,023
Net (increase) in the Fund	-315,167	-107,028	28,274	-169,206	-74,221

A revised Rates and Adjustment certificate was introduced from 1 April 2023 following the 2022 triennial valuation.

Management expenses were lower than last year due to lower performance fees as some investment funds were in wind down phase and due to an increase in the value of investments pooled with the London CIV which has a lower cost structure. Most investment income is retained within pooled funds and included within the change in market value of investments. The Fund earned a net return of 4.5% during 2024-25, which is discussed below.

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

	2020-21	2021-22	2022-23	2023-24	2024-25
	£'000	£'000	£'000	£'000	£'000
Pooled funds	1,345,152	1,456,977	1,442,701	1,582,240	1,646,143
Cash	1,532	25,002	38,520	39,570	48,020
Investment in London CIV	150	150	150	150	150
Current Assets	51,617	69,353	14,772	24,928	27,991
Current Liabilities	-3,851	-49,855	-22,790	-4,329	-5,544
Total Net Assets	1,394,600	1,501,627	1,473,353	1,642,559	1,716,760
Net (increase) in the Fund	-315,167	-107,028	28,274	-169,206	-74,221

The asset value has increased reflecting the positive 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 five years:

	2020-21		2021-22		2022-23		2023-24		2024-25	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administration		1041		1,049		953		906		1,881
Investment Management										
Management Fees	4,876		4,851		6,866		7,447		7,669	
Performance related Fees	2,024		4,192		4,848		6,131		2,868	
Custody fees	13		15		-3		0		0	
Transaction Costs	2,484		2,485		4,240		4,844		4,616	
		9,397		11,543		15,951		18,422		15,153
Oversight & Governance										
Actuarial	226		125		278		137		239	
Investment Advice	175		206		279		248		289	
Audit	42		36		40		77		123	
Council officers recharge	364		359		311		341		319	
other	60		31		34		71		431	
		867		757		942		874		1,402
Total		11,305		13,349		17,846		20,202		18,436

The above table includes costs incurred via pooled vehicles.

The Pension Fund Committee and officers monitor costs and challenge fund managers. As stated above, the increased use of investments managed by the London CIV has successfully reduced fees.

Administration costs consist of cost of services provided by WYPF Administration and staff costs recharged by London Borough of Barnet. This year's costs include the LBB recharges for both this year and the previous year.

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

7. 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 of 31 March 2022.

The funding level at 31 March 2022 was 96%, an increase of 10% from 2019. This corresponds to an improved funding deficit from £190 million in 2019 to £69 million in 2022. Following the 2022 triennial valuation a new Rates and Adjustment certificate was set by the Fund Actuary effective from 1 April 2023 and covering the period to 31 March 2026. During 22/23 the Fund's primary contribution rate as a whole for 22/23 remained 20.6% of pensionable pay plus a secondary contribution of £12.347million. For 24/25 the fund as a whole primary contribution rate was 20.4% with secondary funding set at £7.487 million.

The Rates and Adjustment Certificate effective from 1 April 2023 sets out the required rate reflecting the Fund's Funding Strategy Statement. For LB Barnet (the main employer) the required employer contribution reflected the rate required to achieve a 70% probability of returning to a fully funded position over 17 years. The Actuary determines the contribution rate for each employer. LB Barnet's contribution rate for 2024-25 was 20.4%.

8. Investment and Funding

Investment Strategy Statement

The Pension Fund Committee is responsible for setting the Pension Fund's investment strategy. This strategy is formulated in accordance with the Local Government Pension Scheme (Management and Investment of Fund) Regulations 2016.

The strategy is outlined in detail in the Investment Strategy Statement (ISS) which can be found within Appendix C. The ISS outlines the responsibilities relating to the overall investment policy of the Fund which includes:

- Strategic asset allocation
- Methods of investment management
- Performance monitoring

The ISS also outlines the Fund's approach to responsible investment and demonstrates compliance with the "Myners Principles". These principles are a set of recommendations relating to the investment of pension funds by Lord Myners in early 2000s. These were subsequently endorsed by the UK Government and cover the following areas:

- Effective decision-making
- Clear objectives
- Risk & Liabilities
- Performance measurement
- Responsible Ownership
- Transparency and reporting

The ISS was updated this year to add a new 5% commitment to Natural Capital to the strategic asset allocation.

Funding Strategy Statement

The Funding Strategy Statement (FSS), as presented in appendix B, sets out the aims and purpose of the pension fund and the responsibilities of the administering authority as regards funding the scheme.

It's purpose is:

- To establish a clear and transparent fund-specific strategy that outlines the most effective approach for meeting employers' pension liabilities in the future
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible.
- To take a prudent longer-term view of funding pension liabilities

Any actuarial work undertaken during 2024/25 have been in accordance with the FSS. This includes the valuation of assets and liabilities, calculation of employer contributions, cessations and new admissions.

The funding and investment strategies are closely linked. The Fund is required to ensure that benefits are paid as they become due. These obligations are met through a combination of contributions, as determined by the funding strategy, and asset returns and income, achieved via the investment strategy. Should investment returns or income prove insufficient, the Fund may be unable to fulfil benefit payments, necessitating increased contributions from participating employers.

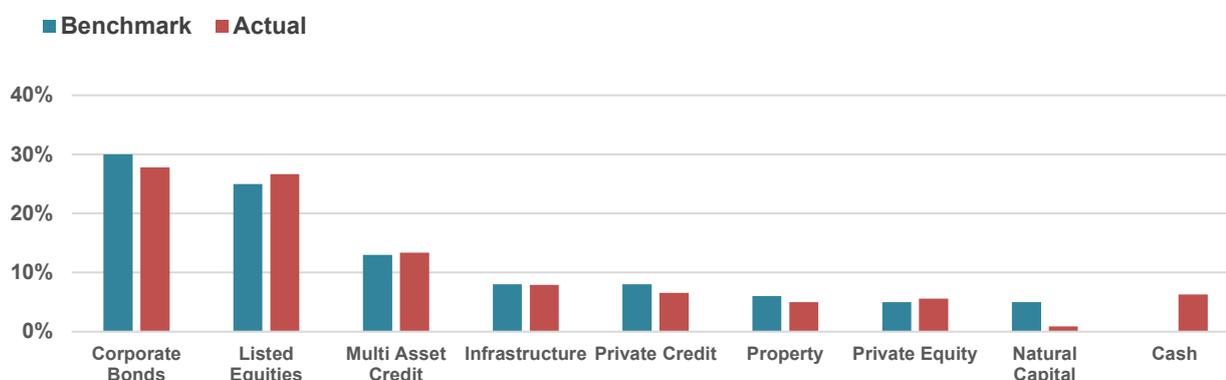
Strategic Asset Allocation

The strategic asset allocation is agreed by the Pensions Committee and Board, after taking advice for the Fund's investment consultants, Hymans Robertson. The table below shows the Fund's strategic asset allocation as at 31 March 2025.

Asset Class	Target Allocation
Corporate Bonds	30%
Listed Equities	25%
Multi Asset Credit	13%
Infrastructure	8%
Private Credit	8%
Property	6%
Private Equity	5%
Natural Capital	5%
Total	100%

The chart below shows a comparison of the Fund's benchmark asset allocation to the actual asset allocation at 31 March 2025.

Asset Allocation as at 31 March 2025



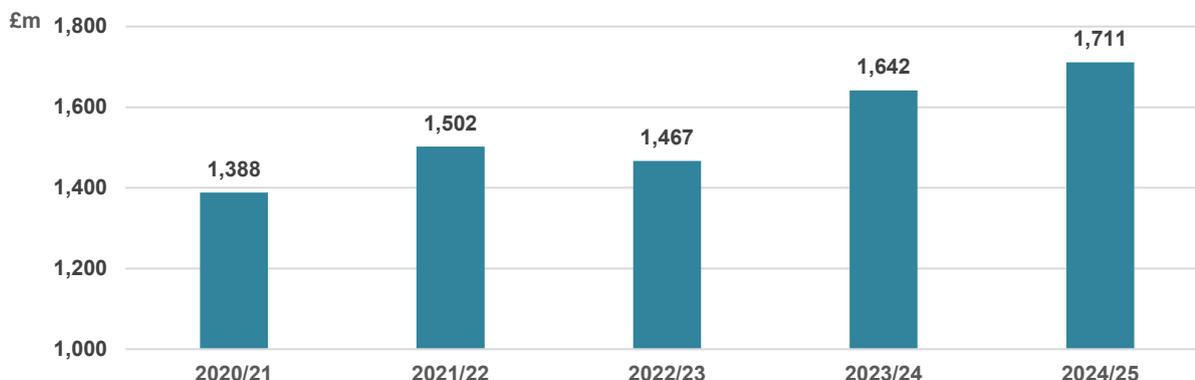
The current benchmark strategic asset allocation was set in January 2025. The Fund has made significant commitments to private markets investment strategies, which will be funded progressively over time, resulting in variances between the benchmark strategic asset allocation and the actual asset

allocation as at 31 March 2025.

Fund Value

As at 31 March 2025, the value of the Fund's net assets was £1.711 billion (compared to £1,642 billion as at 31 March 2024). The chart below shows the growth in Fund Assets over the past 5 years.

Fund Assets



Investment Performance

The Fund's investment assets are invested to meet the Fund's liabilities over the medium to long term, and therefore its performance is assessed over the corresponding periods. Annual investment performance can be volatile and does not necessarily indicate the underlying long-term sustainability of the Fund.

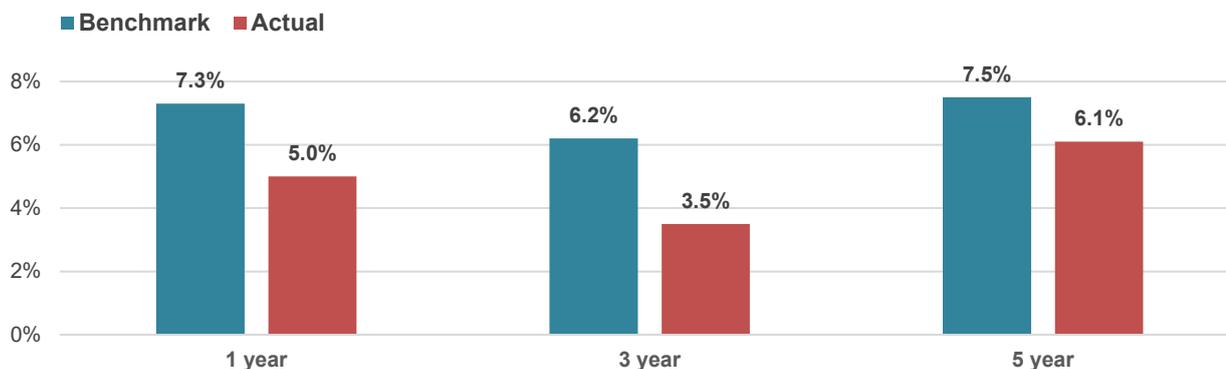
The performance of the Fund's investment managers, and overall investment performance is reported on a quarterly basis to the Pensions Committee and Board. The Fund's investment performance is compared against the target strategic benchmark, based on the individual performance targets assigned to each investment manager.

Annualised Investment Performance

The Fund's investment portfolio achieved a 5% return for the 12 months ended 31 March 2025. While the portfolio has generated steady positive returns over the long term, it has lagged behind the strategic benchmark across all performance reporting periods.

The chart below shows the Fund's annualised investment performance over several time periods.

Annualised Fund Investment Performance



Investment Manager Performance

The following tables show the net-of-fees investment performance of each investment manager over the past 12 months.

Growth manager performance (net of fees) vs benchmark

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
LGIM RAFI Global Low Carbon Transition Equity Index GBP Hdgd	2.2	2.2	0.0	-	-	-	-	-	-	0.6	0.6	0.0
LGIM Future World Global Equity Index	4.8	4.8	0.0	15.5	15.3	0.2	11.5	11.3	0.2	11.7	11.5	0.2
LGIM Future World Global Equity Index GBP Hdgd	-2.5	-2.5	0.0	7.7	7.5	0.1	8.0	7.8	0.2	8.2	8.1	0.2
LCIV Sustainable Exclusion Global Equity	-7.2	-4.7	-2.6	4.6	4.8	-0.1	3.8	8.3	-4.2	3.9	8.8	-4.5
LCIV Emerging Markets Equity	-1.6	-0.1	-1.4	1.3	5.8	-4.2	-0.2	2.1	-	3.2	3.7	-0.4
LCIV Passive Equity Progressive Paris Aligned Fund	-	-	-	-	-	-	-	-	-	-6.9	-7.0	0.1
Adams Street 2019 Global	-	-	-	-	-	-	-	-	-	15.3	15.2	0.0
Adams Street Global Secondary	-	-	-	-	-	-	-	-	-	25.7	13.3	10.9

Growth

Income and Liquidity manager performance (net of fees) vs benchmark

	Last 3 Months (%)			Last 12 Months (%)			Last 3 Years (% p.a.)			Since Inception (% p.a.)		
	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -	Fund	B'mark	+ / -
IFM Global Infrastructure	1.1	1.9	-0.9	4.9	8.0	-2.9	8.2	8.0	0.2	9.7	7.3	2.2
LCIV Renewable Infrastructure	-1.9	1.7	-3.6	-5.4	7.0	-11.6	7.1	7.0	0.1	6.0	7.0	-0.9
LCIV Nature Based Solutions Fund	-	-	-	-	-	-	-	-	-	-	-	-
Standard Life Long Lease Property	1.0	1.0	-0.1	4.4	0.8	3.5	-9.5	-4.1	-5.6	-1.4	-1.6	0.2
CBRE Global Alpha	3.9	2.2	1.7	0.1	9.0	-8.2	0.9	9.0	-7.5	3.3	8.6	-4.9
FREOF V	0.8	2.9	-2.0	18.6	12.0	6.9	-	-	-	5.4	12.9	-6.6
Barings Multi-Credit	1.2	2.4	-1.1	7.6	10.4	-2.5	4.5	9.0	-4.2	4.3	6.8	-2.4
LCIV MAC	1.6	2.2	-0.6	8.0	9.7	-1.5	-	-	-	9.4	9.5	-0.1
Insight Secured Finance	1.2	2.1	-0.9	6.0	9.2	-3.0	6.1	8.2	-1.9	4.5	5.9	-1.3
LCIV Long Duration Buy & Maintain Credit	-1.2	-1.1	-0.1	-3.8	-3.5	-0.4	-	-	-	0.0	0.3	-0.3
LCIV Global ESG Bond	2.2	1.7	0.5	5.6	4.8	0.7	-	-	-	6.4	5.3	1.0
Alcentra Direct Lending	<i>Fund is winding Up</i>			<i>Fund is winding Up</i>			<i>Fund is winding Up</i>			4.1	6.3	-2.0
Partners Group MAC 2015	<i>Fund is winding Up</i>			<i>Fund is winding Up</i>			<i>Fund is winding Up</i>			5.8	4.9	0.9
Partners Group MAC 2017	<i>Fund is winding Up</i>			<i>Fund is winding Up</i>			<i>Fund is winding Up</i>			4.9	5.8	-0.9
Partners Group MAC V	2.1	2.1	0.0	8.2	9.2	-0.9	7.7	8.2	-0.5	6.3	6.8	-0.5
LCIV Private Debt	4.8	1.5	3.2	7.9	6.0	1.8	7.7	6.0	1.6	7.1	5.6	1.5
Barings Global Special Situations Credit	1.5	3.3	-1.7	4.5	13.8	-8.1	4.1	13.8	-8.5	8.0	13.7	-5.0
Income												
Allianz Trade Finance	1.8	1.6	0.1	6.7	7.1	-0.4	-	-	-	6.7	7.1	-0.4
Pemberton Trade Finance	1.8	1.8	0.0	7.6	7.6	0.0	-	-	-	7.4	7.6	-0.2
Total Fund	0.9	1.5	-0.6	5.0	7.3	-2.2	3.5	6.2	-2.5	6.1	7.4	-1.2

Asset Pooling

In 2015, the Government issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out the Government's expectations for LGPS funds to establish asset pooling arrangements. The Fund recognises the Government's requirement for LGPS funds to pool their investments and has over the years committed to supporting the pool and transitioning assets were possible.

The Fund is a shareholder of the London Collective Investment Vehicle (London CIV), an asset pool comprised of the 32 local authorities within London and has £34.2bn of assets under management, including £19.3bn under direct management.

The Fund had transitioned assets into the London CIV with a value of £1.096bn or 65% of assets as at 31 March 2025. The table below provides a summary of the Fund's investments in the pool.

LCIV Emerging Market Equities	£45.796 million
LCIV Sustainable Equities Exclusions	£48.025 million

LCIV Passive Equity Paris Aligned	£91.110 million
LCIV Private Debt	£50.273 million
LCIV Renewables Infrastructure	£27.987 million
LCIV Nature Based Solutions	£14.863 million
LCIV Multi Asset Credit	£72.413 million
LCIV Global Bonds	£250.850 million
LCIV Long Duration Buy and Maintain Credit	£224.112 million
Legal & General Passive (deemed pooled)	£270.912 million

Costs and Savings

The Fund contributed to the costs of the LCIV in the year to 31 March 2025 by way of both fixed charges and additional fund manager fees. The fixed charges comprise an annual service charge of £25,000 (2023/24: £25,000) and a funding development charge of £72,500 (2023/24: £75,625). In addition, fees based on assets being monitored by LCIV were £101,257 (2022/23: £71,609). LCIV has estimated the net fee savings during the year to 31 March 2025 from pooling at £948,000 (2023/24: £572,000).

Investment 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. 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

On 1 December 2022 the Committee held a Responsible Investment day and considered how it would start to frame its NetZero strategy. A record of the main points discussed at this day can be reviewed within the papers for the 31 January 2023 Pension Fund Committee meeting.

This work has evolved into the development of a set of principles and a NetZero "Model Portfolio" anchored around 2030. The principles developed are as follows:

1. **Leading and credible voice:** Our framework should provide a platform for Barnet to be a leading voice in discussions around targeting a Net Zero strategy for an LGPS Pension Fund
2. **Ambitious and measurable:** our target should be evidence based, credible, measurable and ambitious

3. **Risk and return focused:** We should not compromise risk or return potential in targeting a Net Zero strategy
4. **Wider Council alignment:** We should echo the wider targets set by the Council

The Model Portfolio work has identified two key workstreams that the Committee will progress over 23/24 and beyond, namely, considering opportunities to switch to Paris Aligned funds for our core assets and considering Nature Based assets and Renewable Infrastructure assets which could help to sequester Carbon and generate real world reduction in Global Carbon output.

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 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.

As a consequence, during the year £99 million was invested in the LCIV Passive Equity Progressive Paris Aligned Fund and £27 million was invested in the LCIV Nature Based Solutions Fund.

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.

The Committee is considering its approach to Stewardship and will develop its policies to capture any 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.

9. Scheme Administration

Since 1 November 2020, scheme administration has been undertaken by West Yorkshire Pension Fund (WYPF) under a shared service arrangement.

The Pensions Committee and Pension Board take a keen interest in the administration of the Fund and receive regular reports and presentations on all aspects of the administration service.

The Pensions Manager at LB Barnet attends the bi-monthly shared service meetings, with all shared service partners. In addition, as part of the overall governance of the service, the Pensions Manager sits on the Collaboration Board of the shared service, alongside the senior management of WYPF and other shared service partners, to ensure that the original aims of the partnership with WYPF are met.

The service is monitored through a number of performance indicators and performance is reported quarterly to the Pensions Committee and Pension Board, and regular meetings are held with WYPF to understand and manage any performance issues. The critical business areas impacting on pensioners and their families take priority, these being members requiring immediate payment for retirements, redundancies, dependants' pensions, and death grants.

Key Performance Indicators

Key performance indicators for 2024/25 are as follows:

KPI Table A – Total number of casework

Ref	KPI	Total number of cases open as at 31 March '24	Total number of new cases created in the year (1 April '24- 31 March '25)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in 2023/24	Total % of cases completed in 2023/24
A1	Deaths recorded of active, deferred, pensioner and dependent members	1	341	340	99.71%	368	99.73%
A2	New dependent member benefits	12	112	116	93.55%	113	90.40%
A3	Deferred member retirements	6	446	441	97.57%	441	98.22%
A4	Active member retirements	1	269	264	97.78%	231	99.14%
A5	Deferred benefits	458	925	1,088	78.67%	1,339	74.39%
A6	Transfers in (including interfunds in, club transfers)	184	299	325	72.54%	271	55.94%
A7	Transfers out (including interfunds out, club transfers)	304	512	412	72.19%	218	66.39%
A8	Refunds	0	201	200	99.50%	219	98.21%
A9	Divorce quotations issued	3	51	53	98.15%	32	91.43%
A10	Actual divorce cases	0	1	1	100%	2	100%
A11	Member estimates requested either by scheme member or employer	9	357	357	97.54%	232	97.54%
A12	New joiner notifications	114	1,499	1,587	98.39%	1,701	93.00%
A13	Aggregation cases	1	609	521	85.41%	513	99.61%
A14	Optants out received after 3 months' membership	0	46	46	100%	63	100%

KPI Table B – Time taken to process casework

Ref	Casework KPI	Fund Target	% completed within Fund Target 2024/25	% completed in 2023/24
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	10 days	98.09%	98.86%
B2	Communication issued confirming the amount of dependents pension	5 days	91.51%	84.55%
B3	Communication issued to deferred member with pension and lump sum options (quotation)	35 days	92.12%	82.69%
B4	Communication issued to active member with pension and lump sum options (quotation)	10 days	96.11%	92.45%
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	10 days	95.79%	96.94%
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	10 days	93.75%	95.05%
B7	Payment of lump sum (both actives and deferred)	15 days	94.75%	96.76%
B8	Communication issued with deferred benefit options	20 days	64.89%	45.82%
B9	Communication issued to scheme member with completion of transfer in	35 days	64.44%	50.27%
B10	Communication issued to scheme member with completion of transfer out	35 days	77.19%	87.98%
B11	Payment of refund	10 days	100%	99.52%
B12	Divorce quotation	40 days	98.08%	96.43%
B13	Communication issued following actual divorce proceedings i.e. application of a Pension Sharing Order	80 days	100%	100%
B14	Communication issued to new starters	10 days	99.21%	98.30%
B15	Member estimates requested by scheme member and employer	10 days	93.39%	88.97%

KPI Table C – Communications and Engagements

Ref	Engagement with online portals	Year ending 31 March 2025	Year ending 31 March 2024
C1	% of active members registered with MyPension	50.88%	47.08%
C2	% of deferred members registered with MyPension	33.49%	31.15%
C3	% of pensioner and survivor members registered with MyPension	46.59%	41.59%
C4	% total of all scheme members registered for self-service	41.58%	37.72%
C5	Number of registered users by age (see tables below)	See table	See table
C6	% of all registered users that have logged onto the service in the last 12 months	46.47%	45.97%
C7	Total number of telephone calls received in year	2,831	2,121
C8	Total number of email and online channel queries received	5,654	5,547
C9	Number of scheme member events held in year (total of in-person and online)	14	32
C10	Number of employer engagement events held in year (in-person and online)	39	24
C11	Number of active members who received a one-to-one (in-person and online)	26	31
C12	Number of times a communication (i.e. newsletter) issued to:		
12a	Active members	2	2
12b	Deferred members	1	1
12c	Pensioners	1	1

KPI Table D – Resources

The table below identifies the numbers of staff across the areas of the WYPF shared service providing the administration service (across WYPF’s client funds).

Shared service staff full time equivalent (FTE)						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Service Centre	54.8	52.4	57.7	65.3	70.6	73.6
Payroll	16.1	17.3	21.4	22.4	22.9	24.2
ICT	15.4	14.4	12.6	14.6	17.6	19.4
Finance	12.0	11.8	15.8	19.8	20.8	20.4
Business support	28.4	27.4	35.1	39.1	38.4	41.0
Technical	4.9	5.0	5.6	5.6	5.7	6.6
Total	131.6	128.3	148.2	195.6	176.1	185.2

Ref	Resources	As at 31 March 2025
D1	Total number of administration staff (FTE)	185.2
D2	Average service length of all administration staff	12.44 years
D3	Staff vacancy rate as a %	9.3%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	0.62%
D5	Ratio of administering staff (excluding management) to total number of scheme members	0.55%

KPI Table E – Data Quality

Ref	Annual Benefit Statements	
E1	Percentage of annual benefit statements issued as at 31 August 2024	98.4%
E2	Short commentary if less than 100%	
Ref	Data category	
E3	Common data score	96.33%
E4	Scheme specific data score	88.53%
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	3.26%
E6	Percentage of active, deferred and pensioner members with an email address held on file	55.20%
Ref		
E7	Percentage of employers set to make monthly data submissions	100%
E8	Percentage of employers who submitted monthly data on time during the reporting year	59%

The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received by WYPF has been low

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 at 1 April 2024 was 6.7% (1 April 2023: 10.1%).

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 Fund uses Prudential as its AVC provider. Further details are available at:

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

10. Membership

The Membership of the Pension Fund for 2024/25 is given below:

	31 March 2025	31 March 2024
Number of employers with active members	68	64
Number of employees in fund		
London Borough of Barnet	4,032	4,158
Other employers	5,195	5,306
Total	9,227	9,464
Number of pensioners		
London Borough of Barnet	5,914	5,699
Other employers	3,556	3,303
Total	9,470	9,002
Deferred pensioners		
London Borough of Barnet	5,593	5,772
Other employers	4,192	4,131
Total	9,785	9,903
Beneficiaries		
London Borough of Barnet	786	780
Other Employers	319	315
Total	1,105	1,095
Frozen*		
London Borough of Barnet	578	758
Other Employers	642	624
Total	1,220	1,382
Undecided**		
London Borough of Barnet	5	109
Other Employers	211	172
Total	216	281
Total number of members in pension fund	31,023	31,127

*Frozen members are those who have left the Fund with less than two years of membership but have not claimed a refund. A refund will be automatically paid if not claimed within 5 years.

** Undecided members are members who have left the Fund and have not yet decided what to do with their pension rights.

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

11. Employers

The fund's employers are categorised as admitted or scheduled bodies.

Admitted Bodies are 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:

Admitted Bodies as at 31 March 2025:

Atlantic Cleaning Services Limited
Barnet Education & Learning Services (BELS)
Barnet Education Arts Trust (BEAT)
Capita Business Services Limited
Capita CSG
Capita Shared Services Limited
Greenwich Leisure
Harrison Catering Services
HCL Catering
Innovate (2)
Kier Group
Nourish Contract Catering Ltd
NSL Limited
Olive Dining (3)
Sancroft Community Care

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

Scheduled Bodies as at 31 March 2025

Alma Primary School
Alternative Provision Barnet Trust (Oak Hill School)
Archer Academy
Ark Pioneer Academy
Ashmole Academy
Barnet & Southgate College
Barnet Homes
Bell Lane Academy
Bishop Douglass Academy
Broadfields Academy
Childs Hill Primary
Christ's College
Claremont Primary School
Cophall School
Deansbrook Junior School
Dollis Primary School
East Barnet School
ETZ Chaim Jewish Primary School
Hasmonean MAT
Hendon School
Henrietta School
Hyde School
Independent Jewish Day School
Kisharon Academy
London Academy
London Borough of Barnet
Middlesex Learning Trust – The Compton Academy
Middlesex University
Mill Hill County High School
Oak Lodge School
Osidge Primary School
Parkfield School
Queen Elizabeth Girls School

Queen Elizabeth Boys School
Rimon Jewish Primary School
Sacks Morasha Jewish Primary School
Saracens High School
St Andrew the Apostle School
Summerside Academy
The Totteridge Academy
Whitefield Trust School
Woodhouse College
Wren Academy
Your Choice Barnet

12. Enquiries and comments

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

Email: pensions@wypf.org.uk

Phone: [01274 434999](tel:01274434999)

London Borough of Barnet Pension Fund, c/o WYPF, PO Box 67, Bradford, BD1 1UP

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

13. Statutory Statements

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

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

14. Actuary's Statement

The actuary's statement is given in the following pages.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2023/24 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Barnet Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2024	31 March 2023
Active members (£m)	608	559
Deferred members (£m)	451	451
Pensioners (£m)	733	749
Total (£m)	1,792	1,759

The promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2024 and 31 March 2023. I estimate that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £78m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £10m.

Financial assumptions

Year ended	31 March 2024	31 March 2023
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.80%	3.00%
Salary Increase Rate	3.80%	4.00%
Discount Rate	4.80%	4.75%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.4 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.6 years	25.8 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2024	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	31
1 year increase in member life expectancy	4%	72
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Rate of CPI Inflation	2%	30

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2024' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-



Steven Scott FFA

15 May 2024

For and on behalf of Hymans Robertson LLP

15. Auditor's Statement [To follow on completion of the audit]

15. Auditor's Statement (continued) [To follow on completion of the audit]

[Redacted]

16. 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:

- A. 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.
- B. Manage the Pension Funds' affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- C. Approve the Statement of Accounts.

The Director of Finance and Section 151 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 2023/24 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.

Certification of the Accounts by the Section 151 Officer

I certify that the Pension Fund's Statement of Accounts give a true and fair view of the financial position of the London Borough of Barnet Pension Fund at 31 March 2025 (the balance sheet) and its income and expenditure for the year ended 31 March 2025.

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

Date:

Approval of the Accounts by the Pension Fund Committee

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

Councillor Rishikesh Chakraborty,
Chair, Pension Fund Committee

Date:

PENSION FUND

STATEMENT OF ACCOUNTS

2024/25

MAIN STATEMENTS

FUND ACCOUNT

		2024/25	2023/24
	Notes	£000	£000
Dealings with members, employers and others directly involved in the fund			
Contributions	6	(73,384)	(81,906)
Transfers in from other pension funds	7	(11,635)	(9,965)
		(85,019)	(91,871)
Benefits	8	76,448	70,929
Payments to and on account of leavers	9	8,185	4,712
		84,633	75,641
Net (additions) from dealings with members		(386)	(16,230)
Management expenses	10	18,436	20,202
Net (additions) / withdrawals including fund management expenses		18,050	3,972
Returns on investments			
Investment income	11	(8,248)	(6,460)
Profit and losses on disposal of investments and changes in the value of investments	13	(84,023)	(166,718)
Net return on investments		(92,271)	(173,178)
Net (increase) / decrease in the net assets available for benefits during the year		(74,221)	(169,206)
Opening net assets of the scheme		1,642,559	1,473,353
Closing net assets of the scheme		1,716,780	1,642,559

NET ASSETS STATEMENT

		31 March 2025	31 March 2024
	Notes	£000	£000
Investment assets		1,694,183	1,621,810
Long term investments		150	150
Total net investments	13	1,694,333	1,621,960
Current assets	18	27,991	24,928
Current liabilities	19	(5,544)	(4,329)
Net assets of the fund available to fund benefits at the end of the reporting period		1,716,780	1,642,559

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 17.

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 Executive Director of Strategy and Resources (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 2024/25* and the underlying statutory powers underpinning the Fund.- [Local Government Pension Scheme | Barnet Council](#)

General

The Fund 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, for most employees, compulsory under the auto-enrolment regulations. However, employees, including non-teaching staff in schools, are free to choose whether to remain in the Fund 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 2025, 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 decreased during the year from 9,464 to 9,227 at 31 March 2025. During the same period, the number of pensioners increased from 9,002 to 9,470 and the number of deferred pensioners decreased from 9,903 to 9,785.

	31 March 2025	31 March 2024
Number of employers with active members	68	64
Number of employees in fund		
London Borough of Barnet	4,032	4,158
Other employers	5,195	5,306
Total	9,227	9,464
Number of pensioners		
London Borough of Barnet	5,914	5,699
Other employers	3,556	3,303
Total	9,470	9,002
Deferred pensioners		
London Borough of Barnet	5,593	5,772
Other employers	4,192	4,131
Total	9,785	9,903
Beneficiaries		
London Borough of Barnet	786	780
Other Employers	319	315
Total	1,105	1,095
Frozen*		
London Borough of Barnet	578	758
Other Employers	642	624
Total	1,220	1,382
Undecided**		
London Borough of Barnet	5	109
Other Employers	211	172
Total	216	281
Total number of members in pension fund	31,023	31,127

*Frozen members are those who have left the Fund with less than two years of membership but have not claimed a refund. A refund will be automatically paid if not claimed within 5 years.

** Undecided members are members who have left the Fund and have not yet decided what to do with their pension rights.

NB: Fund 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 Fund 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 2025 (2023/24: 5.5% to 12.5%) . 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 2024/25 financial year and its position at year-end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, 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, from the employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate. Normal contributions, from the members, is set in accordance with LGPS regulations.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund 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 administering authority of the Fund, VAT input tax is recoverable on all Fund activities.

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual 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, long-term investments, receivables and own cash are at amortised cost. Cash held by money market funds are at fair value through profit and loss. 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 Fund actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. The last triennial valuation was as at 31 March 2022.

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 20).

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 Assets and Contingent Liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. 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 Pension Fund. 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 assets and liabilities are not recognised in the Net Asset Statement but, if material, are disclosed by way of a narrative in a note to the accounts.

4. CRITICAL JUDGEMENTS

There were no critical judgements made in respect of applying accounting policies in 2024/25.

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

The net pension Fund liability, which is disclosed within note 17 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.

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.

Estimates subject to material estimation uncertainty are as follows.

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions, which is disclosed within note 17 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 15.

Fair Value of Unquoted Investments

The valuation of unquoted investments in infrastructure, property, private equity and distressed debt are made by the relevant fund manager based on net asset values, in most cases 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 may involve material uncertainty. A small change in these estimates and judgements may have a material impact on the values in the financial statements. 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 also be material. Sensitivity analysis is 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

	2024/25	2023/24
	£000	£000
Employees' contributions:	(16,107)	(15,427)
Employers' contributions:		
Normal contributions	(50,936)	(59,403)
Deficit recovery contributions	(4,146)	(3,440)
Augmentation contributions	(2,195)	(3,636)
Total employers' contributions	(57,277)	(66,479)
Total contributions receivable	(73,384)	(81,906)

By authority

	2024/25	2023/24
	£000	£000
London Borough of Barnet	(44,565)	(55,460)
Scheduled bodies	(27,246)	(24,336)
Admitted bodies	(1,573)	(2,110)
Total contributions receivable	(73,384)	(81,906)

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

Barnet Homes	£2.436 million (2023/24: £2.084 million)
Your Choice	£0.486 million (2023/24: £0.396 million)
Barnet Education & Learning Services	£0.731 million (2023/24: £0.516 million)

Total contributions from the London Borough of Barnet have reduced from the previous year due to a reduction in employer contribution rates for the Council as agreed by the Fund Actuary.

7. TRANSFERS IN FROM OTHER PENSION FUNDS

	2024/25	2023/24
	£000	£000
Individual transfers	(11,635)	(9,965)
Total transfers in from other Pension Funds	(11,635)	(9,965)

8. BENEFITS PAYABLE

By category

	2024/25	2023/24
	£000	£000
Pensions	61,488	59,199
Commutation and lump sum retirement benefits	12,568	10,376
Lump sum death benefits	2,392	1,354
Total benefits payable	76,448	70,929

By authority

	2024/25	2023/24
	£000	£000
London Borough of Barnet	53,752	50,383
Scheduled bodies	17,326	15,498
Admitted bodies	5,370	5,048
Total benefits payable	76,448	70,929

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024/25	2023/24
	£000	£000
Refunds to members leaving service	294	342
Individual transfers	7,891	4,370
Total payments to and on account of leavers	8,185	4,712

10. MANAGEMENT EXPENSES

	2024/25	2023/24
	£000	£000
Administrative costs	1,881	906
Investment management expenses	15,153	18,422
Oversight and governance costs	1,402	874
Total management expenses	18,436	20,202

Administration costs represent charges from the third-party pension administrator and LBB 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. Other than for LGIM and Schroders Funds, all fees are deducted within the amounts invested. The 'Change in Market Value' within Note 13 is therefore expressed gross of Investment Fees.

10A. INVESTMENT MANAGEMENT EXPENSES

	2024/25	2023/24
	£000	£000
Management fees	7,669	7,447
Performance related fees	2,863	6,131
Custody fees	-	-
Transaction costs	4,621	4,844
Total investment management expenses	15,153	18,422

Fees per asset class are shown overleaf.

2024/25	Management Fee	Performance Related Fees	Transaction Costs
	£000	£000	£000
Equity	743	-	523
Infrastructure	1,231	1,764	442
Private Debt	985	218	288
Private Equity	741	603	1,005
Corporate Bonds	813	-	552
Property	1,397	318	1,083
Multi Asset Credit	1,313	(40)	630
Trade Finance	282	-	98
Money market	-	-	-
Pool	164	-	-
Total	7,669	2,863	4,621

2023/24	Management Fee	Performance Related Fees	Transaction Costs
	£000	£000	£000
Equity	1,179	0	552
Infrastructure	1,115	1,910	438
Private Debt	996	228	454
Private Equity	1,270	3,698	1,957
Corporate Bonds	755	0	47
Property	911	154	1,047
Multi Asset Credit	900	141	233
Trade Finance	286	-	116
Money market	35	-	-
Total	7,447	6,131	4,844

NOTE: Management Fees are estimated at the time of producing these accounts as not all Investment Managers have provided their fees over the period.

11. INVESTMENT INCOME

	2024/25	2023/24
	£000	£000
Pooled investments – unit trusts and other managed funds	(7,250)	(4,965)
Interest on cash deposits	(998)	(1,495)
Total investment income	(8,248)	(6,460)

12. AUDIT COSTS

	2024/25	2023/24
	£000	£000
Payable in respect of external audit	123	77
Total external audit costs	123	77

These expenses are included as part of Oversight and Governance costs in note 10.

13. INVESTMENTS

2024/25					
	Market value	Purchases during the year	Sales during the year	Change in market value during the year (gross)	Market value
	1 April 2024				31 March 2025
	£000	£000	£000	£000	£000
Investment assets:					
Pooled investments					
Equity	434,875	99,000	(107,136)	29,105	455,844
Infrastructure	125,145	7,064	(3,389)	6,543	135,363
Natural Capital	-	27,872	(11,559)	(1,450)	14,863
Private Debt	92,165	-	(5,735)	7,105	93,535
Private Equity	78,579	13,329	(6,355)	10,007	95,560
Corporate Bonds	470,645	-	(1,275)	5,591	474,961
Property	80,352	-	(3,597)	7,956	84,711
Multi Asset Credit	245,320	-	(14,700)	16,538	247,158
Trade Finance	55,139	16,762	(30,381)	2,628	44,148
	1,582,220	164,027	(184,127)	84,023	1,646,143
Money market funds	39,570	90,000	(81,550)	-	48,020
Long term investments	150	-	-	-	150
	1,621,940	254,027	(265,677)	84,023	1,694,313
Other investment balances:					
Cash deposits	20	-	-	-	20
Net investment assets	1,621,960				1,694,333

2023/24

	Market value 1 April 2023	Purchases during the year	Sales during the year	Change in market value during the year (gross)	Market value 31 March 2024
	£000	£000	£000	£000	£000
Investment assets:					
Pooled investments					
Equity	694,655	-	(350,448)	90,668	434,875
Infrastructure	115,897	5,301	(3,463)	7,410	125,145
Private Debt	90,546	2,510	(5,038)	4,147	92,165
Private Equity	63,754	13,071	(6,925)	8,679	78,578
Corporate Bonds	117,087	562,000	(241,127)	32,685	470,645
Property	86,202	316	(3,015)	(3,151)	80,352
Multi Asset Credit	237,560	-	(14,980)	22,740	245,320
Trade Finance	37,000	15,000	(402)	3,541	55,139
	1,442,701	598,198	(625,398)	166,719	1,582,220
Money market funds	38,500	1,070			39,570
Long term investments	150				150
	1,481,351	599,268	(625,398)	166,719	1,621,940
Other investment balances:					
Cash deposits	20				20
Net investment assets	1,481,371				1,621,960

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.

13A. ANALYSIS OF INVESTMENTS

	31 March 2025	31 March 2024
	£000	£000
Pooled funds – additional analysis		
UK		
Unit trusts	151,582	343,906
UK managed funds	1,369,672	1,129,766
Money market funds	48,020	39,570
Non-UK		
Overseas Managed Fund	124,889	108,548
	1,694,163	1,621,790
Long term investments	150	150
Cash deposits	20	20
Total investment assets	1,694,333	1,621,960

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

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, Level 3 funds with a year-end valuation of £418 million (31 March 24: £379 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 invests around 48.7% of assets with the London CIV (an increase from 43.1% at 31 March 2024). The Fund's investments with Legal & General (15.9% of investments) are monitored by LCIV. The tables below provides further analysis of the investments as at 31 March 2025 by both asset class and geographical exposure, breaking down pooled funds into their underlying exposures.

	Market value	31 March 2025	Market value	31 March 2024
	£000	%	£000	%
Investments managed in the London CIV pool				
Legal & General	270,912	15.9	343,906	21.2
LCIV Sustainable Equity	48,025	2.8	45,891	2.8
LCIV Emerging Markets Equity	45,796	2.7	45,078	2.8
LCIV Passive Equity Paris Aligned	91,110	5.4	0	0.0
LCIV Renewable Infrastructure	27,987	1.7	22,658	1.4
LCIV Nature Based Solutions Fund	14,863	0.9	0	0.0
LCIV Private Debt	50,273	3.0	46,876	2.9
LCIV Multi Asset Credit	72,413	4.3	67,150	4.2
LCIV Global Bonds	250,850	14.8	237,585	14.6
LCIV Long Duration Credit	224,112	13.3	233,060	14.4
London LGPS CIV Limited	150	0.0	150	0.0
	1,096,491	64.7	1,042,354	64.3
Investments managed outside the London CIV pool				
Alcentra	7,179	0.4	9,510	0.6
Partners Group	18,184	1.1	33,172	2.0
Barings	82,715	4.9	79,140	4.9
Insight Investments	109,929	6.5	101,638	6.3
IFM Investors	107,377	6.3	102,487	6.3
Aberdeen Long Lease Property	25,383	1.5	24,321	1.5
CBRE	29,329	1.7	29,969	1.8
Adams Street	95,560	5.6	78,578	4.8
Fiera Real Estate	29,998	1.8	26,063	1.6
Allianz	19,418	1.1	27,529	1.7
Pemberton	24,730	1.5	27,609	1.7
Schroder Investment Mgt	20	0.0	19	0.0
Legal & General Liquidity (MMF)	16,035	0.9	20,285	1.3
Aberdeen (MMF)	31,985	1.9	19,285	1.2
	597,842	35.3	579,606	35.7
	1,694,333	100.0	1,621,960	100.0

INVESTMENTS ANALYSED BY ASSET CLASS

	Market value	
	31 March 2025	
	£000	%
UK Equities	17,811	1.1
UK Corporate Bonds	114,473	6.8
Overseas Equities	438,032	25.8
Overseas Bonds	360,489	21.3
Private Equity	95,560	5.6
Property	84,710	5.0
Cash	48,040	2.8
Infrastructure	135,364	8.0
Natural Capital	14,863	0.9
Private Debt	93,535	5.5
Multi Asset Credit	247,158	14.6
Trade Finance	44,148	2.6
	1,694,183	100.0

Note: Proportion of UK equity and Bonds estimated from underlying allocation of LGIM equity and London CIV Bond funds.

The following investments represent more than 5% of the net assets of the Fund. These funds are registered in the UK.

	31 March 2025		31 March 2024	
	£000	as % of investment assets	£000	as % of investment assets
Legal and General Future Worlds Fund	151,582	8.9	233,897	14.4
Legal and General RAFI	119,330	7.0	110,009	6.8
LCIV Passive Equity Paris Aligned	91,110	5.4	0	0.0
LCIV Buy & Maintain Bonds	224,112	13.2	233,060	14.4
LCIV Global Bonds	250,850	14.8	237,585	14.6
IFM Global Infrastructure	107,377	6.3	102,487	6.3
Insight IIFIG	109,929	6.5	101,638	6.3

13C. FAIR VALUE – BASIS OF VALUATION

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

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations
Level 1			
Cash and Cash Equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	N/A	N/A
Level 2			
Unquoted Pooled Fund Investments	Average of broker prices	Evaluated Price Feeds	N/A
Level 3			
Pooled Property Funds	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against
Pooled Infrastructure Funds	Valued by investment managers on a fair value basis each year using PRAG guidance	NAV-based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against
Private Equities	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	<ul style="list-style-type: none"> • EBITDA multiple • Revenue multiple • Discount for lack of marketability • Control premium 	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Private Debt Funds	Valued with an at cost at initial recognition date and mark-to-model or mark-to-market subsequently maximizing the use of observable input parameters.	Mark-to-model approach is based on discounted cash flow using comparable market data for estimation of credit and interest risk.	Valuation approach has little impact in non-volatile periods, it may become more volatile in periods of high volatility implying the current market environment

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.

Transfers between Level 1 and 2

Transfers into each level shall be disclosed and discussed separately from transfers out of each level. There were no transfers between level 1 and 2 investments in year.

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 2025				
	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial Assets				
Fair value through profit and loss	48,040	1,228,226	418,067	1,694,333
Total financial assets	48,040	1,228,226	418,067	1,694,333

31 March 2024				
	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial Assets		Restated*	Restated*	
Fair value through profit and loss	39,590	1,202,770	379,450	1,621,810
Total financial assets	39,590	1,202,770	379,450	1,621,810

*The Alcentra European Direct Lending Fund was previously classified as Level 2 and is now classified as Level 3.

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, LGIM Sterling Liquidity Fund and the Schroders fund are 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 2025 comprise:

IFM Infrastructure	£107.377m (31 March 2024: £102.487m)
CBRE Global Property	£29.329m (31 March 2024: £29.969m)
Adams Street Private Equity	£95.560m (31 March 2024: £78.578m)
LCIV Renewables Infrastructure	£27.987m (31 March 2024: £22.658m)
Fiera Real Estate Fund	£29.998m (31 March 2024: £26.063m)
Barings Special Situations	£36.082m (31 March 2024: £35.780m)
LCIV Private Debt	£50.273m (31 March 2024: £46.876m)
Allianz ALWOCA	£19.418m (31 March 2024: £27.529m)
LCIV Nature Based Solutions	£14.863m (31 March 2024: £Nil)
Alcentra European Direct Lending	£7.179m (31 March 2024: £9.509m)

13E. Fair Value Measurements using Significant Unobservable Inputs (Level 3)

IFM Investors (Infrastructure) – valuation 31 March 2025 £107.377 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 2025 £29.329 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.

Adams Street (Private Equity) – valuation 31 March 2025 £95.560 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 2025 £27.987 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.

Fiera Real Estate Fund (Property) – valuation 31 March 2025 £29.998 million

The fair value of property is based on valuations provided by property valuation experts.

Barings Special Situations Fund (Private Debt)- valuation 31 March 2025 £36.082 million

Individual assets are on a quarterly basis either by IHS Markit, or via third party valuation service when a quote from HIS Markit is unavailable. The Investment Manager will employ a third party to value the loans, therefore any changes to pricing of the loans will flow into the NAV of the Fund, thus impacting the LP's value. The Fund also has FX exposure, therefore movement in currency rates will also impact the NAV of the Fund.

LCIV Private Debt Fund (Private Debt)- Valuation 31 March 2025 £50.273 million

Individual assets are valued on a quarterly basis via third party valuation service. The Investment Manager will employ a third party to value the loans, therefore any changes to pricing of the loans will flow into the NAV of the Fund, thus impacting the LP's value. The Fund also has FX exposure, therefore movement in currency rates will also impact the NAV of the Fund.

Allianz ALWOCA Fund (Private Debt)- Valuation 31 March 2025 £19.418 million

The significant unobservable inputs used in the fair value measurement are discounted cashflow rates. These are used for the Receivables, Payables, Letters of Credit, Trade Loans and Loans portion of the fund.

LCIV Nature Based Solutions Fund - Valuation 31 March 2025 £14.863 million

The significant unobservable inputs are the valuations and cashflow forecasts of the fund's indirect investments in timberland, forestry and farmland as determined by the fund's sub investment managers.

Alcentra European Direct Lending Fund – Valuation 31 March 2025 £7.179 million

The significant unobservable inputs are the valuations and cashflow forecasts of the fund's direct loans to companies in the mid-market sector in Europe.

13F. Reconciliation of Level 3 Investments

2024/25	Market Value 1 April 2024	Purchases during the year	Sales during the year	Change in Market Value	Market Value 31 March 2025
	£000	£000	£000	£000	£000
	Restated*				
Infrastructure	125,145	7,065	(3,389)	6,543	135,363
Natural Capital	-	27,872	(11,559)	(1,450)	14,863
Pooled UK Long Lease Property	26,063	-	(1,685)	5,620	29,998
Pooled Property (global)	29,969	-	(1,757)	1,117	29,329
Private equity	78,578	13,329	(6,355)	10,008	95,560
Private debt and MAC*	119,695	6,762	(20,930)	7,427	112,954
Total	379,450	55,027	(45,675)	29,265	418,067

*The Alcentra European Direct Lending Fund was previously classified as Level 2 and is now classified as Level 3.

2023/24	Market Value 1 April 2023	Purchases during the year	Sales during the year	Change in Market Value	Market Value 31 March 2024
	£000	£000	£000	£000	£000
	Restated*				Restated*
Infrastructure	115,897	5,301	-	3,946	125,144
Pooled UK Long Lease Property	27,577	-	(776)	(737)	26,064
Pooled Property (global)	31,873	316	(128)	(2,092)	29,969
Private equity	63,754	13,071	0	1,753	78,578
Private Debt and MAC*	109,446	10,010	(3,359)	3,998	119,695
Total	348,147	28,698	(4,263)	6,868	379,450

*The Alcentra European Direct Lending Fund was previously classified as Level 2 and is now classified as Level 3.

13G. Sensitivity of Assets Valued at Level 3

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2025	Value on increase	Value on decrease
	£000	£000	£000	£000
Infrastructure	5.6%	135,363	142,944	127,783
Natural Capital	5.6%	14,863	15,696	14,031
Pooled UK Long Lease Property	5.6%	29,998	31,678	28,318
Pooled Property (global)	5.6%	29,329	30,972	27,687
Private equity	11.3%	95,560	106,358	84,762
Private debt and MAC	5.6%	112,954	119,278	106,627
Total		418,067	446,926	389,209

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2024	Value on increase	Value on decrease
	£000	£000	£000	£000
		Restated*		
Infrastructure	5.6%	125,145	132,153	118,137
Pooled UK Long Lease Property	5.6%	26,063	27,522	24,603
Pooled Property (global)	5.6%	29,969	31,648	28,291
Private equity	13.5%	78,578	89,186	67,970
Private debt and MAC*	5.6%	119,695	126,397	112,992
Total		379,450	406,906	351,993

*The Alcentra European Direct Lending Fund was previously classified as Level 2 and is now classified as Level 3.

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 2025			31 March 2024		
	Fair value through profit and loss	Financial Assets at Amortised 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	1,646,143			1,582,220		
Cash and cash equivalents	48,040	17,224		39,590	16,752	
Other investment balances		150			150	
Receivables		144			144	
Total financial assets	1,694,183	17,518	-	1,621,810	17,046	-
Financial liabilities						
Creditors			(3,951)			(2,360)
Total financial liabilities	-	-	(3,951)	-	-	(2,360)
Total	1,694,183	17,518	(3,951)	1,621,810	17,046	(2,360)
Grand Total			1,707,750			1,636,496

Management judge that there is no material difference between financial assets and liabilities held at amortised cost compared to their fair value, as the amortised cost is a fair approximation for the fair value.

Unrealised Gains / Losses

The pension fund's assets are measured at fair value, with all assets recorded at their current market value as of the reporting date. As a result, there are no unrealised gains or losses to report in these accounts. In terms of assessing market value, assets are classified within a fair value hierarchy that reflects the level of transparency and reliability in the valuation inputs:

Level 1: Assets valued using quoted prices in active markets.

Level 2: Assets valued using observable inputs other than quoted prices, such as market data for similar assets.

Level 3: Assets valued using unobservable inputs, relying on internal models where market data is limited.

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 Fund 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 2 November 2023.

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. 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 this estimated volatility, the change in the net assets would have been as follows.

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2025	Value on increase	Value on decrease
	£000	£000	£000	£000
Equity	11.5%	455,844	508,265	403,421
Bonds	6.6%	474,962	506,309	443,614
Property	3.0%	84,711	87,252	82,169
Alternatives	5.0%	537,092	563,947	510,238
Cash	1.3%	48,040	48,665	47,416
Private Debt	2.6%	93,534	95,966	91,102
Total		1,694,183	1,810,404	1,577,960

Assets type	Assessed valuation range (+ / -)	Value as at 31 March 2024	Value on increase	Value on decrease
	£000	£000	£000	£000
Equity	13.1%	513,453	580,715	446,191
Bonds	5.8%	470,645	497,942	443,348
Property	5.6%	80,352	84,852	75,852
Alternatives	5.6%	462,631	488,538	436,724
Cash	0.9%	94,879	95,733	94,025
Total		1,621,960	1,747,781	1,496,140

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 2025 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. Many of the overseas investments are hedged into sterling by the investment managers. Specifically, at 31 March 2025 the Fund held £97.2m in Adam Street Funds, which are US Dollar dominated, £29.3m in a pooled CBRE Property Fund, which is US Dollar dominated, £107.4m in an IFM Global Infrastructure Fund, which is US Dollar dominated and £36.1m in a Barings Special situation Credit Fund, which is Euro dominated.

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 Committee 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 2025 working capital was held in the Pension Fund bank accounts with NatWest, in a money market fund with Aberdeen Investments, and a Sterling Liquidity fund with Legal & General Investment Management, 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	Balances as at
			31 March 2025	31 March 2024
			£000	£000
Aberdeen MMF Cash	AAAmmf	Fitch	31,985	19,285
Legal and General Standard Liquidity Fund Cash	AAAmmf	Fitch	16,035	20,285
National Westminster Bank	A+	Fitch	15,914	14,517
HSBC	AA-	Fitch	(127)	2,235
Cash held by Fund Managers			20	20
Total			63,827	56,342

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 in this regard is for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. The Pension Fund is currently cash flow positive (contributions exceed pension payments) and has high cash balances to service Private Capital calls and so does not anticipate any liquidity issues over the forthcoming 12-months. The Pension Fund also 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.

15D. Interest Rate risk

Overview

This section provides an updated assessment of interest rate risk exposure. We use the following assumptions as reasonable estimates:

- Liability Duration: 15-20 years
- Bond Duration: 5-10 years
- Multi-Asset Credit / Private Debt Duration: 2-5 years

Asset Portfolio Breakdown

The following table summarises the pension fund's asset classes, their market values, percentages of total assets, and their estimated interest rate risk sensitivity.

Asset Analysis (2024-2025)

Asset Class	Market Value (£000)	% of Total Assets	Duration (Years)	Impact of 1% Increase in Interest Rates
UK Corporate Bonds	114,473	6.7%	5-10	-7.5%
Overseas Bonds	360,489	21.3%	5-10	-7.5%
Multi-Asset Credit	247,158	14.6%	2-5	-3.5%
Private Debt	93,534	5.5%	2-5	-3.5%
Cash	48,040	2.8%	Near-zero	Minimal impact

Non-Bond Fund Analysis (2024-2025)

Asset Class	Market Value (£000)	% of Total Assets	Interest Rate Sensitivity
UK Equities	17,811	1.1%	Low direct sensitivity, indirect impact
Overseas Equities	438,032	25.8%	Low direct sensitivity, indirect impact
Property	84,711	5.0%	Sensitive to borrowing costs and property values
Private Equity	95,560	5.6%	Affected by broader economic conditions
Infrastructure	135,363	8.0%	Relatively stable long-term cash flows
Trade Finance	44,148	2.6%	Low sensitivity due to short-term nature

Overall Impact and Risk Mitigation (2025)

1. Diversification: The portfolio is highly diversified, with significant allocations in non-bond assets such as equities, property, private equity, and infrastructure, which are generally less sensitive to interest rate changes compared to fixed-income assets, however, the Fund's liabilities are sensitive to interest rates so there is a mismatch between these assets and the Fund's liabilities.
2. Interest Rate Sensitivity: Approximately £863.69 million, or 50.9% of total assets, are exposed to interest rate risk. A 1% parallel shift in the yield curve would significantly affect bond portfolios, particularly UK corporate and overseas bonds, however, this provides a broad match to the Fund's liabilities. We also note that liability duration is around 15-20 years and our bond duration is around 5-10 years, and so the fund faces a duration mismatch, leading to potential reinvestment risk if interest rates decrease. It is not possible for the Fund to invest in bonds with a duration which match liabilities unless the Fund were to invest in government bonds, as the market for long-duration government bonds is too shallow.

15E. Currency risk

Pension Fund has currency risk exposure, with around 25.8% of listed equities, all private equity, and a large portion of private debt unhedged against GBP.

Currency Hedging Impact:

In the short term, hedging reduces volatility by protecting against sharp currency fluctuations, critical for a fund paying UK benefits. Over the long term, however, hedging costs may drag on returns, particularly if currencies stabilise or if inflation differentials drive currency adjustments.

Currency & Inflation:

Currencies often shift in line with inflation. Higher inflation weakens a currency, meaning unhedged overseas investments could become more expensive over time.

Currency	Assessed valuation range (+ / -)	Value as at 31 March 2025	Value on increase	Value on decrease
	£000	£000	£000	£000
US Dollars	8.3%	274,822	297,633	252,012
Euro	4.2%	93,131	97,043	89,220
Other	5.4%	61,652	64,981	58,323
Total		429,605	459,657	399,555

Currency	Assessed valuation range (+ / -)	Value as at 31 March 2024	Value on increase	Value on decrease
	£000	£000	£000	£000
		Restated*		
US Dollars	8.3%	245,320	265,681	224,958
Euro	4.3%	87,780	91,555	84,006
Other	5.6%	66,870	70,614	63,125
Total		399,970	427,850	372,089

*Restated after a review of currency exposure across the portfolio

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 2022 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 2022 was 95% (2019: 86%). This corresponded to a shortfall on the funding target of £72 million (2019: £190 million). Under the three-year schedule of contributions effective from 1 April 2023 the aggregate primary rate is 20.0% and the secondary contribution for 2024/25 is £7.487 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 2024/25 is 20.4% (2023/24: 28.4%).

For the period 24/25 and 25/26 the Pension Committee agreed to change the Council's contribution rate from 28.4% to 20.4%, increasing to 28.9% from 26/27. The Actuary confirmed that this employer contribution profile would restore the funding position to 100% over the next 17 years (based on the actuarial position at 31 March 2022).

The assumptions used for the triennial valuation were:

Financial assumptions

	31 March 2022	31 March 2019
	%	%
Assumed future investment return (Discount rate)	4.6	4.4
CPI	2.7	2.3
Pension increases rate	2.7	2.3
Salary increases rate	3.7	3.0

The assumed future return is based on an 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 2022 triennial valuation, the Actuary determined that there is a 71% likelihood of the Fund's investments achieving at least an annual return of 4.9% p.a. over the next 20 years.

Further details of detailed actuarial assumptions can be found in the Fund's Actuarial Valuation Report [linked](#)

Demographic assumptions

	31 March 2022	31 March 2019
Life expectancy from age 65		
Retiring today:		
Males	21.9	21.7
Females	24.7	24.0
Retiring in 20 years:		
Males	23.1	22.9
Females	26.2	25.7
Other demographic assumptions		
Commutation	50%	50%
50:50 option	1%	1%

The 2022 triennial valuation has been presented to and approved by the Pension Fund Committee. The next actuarial valuation will be based on the value of the fund as at 31 March 2025.

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.



Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2024/25 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Barnet Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2025	31 March 2024
Active members (£m)	545	608
Deferred members (£m)	372	451
Pensioners (£m)	636	733
Total (£m)	1,553	1,792

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. I estimate that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £286m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £4m.

Financial assumptions

Year ended	31 March 2025	31 March 2024
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.80%	2.80%
Salary Increase Rate	3.80%	3.80%
Discount Rate	5.80%	4.80%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.4 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.5 years	25.7 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2025	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	26
1 year increase in member life expectancy	4%	62
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Rate of CPI Inflation	2%	25

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2025' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Jamie Baxter FFA C.Act

6 May 2025

For and on behalf of Hymans Robertson LLP

18. CURRENT ASSETS

	31 March 2025	31 March 2024
	£000	£000
Contributions due – employees	1,262	1,788
Contributions due – employers	9,361	6,244
Sundry debtors	144	144
Cash balances	17,224	16,752
Total current assets	27,991	24,928

19. CURRENT LIABILITIES

	31 March 2025	31 March 2024
	£000	£000
Sundry creditors	(3,951)	(2,360)
Benefits payable	(1,593)	(1,969)
Total current liabilities	(5,544)	(4,329)

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

	Market value 31 March 2025	Market value 31 March 2024
	£000	£000
Aviva	255	245
Prudential	3,675	3,461
Total AVC	3,930	3,706

	Contributions Received 31 March 2025	Contributions Received 31 March 2024
	£000	£000
Aviva	-	15
Prudential	672	539
Total AVC	672	554

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 £0.891m (2023/24: £0.679m) 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 £40.911 million to the Fund in 2024/25 (2023/24: £55.460 million). These amounts include employee contributions of £10.043 million (2023/24: £10.200 million) , and also contributions from companies wholly owned by the Council see note 6).

At the year end, contributions due from the Council were £3.133 million (2023/24: £2.698 million). These were received by the due date in April.

The Council also re-imburses the Pension Fund for unfunded pensions. At the year end, £3.006 million was due to the Pension Fund (2023:24: £0.615 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 2025 & 31 March 2024 is a deferred member of 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 & Treasury. The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below.

	2024/25	2023/24
	£000	£000
Short-term benefits	92	103
Post-employment benefits	13	28
Total remuneration	105	131

Post-employment benefits are employers pension contributions.

22. CONTRACTUAL COMMITMENT

The Fund has the following outstanding investment commitments as at 31 March 2025:

Fund	Outstanding Commitment 2024/25	Outstanding Commitment 2023/24
Adams Street 2019 Global Private Equity	\$10.8m (£8.4m)	\$11.3m (£8.9m)
Adams Street Global Secondaries Fund 7	\$17.9m (£13.9m)	\$34.4m (£27.2m)
LCIV Private Debt	£19.7m	£19.5m
LCIV Renewables Infrastructure	£13.9m	£21.2m
LCIV Nature Based Solutions	£58.7m	N/A
Barings Special Situations Credit	€3m (£2.5m)	€3m (£2.6m)

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

23. CONTINGENT ASSETS

Background

On 31 October 2011, Barnet College and Southgate College merged. Prior to the merger, Barnet College participated in the Barnet Pension Fund, and Southgate College participated in the Enfield Pension Fund. Following the merger, all Southgate staff transferred to Barnet College and were admitted to the Barnet Pension Fund. However, no transfer payment has been received from the Enfield Pension Fund for the past service liabilities of these members. Southgate College's deferred and pensioner members remained in the Enfield Pension Fund, and no exit debt was triggered under the LGPS regulations at that time.

Developments Since the Merger

Since 2011, Barnet and Enfield have been negotiating the transfer value to compensate Barnet for taking on the past service liabilities of active members transferred to the Barnet Fund. Initially, Enfield proposed that Barnet pay £4.2 million to cover a shortfall in the Enfield Fund, including missed investment returns. However, a formal agreement was never signed, and disputes arose due to delays and changes in personnel.

In July 2021, Hymans Robertson LLP analysed the potential transfer, indicating a significant improvement in Barnet & Southgate College's funding position, from 85% in March 2019 to 98% in July 2021, with further improvement expected. Barnet and Southgate College has since requested that Enfield transfer all Southgate College assets and liabilities to the Barnet Fund, pending a Direction Order from the Secretary of State. Barnet Officers agreed to take this proposal to Barnet's Pension Fund Committee for approval.

Current Position

At a Pension Fund Committee meeting on 18 April 2024, following a recommendation from Barnet Officers, the Pension Fund Committee agreed to apply for the Direction Order and gave approval for the transfer of assets from the Enfield Pension Fund, contingent on Actuary confirmation that there is no adverse impact on Barnet & Southgate College's funding position. No adverse outcome is expected.

Legal advice has confirmed this approach is acceptable.

The asset transfer will be based on Southgate College's notional share of Enfield Pension Fund assets, adjusted for investment returns, benefit payments, and intra-fund movements. The transferring asset share was £9,252,000 at 31 October 2011 and was estimated to be c£15m at 31 March 2022. The

transfer date is yet to be determined.

Final confirmation is still awaited from the Ministry of Housing, Communities & Local Government (MHCLG) on the Direction Order being approved. It is hoped that this confirmation will be received in the autumn of 2025.

24. EVENTS AFTER THE REPORTING PERIOD

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

London Borough of Barnet Pension Fund

Governance Policy and Compliance Statement

- **Introduction**

This Statement sets out the Governance arrangements for the London Borough of Barnet Pension Fund.

- **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 a Governance Policy and Compliance Statement 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 Housing, Communities and Local Government.

- **Administering Authority**

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

3.1 Roles and Delegations

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

The Local Pension Board established by LBB also assists in ensuring compliance with regulations and legislation.

LBB has delegated responsibility for the administration and financial accounting of the LBBPF Barnet Pension fund to the Chief Financial Officer (Executive Director of Strategy & Resources (S151 Officer)).

Each of these roles is discussed below.

3.2 Pension Fund Committee

The Pension Fund Committee oversees the management of the LBBPF. Its overriding duty is to ensure that the best possible outcome for the Pension Fund, its participating employers, scheme members and local taxpayers.

Its 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).

- **Purpose of the Committee**

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:
 - 1 Statement of Investment Principles

- 2 Funding Strategy Statement
- 3 Governance Policy Statement
- 4 Pension Administration Strategy
- 5 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 Statement of Investment Principles in general and investment performance benchmarks and targets in particular. One of these meetings to be the annual review, at which the representative from the council's performance management organisation attends to comment on the relative performance of the fund managers.
- To consider actuarial valuations and their impact on the Pension Fund.

3.2.2 Other responsibilities

➤ To consider for approval applications from organisations wishing to become admitted bodies into the Pension Fund.

▪ Membership

The Pension Fund Committee consists of six councillors appointed by Full Council. There are also four 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 can attend and participate at meetings without voting rights.

The Chairman and Vice-Chair are appointed by Full Council.

▪ Meetings

The Pension Fund Committee meets at least four times a year. Meeting dates are published on the LBB's website (<https://barnet.moderngov.co.uk/mgCommitteeDetails.aspx?ID=191>) as are the meeting agenda and papers. The agenda and papers are published at least seven days in advance of the meeting. Minutes are also made available on the LBB web site after approval by the Committee Chairman.

All members of the Committee have equal voting rights at meetings.

3.3 Local Pension Board

The Local Pension Board provides oversight of the matters outlined below.

The Local Pension Board 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.

3.3.1 Purpose of the Board

The Local Pensions Board is responsible for assisting with:

- Securing compliance with LGPS regulations and any other legislation relating to the governance and administration of the LBBPF.
- 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 Local Pension Board's terms of reference detail their full remit. These can be found at <https://barnet.moderngov.co.uk/mgCommitteeDetails.aspx?ID=753>.

3.3.2 Membership

The Board consists of seven members constituted as follows:

- 1 3 employer representatives
- 2 1 councillor who is not a member of the Pension Fund Committee.
- 3 2 scheme member representatives
- 4 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 four-year term.

There are two appointed substitute members 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.

3.3.3 Meetings

The Local Pension Board meets at least 4 times a year. Meeting dates are published on the LBB's website (<https://barnet.moderngov.co.uk/mgCommitteeDetails.aspx?ID=753>) as are meeting agenda and papers. The agenda and papers are published at least seven days in advance of the meeting. Minutes are also made available on the LBB web site after approval by the Board 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.

3.4 Chief Financial Officer

LBB has delegated responsibility for the management and administration of the LBBPF to the Chief Financial Officer, who is also the LBB Executive Director of Strategy & Resources (S151 Officer).

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.

The Chief Finance Officer is responsible for, or responsible for delegating authority for when making decisions under the LBB Discretions Policy (for LBB employees only).

3.5 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.

- 1) Funding Strategy Statement
- 2) Investment Strategy Statement
- 3) Communications Policy
- 4) Discretions Policy
- 5) Administration Strategy Statement
- 6) Internal Disputes Resolution Procedure
- 7) Annual report and accounts
- 8) Compliance with guidance

3.6 Compliance with Guidance

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

3.7 Consultation

In preparing this statement, LBB has asked the Local Pension Board to review and comment.

3.8 Contact us

Any questions on the operation of the Pension Fund Committee or Local Pension Board should be directed to Georgina Willis, who can be contacted at Georgina.willis@barnet.gov.uk.

Any questions relating the LBBPF should be directed to Mark Fox, Pensions Manager at pensions@barnet.gov.uk.

Statement of Compliance with Guidance

This Governance Policy and Compliance Statement will be reviewed annually and will be revised following any material change in the governance arrangements of the Pension Fund.

The 2013 Regulations require Administering Authorities to prepare and publish a statement which sets out the extent to which the governance arrangements of the Fund comply with statutory guidance issued by the Secretary of State which is based on best practice principles. The Fund's statement is set out below:

Structure

Principle	Compliance
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.
The representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary 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

Principle	Compliance
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: Employing authorities (including non-scheme employers for example, admitted bodies) Scheme members (including deferred and pensioner scheme members) Where appropriate, independent professional observers Expert advisors (on an ad-hoc basis)	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.
That where lay members sit on a main or committee, they are treated equally in terms of access to reports, meetings and training and 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

Principle	Compliance
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
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant - Declarations of interest are required at each Pensions and Investments Committee meeting and recorded in the minutes of the meeting.

Voting

Principle	Compliance
The policy 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

Principle	Compliance
That in relation to the way in which statutory related decisions are taken by the administering authority, there is clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Partially Compliant - A policy on training needs to be developed. However, 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.
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Partially Compliant – There are no annual training plans set for Committee members, but there are training logs maintained where members record any training undertaken.

Meetings

Principle	Compliance
That an administering authority's main committee or committees meets at least quarterly.	Compliant – there are at least four meetings a year.
That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	N/A - No Secondary Committee
That an administering authority who does not include lay members in their formal governance arrangements, must 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

Principle	Compliance
That 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 falls 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

Principle	Compliance
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

Principle	Compliance
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.



London Borough of Barnet Pension Fund

Funding Strategy Statement

Covering the period 1 April 2023 to 31 March 2026

1 Introduction

This document sets out the funding strategy statement (FSS) for the London Borough of Barnet Pension Fund. Through the consultation process this document was supplemented by a preface document and addendum (see Appendix E and Appendix F). These documents provide more specific commentary on our Strategy and experience since the last FSS was set as part of the 31 March 2019 valuation, as well as the rationale for introducing a second funding test for certain employers to help stabilise contribution rates. Further information was also provided at Pension Fund Committee meetings held on:

- 7 July 2022
- 10 November 2022
- 31 January 2023
- 22 March 2023

Papers relating to Pension Fund Committee meetings can be accessed [here](#).

1.1 Context

The London Borough of Barnet Pension Fund is administered by Barnet Council, known as the administering authority. Barnet council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective over the period 1 April 2023 to 31 March 2026.

There's a regulatory requirement for Barnet Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact david.spreckley@barnet.gov.uk.

1.2 What is the London Borough of Barnet Pension Fund?

The London Borough of Barnet Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.3 What are the funding strategy objectives?

In addition to the overall aims highlighted in the preface document, the more general funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.4 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Barnet Council has a number of wholly owned subsidiary companies who participate in the Fund and these have been treated as Schedule Bodies.

Middlesex University and Barnet & Southgate College are substantial Schedule Bodies within the Fund.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.5 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at [here](#).

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.6 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#)).

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the fund's expenses.

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer Sub-type	Scheduled bodies				TABs
	Local authorities***	Universities	Colleges	Academies	(all)
Funding target*	Ongoing	Least Risk	Ongoing	Ongoing	Contractor exit basis, assuming fixed-term contract in the fund
Minimum likelihood of success**	70%	50%	70%	70%	70%
Maximum time horizon**	17 years	15 years	15 years	15 years	Same as the letting employer
Secondary rate	% of payroll	Monetary amount	Monetary amount	% of payroll	% of payroll
Phasing of contribution changes	None	None	None	3-years	None

*See [Appendix D](#) for further information on funding targets.

**Where funding approach indicated a contribution rate would reduce a second test was applied to certain employers. The second test applied an 80% minimum likelihood of success over a 15-year period. Note that this test was not applied for Middlesex University, Barnet & Southgate College and Contractors. Further details on this approach and the rationale for adopting it is set out under Appendix F.

***The Total Contribution for the Council using the parameters set out above was 27.4% of Pensionable Pay. After considering the output for the Council from applying Test 2 it was agreed to increase this rate to 28.4% of pay (from 28.9% paid prior to 1 April 2023).

2.3 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy can be found [here](#). The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.4 What is pooling?

The administering authority does not operate funding pools for similar types of employers, apart from LEA Schools which are pooled with the Council. This means that each employer of the Fund receives a specific contribution rate reflecting their underlying membership and asset share.

Note that Academies contribution rates were pooled at the 2019 valuation. However, this pooling was purely for administrative purpose and there was no actual cross subsidy of contributions or experience across different Academies. This meant that some Academies may have been substantially over or under paying contributions relative to their share of obligations.

For the 2022 valuation each Academies contribution will be assessed based on their actual share of obligations. Academies are subject to the two-test approach we have adopted for this valuation. Where an Academy's contribution rates has increased, we may, with the advice of the Actuary, spread any increase over a three-year period.

2.5 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided.

Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, asset backed funding, security over an asset or a negative pledge.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

An employer may decide to award an additional pension to an employee if this is allowed in their discretions policy. If an employer awards an additional pension, the employer must pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

Under its discretions policy, an employer may also decide to waive actuarial reductions when an employee retires before their normal retirement age. This may mean that there is an additional cost to the employer, who will be asked to pay this additional contribution, which is called a "strain payment".

This is payable when the employee retires, and employers must also make strain payments as a single lump sum immediately.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, there will be a funding strain cost to the employer, which may be a large sum.

The administering authority does not offer any arrangement to mitigate this. Individual employers should make their own arrangements if they are concerned about the risk of unmanageable ill-health strain costs.

The ill health funding strain cost is not paid at the time of retirement. It is included in the actuarial calculation of the employers' contribution rate at the triennial valuation following the employee's retirement.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets. Each employer's assets are calculated triennially by considering cashflows paid in/out and investment returns to give a new asset value.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share. Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5.2).

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by DLUHC.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so. On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining. A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (i.e. members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a multi-academy trust (MAT) and the MAT requests that contributions are pooled. The new academies' contribution rate is based on the current funding strategy (set out in section 2) and the transferring membership.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor.

The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g. set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction. After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens when an employer leaves the fund?

6.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

6.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix D](#).

- (a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix D](#).
- (b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.
- (c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The cessation policy can be found [here](#).

6.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy can be found [here](#).

6.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility can be found [here](#).

6.5 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA.

6.6 Are bulk transfers allowed?

Cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What are the statutory reporting requirements?

7.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

7.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level
or
- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

7.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors. Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “*persons the authority considers appropriate*”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

For the 31 March 2022 we ran a two-month consultation period running from 1 November 2022 to 31 December 2022. Each employer will be provided with a copy of this document (in draft form) and the opportunity to speak to the Head of Pensions and Treasury and the Scheme Actuary as required.

The Council also hosted an employer forum, which was attended by the Scheme Actuary and Officers to explain the document. During the consultation period employers received their individual results.

A3 How is the FSS published?

The FSS will be published [here](#).

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

Appendix B – Roles and responsibilities

B1 The administering authority:

- 1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations
- 2 manages any conflicts of interest from its dual role as administering authority and a fund employer
- 3 collects employer and employee contributions, investment income and other amounts due
- 4 ensures cash is available to meet benefit payments when due
- 5 pays all benefits and entitlements
- 6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
- 7 communicates with employers so they understand their obligations
- 8 safeguards the fund against employer default
- 9 works with the fund actuary to manage the valuation process
- 10 provides information to the Government Actuary's Department so they can carry out their statutory obligations
- 11 consults on, prepares and maintains the funding and investment strategy statements
- 12 tells the actuary about changes which could affect funding
- 13 monitors the fund's performance and funding, amending the strategy statements as necessary
- 14 enables the local pension board to review the valuation process.

B2 Individual employers:

- 1 deduct the correct contributions from employees' pay
- 2 pay all contributions by the due date
- 3 have appropriate policies in place to work within the regulatory framework
- 4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
- 5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
- 6 make any required exit payments when leaving the fund.

B3 The fund actuary:

- 1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
- 2 provides information to the Government Actuary Department so they can carry out their statutory obligations
- 3 advises on fund employers, including giving advice about and monitoring bonds or other security
- 4 prepares advice and calculations around bulk transfers and individual benefits
- 5 assists the administering authority to consider changes to employer contributions between formal valuations
- 6 advises on terminating employers' participation in the fund
- 7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

- 1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
- 2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS
- 3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
- 4 governance advisers may be asked to advise the administering authority on processes and working methods
- 5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
- 6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

Some of the key risks facing the Fund together with controls employed to manage those risks are summarised in the tables below

C2 Financial risks

Risk	Control
Fund assets don't deliver the anticipated returns that underpin the valuation of liabilities and contribution rates over the long-term.	<p>Anticipate long-term returns on a prudent basis to reduce risk of under-performing.</p> <p>Use specialist advice to invest and diversify assets across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three-year valuations for all employers.</p> <p>Roll forward whole fund liabilities between valuations.</p>
Inappropriate long-term investment strategy.	<p>Consider overall investment strategy options as part of the funding strategy. Use asset liability modelling to measure outcomes and choose the option that provides the best balance.</p> <p>Operate various strategies to meet the needs of a diverse employer group.</p>
Active investment manager under-performs relative to benchmark.	Use quarterly investment monitoring to analyse market performance and active managers, relative to index benchmark.
Pay and price inflation is significantly more than anticipated.	<p>Focus valuation on real returns on assets, net of price and pay increases.</p> <p>Use inter-valuation monitoring to give early warning.</p> <p>Employers to be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>

Risk**Control**

Increased employer's contribution rate affects service delivery and admission/scheduled bodies.

Agree an explicit stabilisation mechanism, with other measures to limit sudden increases in contributions.

Orphaned employers create added fund costs.

Seek a cessation debt (or security/guarantor). Spread added costs among employers.

C3 Demographic risks**Risk****Control**

Pensioners live longer, increasing fund costs.

Set mortality assumptions with allowances for future increases in life expectancy.

Use the fund actuary's experience and access to over 50 LGPS funds to identify changes in life expectancy that might affect the longevity assumptions early.

As the fund matures, the proportion of actively contributing employees declines relative to retired employees.

Monitor at each valuation, consider seeking monetary amounts rather than % of pay. Consider alternative investment strategies.

Deteriorating patterns of early retirements

Charge employers the extra cost of non ill-health retirements following each individual decision.

Monitor employer ill-health retirement experience, with optional insurance.

Reductions in payroll cause insufficient deficit recovery payments.

Review contributions between valuations. This may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Control
Changes to national pension requirements or HMRC rules.	<p>Consider all Government consultation papers and comment where appropriate.</p> <p>Monitor progress on the McCloud court case and consider an interim valuation or other action once more information is known.</p> <p>Build preferred solutions into valuations as required.</p>
Time, cost or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis (see Section 5).	Take advice from the actuary and consider the proposed valuation approach, relative to anticipated Section 13 analysis.
Changes to employer participation in LGPS funds leads to impacts on funding or investment strategies.	<p>Consider all Government consultation papers and comment where appropriate.</p> <p>Take advice from the fund actuary and amend strategy.</p>

C5 Governance risks

Risk	Control
The administering authority is not aware of employer membership changes, for example a large fall in employee members, large number of retirements, or is not advised that an employer is closed to new entrants.	The administering authority develops a close relationship with employing bodies and communicates required standards. The actuary may revise the rates and adjustments certificate to increase an employer's contributions between valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, heeded, or proves to be insufficient in some way	The administering authority maintains close contact with its advisers. Advice is delivered through formal meetings and recorded appropriately. Actuarial advice is subject to professional requirements like peer review.
The administering authority fails to commission the actuary to carry out a termination valuation for an admission body leaving the fund.	The administering authority requires employers with Best Value contractors to inform it of changes. CABs' memberships are monitored and steps are taken if active membership decreases.

Risk

An employer ceases to exist with insufficient funding or bonds.

Control

It's normally too late to manage this risk if left to the time of departure. This risk is mitigated by:

Seeking a funding guarantee from another scheme employer, or external body.

Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.

Vetting prospective employers before admission.

Requiring a bond to protect the fund, where permitted.

Requiring a guarantor for new CABs.

Regularly reviewing bond or guarantor arrangements.

Reviewing contributions well ahead of cessation.

An employer ceases to exist, so an exit credit is payable.

The administering authority regularly monitors admission bodies coming up to cessation.

The administering authority invests in liquid assets so that exit credits can be paid.

C6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as TABs and CABs, have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities	Tax-raising or government-backed, no individual assessment required	n/a
Colleges & Universities	No formal assessment currently undertaken. However, this is likely to be reviewed over period to 31 March 2025	n/a
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (TABs & CABs)	Bonds or Council guarantee required as a condition of participating in the Fund	Bonds are monitored at PFC meetings

C7 Climate risk and TCFD reporting

The Fund has carried out climate scenario stress testing as part of their funding strategy considerations at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied.

The Fund is reviewing its Responsible Investment policy and its reporting requirements and is at the very early stages of establishing its framework around how the Fund quantify and manages climate related risks. However, the results from this initial modelling provide some comfort that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks.

We will evolve and update our modelling approach as appropriate once practice in this area becomes more established and our risk management framework becomes more developed.

The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

Appendix D – Actuarial assumptions

The fund’s actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date. Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don’t affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn’t rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson’s Economic Scenario Service (ESS) to project each employer’s assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

	Annualised total returns																
	Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	Developed World ex UK Equity	Private Equity	Property	Emerging Markets Equity	Unlisted Infrastructure Equity	Multi Asset Credit (sub inv grade)	Asset Backed Securities (AA rated) GBP	Asset Backed Securities (BBB rated) GBP	Direct Lending (private debt) GBP Hedged	CorpSho rt A	CorpMediu m A	CorpSho rt BBB	CorpMed ium BBB	
10 years	16th %ile	0.8%	-1.9%	-0.3%	-0.7%	-1.2%	-0.6%	-2.5%	0.7%	1.7%	1.1%	1.3%	2.7%	1.4%	-0.1%	1.3%	0.0%
	50th %ile	1.8%	0.2%	1.1%	5.6%	9.4%	4.4%	5.8%	5.9%	3.5%	2.3%	2.9%	6.0%	2.4%	1.6%	2.7%	1.9%
	84th %ile	2.9%	2.4%	2.4%	11.7%	20.1%	9.5%	14.4%	11.2%	5.2%	3.6%	4.5%	9.2%	3.4%	3.2%	3.9%	3.6%
20 years	16th %ile	1.0%	-1.5%	0.7%	1.5%	2.4%	1.4%	0.1%	2.6%	2.8%	1.5%	1.9%	4.3%	2.0%	1.1%	2.2%	1.3%
	50th %ile	2.4%	0.1%	1.5%	6.1%	10.0%	5.0%	6.3%	6.5%	4.4%	3.0%	3.5%	6.8%	3.2%	2.1%	3.5%	2.5%
	84th %ile	4.0%	1.9%	2.2%	10.8%	17.6%	8.9%	12.8%	10.6%	6.0%	4.7%	5.4%	9.2%	4.6%	3.2%	5.0%	3.6%
40 years	16th %ile	1.2%	-0.3%	1.5%	3.1%	4.7%	2.6%	2.1%	3.9%	3.6%	1.8%	2.3%	5.5%	2.4%	2.0%	2.6%	2.3%
	50th %ile	2.9%	1.2%	2.3%	6.5%	10.3%	5.5%	6.8%	7.0%	5.3%	3.5%	4.0%	7.7%	3.9%	3.1%	4.2%	3.4%
	84th %ile	4.9%	3.1%	3.5%	10.2%	16.1%	8.8%	11.7%	10.3%	7.1%	5.6%	6.3%	10.0%	5.8%	4.4%	6.2%	4.9%
	Volatility (Disp) (5 yr)	2%	7%	6%	19%	30%	15%	26%	15%	6%	3%	4%	10%	3%	7%	4%	7%

	Inflation (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %ile	2.4%	1.6%	-1.7%
	50th %ile	4.1%	3.3%	-0.5%
	84th %ile	5.7%	4.9%	0.7%
20 years	16th %ile	1.6%	1.2%	-0.7%
	50th %ile	3.1%	2.7%	1.1%
	84th %ile	4.7%	4.3%	2.7%
40 years	16th %ile	1.1%	0.9%	-0.6%
	50th %ile	2.4%	2.2%	1.3%
	84th %ile	3.9%	3.7%	3.2%
	Volatility (Disp) (5 yr)	3%	3%	

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	2.0%

Discount rate (for funding level calculation only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.6% applies. This is based on a prudent estimate of investment returns, specifically, that there is an 75% likelihood that the fund's assets will future investment returns of 4.6% over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 1.0% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of maximum tax-free cash
50:50 option	1.0% of members will choose the 50:50 option.

Rates for demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.17	404.31	813.01	0	0	0	0
25	117	0.17	267.06	537.03	0	0	0	0
30	131	0.2	189.49	380.97	0	0	0	0
35	144	0.24	148.05	297.63	0.1	0.07	0.02	0.01
40	150	0.41	119.2	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.9	0.68	0.23	0.17
55	162	1.7	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.1	0	0	11.83	8.87	0	0

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.1	352.42	467.37	0	0	0	0
25	117	0.1	237.14	314.44	0.1	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.1	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.1	0.08
50	162	0.9	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.4
65	162	1.95	0	0	10.26	7.69	0	0

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

- The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
- The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
- Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Contractor exit basis

Where there is a guarantor (e.g. in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set equal to the risk-free rate at the cessation date, plus a margin equal to that set to allocate assets to the employer on joining the fund.

London Borough of Barnet Pension Fund Funding Strategy Statement covering the period 1 April 2023 to 31 March 2026

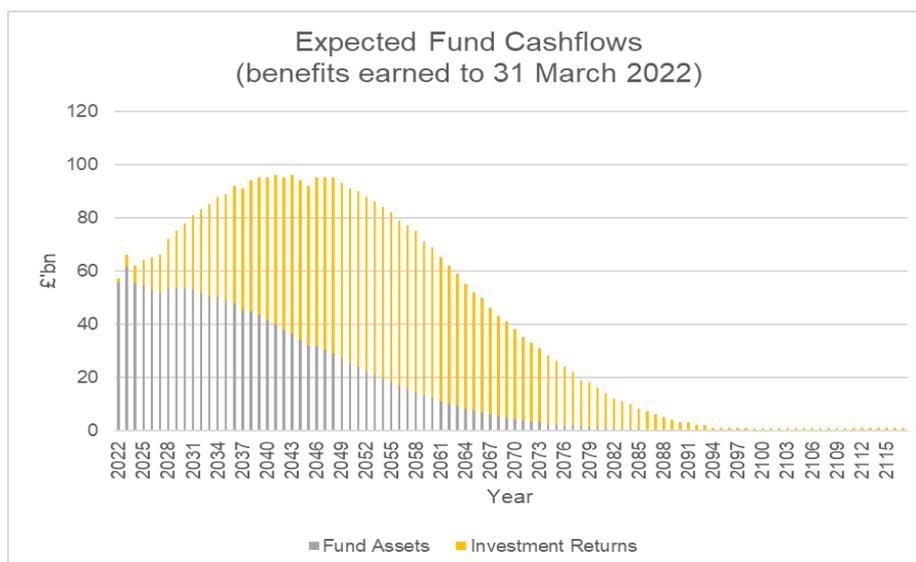
This preface to our Funding Strategy Statement covering the period 1 April 2023 to 31 March 2026 sets out the specifics of the London Borough of Barnet Pension Fund and the key areas we have considered to inform our Funding Strategy. The preface is supported by a more detailed document prepared in collaboration with our advisors, which also includes links to important Fund policies.

E1. What is our overall objective?

- 1.1 Our overall objective is to ensure there are sufficient resources to meet pension benefits as they fall due.
- 1.2 Our resources are:
 - the assets we hold within the Pension Fund
 - the return we may get on those assets in the future; and
 - the ability for us to ask for contributions from our employer base in the future
- 1.3 A secondary condition is that we take risk in a measured way to ensure the overall efficiency and cost effectiveness of funding. Because we are taking risk, we need to manage those risks.

E2. How are we doing against our objectives?

- 2.1 At 31 March 2022, and at a “Whole of Fund” level, we had c£1.5bn of assets. The nominal (i.e. not discounted) value of the benefit payments promised to that date, based on Hyman’s central view on long-term inflation, was c£4bn. This leaves c£2.5bn to be funded via investment returns or additional contributions.
- 2.2 The balance between how benefits earned to date are expected to be met through current assets and investment returns on those assets is illustrated below – as can be seen, the majority of benefits are expected to be met through investment returns (orange area), which is why focusing on investment returns is so important.



- 2.3 Our actuary has calculated that we would need to achieve an annual return of at least 4.7% to meet these payments without requiring further contributions from our employers. Our actuaries assess that the probability of achieving this level of return over the long-term is around 70%.
- 2.4 This implies that, whilst there is a positive likelihood that further money isn't required to fund benefits built up, there is a material probability that the current assets are not sufficient to cover the benefits already promised and that further contributions may be required. This indicates the level of risk being taken to fund our pension obligations.
- 2.5 After considering the provisional results of the 31 March 2022 valuation and experience over the inter-valuation period, we are currently comfortable with our funding progress and the level of overall risk we are taking at a "Whole of Fund" level. However, the position for employer groups is more nuanced.
- 2.6 An important consideration when thinking about our employer groups and overall risk appetite is the ability to request contributions in the future.

E3. Ability to request further contributions in the future

- 3.1 The ability for us to request contributions from employers in the future is a very important part of our overall risk management framework and funding strategy. This ability is constrained by the following two factors:
- The ability of the employer to flex its operating costs to allocate more resources towards the pension scheme if required - *For the majority of our employers this is limited without due notice (possibly a number of years). We also do not wish to negatively impact public service delivery because of increasing pension contributions*
 - How confident we can be that the employer will be around in the very long-term to support the pension scheme - *For the majority of our employers we can be very confident about this, but for some employers, such as universities and colleges, we may need to take a more cautious view – not because we have any specific concerns around those*

employers within the Fund, but more reflecting the general uncertainty of any organisation who cannot guarantee future revenue streams

E4. Taking investment risk

- 4.1 In general, we are required to invest in assets that do not provide a guaranteed return. This means that there is a risk that the asset performance is lower than that assumed by our actuaries to determining funding contributions.
- 4.2 A key part of our funding strategy is how we might manage periods where assets do underperform relative to our assumptions. In this situation, further contributions may be required.
- 4.3 There are two broad ways asset under performance can be managed:
- We use time to smooth out periods of underperformance. This approach assumes underperformance is followed by a 'reversion' to a norm through overperformance. This is risky because the position may not revert
 - We set a higher funding target to reduce the probability of underfunding. This approach reduces our risk but is potentially inefficient as it may lead to too much capital being tied up in the pension scheme or the pension scheme becoming over funded. Depending on the time frame used to reach such a funding target, contribution requirements to get there may be, in themselves, unaffordable
- 4.4 For our tax raising bodies and for those with an underlying government guarantee and / or bond we would generally seek to use a mixture of time and controllable increases to cash contributions to manage periods of underperformance. This may be achieved by taking less prudence in the Funding Target and / or allowing a longer timeframe to recover deficits.
- 4.5 For our non-tax raising bodies it may not be appropriate to take less prudence and / or increase the time to recover deficits. From a risk management perspective, we therefore may want to reduce the likelihood of underperformance by seeking to move to a higher funding target gradually over time. We will be looking to consult with employers over the period until the 31 March 2025 valuation to consider how best to achieve this.
- 4.6 For completeness, we may also keep back additional reserves when performance has been better than expected to provide a further cushion against periods of underperformance and we will consider whether it would be appropriate to reduce cash on case-by-case basis.

E5. Can an LGPS request security?

- 5.1 Yes, to protect against the risk of an employer not being there in the future we may explore how additional security can allow us to adopt a less prudent funding target. However, additional security may help reduce an employer's cash contributions, but it does not, in itself, reduce an employer's risk unless the security embeds increased commercial certainty and / or is combined with a change in investment strategy.

E6. Experience since 31 March 2019

- 6.1 Our Funding Strategy will evolve over time and our experience over the last three years has, of course, informed our Funding Strategy for the period 1 April 2023 to 31 March 2026.
- 6.2 In terms of overall commentary, it is no understatement to say that the world has experienced significant change since the last valuation assessment at 31 March 2019. Covid-19 has had a dramatic impact on mortality rates as well as global markets, but we have also seen:
- the formalisation of Brexit, which has changed the UK's trading relationships which has caused some market uncertainty;
 - a significant rise in interest rates as Central Banks try to control increasing inflation; and
 - the emergence of a conflict in Ukraine and the shock to energy supplies that has followed
- 6.3 As a Pension Fund investing in risky assets, we are not immune to the impact of these factors: the one certainty we be sure of is that we are now facing greater uncertainty. We will be undertaking a full investment review in the Spring of 2023 and we are also evolving our Responsible Investment strategy and overall investment procedures to consider how we can be more nimble and flexible in our decision making.
- 6.4 Against this backdrop, the experience over the period 1 April 2019 to 31 March 2022 for Investment Returns, Inflation, Longevity and Data is summarised below:

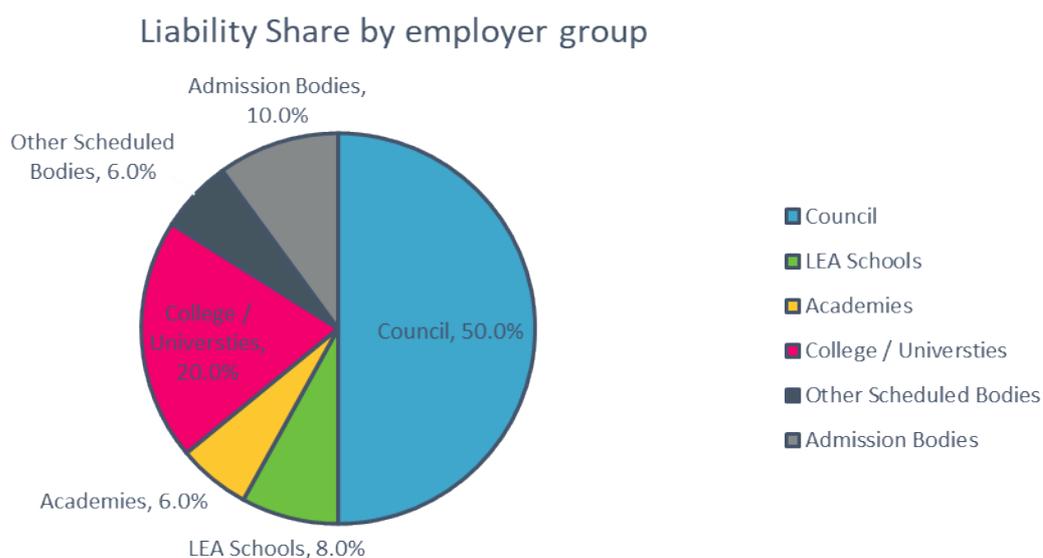
Item	Experience	Commentary
Investment Returns	8.9% p.a. on average), compared to required return of 4.4% p.a.	Favourable investment returns have contributed to around £100m improvement in funding position over the valuation period. In context, over the inter valuation period, there was substantial support for capital markets via Central Banks quantitative easing programmes which, given the levels of inflation, is unlikely to continue. This could put pressure on capital values more generally from 2023 and is something we need to be mindful of as we conduct our investment review.

Item	Experience	Commentary
Inflation	5.4% over the period compared to 7.1% assumed	<p>Inflation over the valuation period was around 2% lower than what was assumed at 31 March 2019. This has contributed to around a £30m gain in the overall funding position. However, the future outlook for inflation is very uncertain, with CPI increasing significantly since the 31 March 2022 valuation date.</p> <p>Looking forward, Hymans central estimate for future inflation is that CPI will average around 4% to 5% over the next 5 years, then gradually reverting to the Bank of England's long-term target for inflation of c2%.</p> <p>Markets are pricing in a higher level of long-term inflation (at around 3.0% to 3.5%, so significantly higher than the Bank of England target). This difference is indicative of the level of future risk we face in relation to inflation.</p> <p>Allowing Hymans central estimate for future inflation increases liabilities by around £100m relative to the assumptions adopted in 2019.</p> <p>Allowing for market pricing for inflation would increase liabilities by a further c30% (£450m LBB analysis) relative to the assumptions adopted in 2019.</p>
Mortality	Not analysed	<p>Whilst the number of excess deaths increased dramatically in 2020 and 2021 due to the impact of Covid, these deaths were predominantly at older ages (80 years plus) and so, from a Pension Fund perspective, the financial impact has not been as material as some of the other issues discussed here, such as investment returns and inflation.</p> <p>The longer-term impact due to Covid is not known. On advice from our Actuary, we have actually marginally strengthened our longevity assumptions but will keep the position under review for the 31 March 2025 valuation.</p>
Data	£50m impact	<p>There has been a process of rectifying data records since the last valuation after it was found that the overall level of record keeping was poor.</p> <p>There is a significant 'true-up' number of £50m to reflect the more up-to-date data used. Given the significance of this item we will be analysing the differences between the 2019 and 2022 data to understand where the main areas of differences are.</p>

Areas of focus for 31 March 2022

E7. Employer Groups

- 7.1 The Barnet Pension Fund has a diverse range of employers, and a higher overall allocation to non-taxing raising bodies relative to most other LGPS funds.
- 7.2 A summary of the different employer groups at 31 March 2022 is provided below:



- 7.3 The average level of exposure to non-tax raising bodies for the LGPS in general is around 10% based on information provided in Aon's 2018 report on non-tax raising bodies. This means the Pension Fund has over double the level of exposure than that experienced more generally.

E8. Implications of maturing scheme

- 8.1 When the flow of new entrants towards a pension scheme slows it means that, overall, the average age of pension scheme members starts to increase and the 'duration' (i.e. time frame) of future cashflows starts to reduce.
- 8.2 A consequence of this is that the time horizon that risk can be comfortably taken reduces. This position is compounded if the Pension Fund cannot be 100% confidence in the ability of the employer to make contributions in the future – i.e. when there is a situation where the time horizon for paying benefit starts to shrink and the visibility for being able to rely on future pension contributions is limited, the sensible risk mitigating strategy is to plan to take less risk in the future.
- 8.3 This is reflected in the Fund's general policy of funding 'cessation' liabilities (i.e. liabilities without employer backing) on a "least risk" actuarial basis.

- 8.4 For the Council's obligations, this is not a concern, indeed the inflow of new members that are expected to arise out of the in-sourcing of certain contracts may increase the duration of obligations overall for Council – that said, depending on the contribution agreement following the 31 March 2022 valuation discussions, the Fund may switch to being a net dis-investor of assets as benefit outgo starts to exceed income.

E9. The Council

A summary of the approach funding approach adopted for each employer group in 31 March 2019 is provided below, together with a high-level summary of any proposed changes from 31 March 2023.

2019 approach

Funding Consideration	Comment
Funding target	Ultimate target consistent with probability of success of at least 75% based on long-term investment strategy (based on Hymans; proprietary ESS model)
Financial position relative to Funding Target	78%
Timeframe proposed to reach funding target	17 Years (assumes at least 70% probability of success)

Overall comment on Council Funding approach

9.1 Based on provisional results, the funding for the Council's share of obligations has progressed well. We are not seeking to amend the funding approach for the Council, apart from adjusting the timeframe for meeting the Funding Target to ensure overall stability of contribution rates.

E10. Other Scheduled Bodies (Tax Raising or wholly owned by the Council)

10.1 Funding approach was consistent with the Council's. Aggregate Funding for this group was 81% of target at 31 March 2019.

10.2 Based on provisional results, funding for other Scheduled Bodies has progressed well. We are not seeking to amend the funding approach for other Scheduled Bodies, apart from adjusting the timeframe for meeting the Funding Target to ensure overall stability of contribution rates.

E11. Academies

11.1 Funding approach was consistent with the Council's. Funding was 78% of target at 31 March 2019 across all academies. Academies obligations are ultimately underwritten by DfE which means we are comfortable taking a relatively long-term view for this employer group. That said, we still need to be mindful of stability, because it is responsible to do so and a requirement of the regulations.

11.2 Based on provisional results, funding for academies has progressed well. We are not seeking to amend the funding approach for academies at an aggregate level, however, note comment below which may impact individual academy contribution rates from 31 March 2023.

11.3 In 2019 contribution rates were set as the average across all academies. Whilst contributions were set as a common rate, asset and liabilities were not pooled. This

means that some academies may have been over / under paying relative to their true cost. We believe this approach, whilst easier to administer, introduces risk of systematic under or over funding for some academies.

- 11.4 We will therefore be amending the approach so that each academy pays the contribution rate consistent with the liabilities and asset share. We will enter into discussions with academies where the change in contribution rate is more than 2% to discuss whether smoothing would be appropriate.

E12. Admitted Bodies

- 12.1 We take a range of approaches for Admitted Bodies, and these are documented within the respective admission agreements and other contractual documentation associated with each employer. Overall, Funding for Admitted Bodies has progressed well and we are not proposing a change to the overall approach. We are also not envisaging a significant change to contribution rates.
- 12.2 We have a number of relatively “small” employers joining the scheme with a handful of members (e.g. to service contracts for schools around catering) and the admission process is complex. Over the period to 2025 we will review the admission process to see whether it can be made simpler without prejudicing the overall security of the scheme materially.
- 12.3 The Council is looking to in-source a number of contracts over the next few years. All things being equal, this will increase our overall membership and pace at which the Fund grows. Whilst it may increase the overall duration of the Scheme, which is potentially positive from the perspective of us being able to take a long-term view on investments, it also potentially increases risk as the Pension Fund increases in size relative to the employer base.

E13. Universities / Colleges

2019 approach

Funding Consideration	Comment
Funding target	Ultimate target consistent with probability of success of 75% based on long-term investment strategy (based on Hymans; proprietary ESS model).
Financial position relative to Funding Target	94%
Timeframe proposed to reach funding target	15 Years (assumes 70% probability of success)

- 13.1 We note that the approach taken in 2019 for Universities and Colleges was not significantly different to the approach adopted for the Council (with the core difference being the timeframe to reach target set as 15 years rather than 17 years).
- 13.2 Given that the Universities / Colleges do not have the same level of long-term covenant visibility as the Council, the level of risk we are taking is, relatively, much higher. This is compounded given our relatively high exposure to these types of employers as a percentage of the overall Fund.
- 13.3 Of potential concern for the 2022 valuation is the level of long-term inflation risk we are exposed to, particularly given our advisors central view on long-term inflation, which is broadly in line with Bank of England long-term targets, but significantly different to that implied by market indicators.
- 13.4 We are also aware that steps have been taken by Middlesex University to provide alternative pension provision. This will significantly reduce the flow of new entrants into the Fund. Whilst this will slow the build-up of liabilities for this employer, which is positive from a risk management perspective, it does potentially accelerate the point at which we may need to start planning for cessation and accelerates the maturation of the Middlesex University section of the Fund.
- 13.5 As noted in Section 8. above, where the maturation of obligations happens, it is sensible to start to plan to take less risk. This is compounded when there is also a limited level of covenant visibility associated with the employer.
- 13.6 Because of this we will be seeking to switch the Funding Target for Middlesex University to a Least Risk funding basis. The timeframe and probability of success will depend on affordability, but provisionally we believe it would be appropriate to target a 15-year time horizon with at least a 60% probability of success.
- 13.7 For Barnet & Southgate College we will not be amending the Funding Approach for the 31 March 2022 valuation, but we will keep the situation under review pending the outcome of the Government's review of whether to provide an underlying government guarantee to Further Education pension liabilities.

E14. Supplementary Information

14.1 The attached document prepared in conjunction with our advisors sets out further details of:

- How employer contributions are calculated
- How assets and liabilities are calculated
- What happens when an employer joins the fund
- What happens when an employer leaves the fund
- What the statutory reporting requirements are

The document also provides further information on the:

- The regulatory framework around setting a Funding Strategy Statement
- Roles and responsibilities
- General risks and controls
- Actuarial assumptions

2022 Valuation

Consultation Update

Introduction of second test to validate contribution decreases

Introduction

This paper sets out rationale for introducing a second test to validate whether contribution rates should reduce over the period 1 April 2023 to 31 March 2026.

There are several employer groups with different characteristics. This approach is not being applied to MDX, B&S and contractors.

There are also important technical, legislative and economic considerations relevant to the recommendation.

In summary:

- Using a time frame of c17 years and a probability of success of 70% within Hymans' Model suggests that contribution rates reduce for most employers.
- Playing in the observed reduction in long term real interest rates since 2019, commentary from the Scheme Advisory Board and a general requirement for stability we propose that a second test (test 2) is introduced which uses a slightly shorter timeframe of 15 years and probability of success of 80% - contributions will only decrease if they are assessed to do so under this second test..

- The combined result of Hymans' Model + test 2 is that for the majority of employers the contribution rate remains consistent with the 2019 rate.

The remainder of the paper consider the regulatory and economic context, more information on Hymans' modelling and an explanation of how Test 2 is applied.

Legislative and 2019 context

Legislative and regulatory context

The LGPS 2013 regulations each LGPS Fund to put in place a Rates and Adjustment certificate prepared by an Actuary – this is the legal document that imposes a contribution requirement on employers.

CIPFA guidance requires the contribution rate to be prudent.

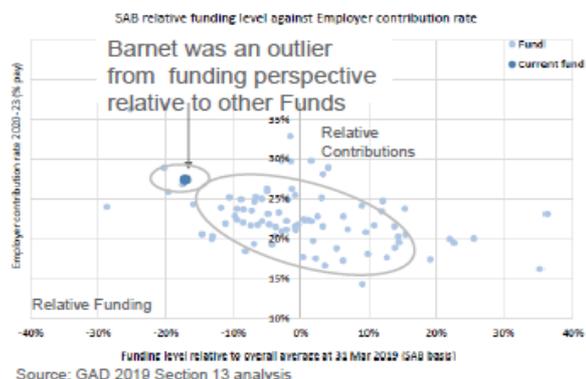
LGPS regulations require the method underpinning the rate to be stable.

The Government Actuaries Department ("GAD") undertake a triennial review of Funds to check for consistency and overall solvency. GAD will speak to funds where they believe there is a fundamental funding issue.

2019 Position

GAD's analysis of the 2019 valuation is shown in the chart to the right.

GAD's analysis shows that at the 2019 valuation, Barnet (the dark blue dot) was amongst least well funded funds (on GAD's standardised basis). GAD did not seek to speak to Barnet because Barnet were also paying amongst the highest contributions towards their fund.



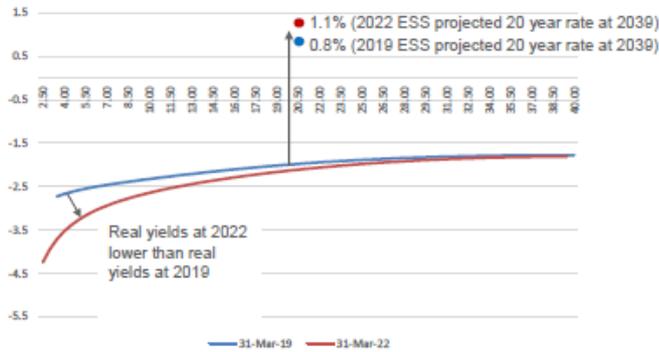
We do not have information to confirm where Barnet sits relatively at 2022, however, whilst we may see some convergence towards the pack, Barnet is still likely to be a marginal outlier.

Economic and model context

Real Interest Rates

Long-term real interest rates are the primary driver for pension costs as they drive expectations around future investment returns. The real 'risk free' yield curve from market data at 2019 and 2022 is outlined below together with Hymans' Economic Scenario Service ("ESS") projection in 17 years time.

Hymans ESS model projects real yields rise and they are projecting this rise to be greater in 2022 than they did in 2019



Source: LBB analysis / Hymans reports

The chart shows that real market interest rates (the **blue** (2019) line relative to the **red** (2022) lines) decreased over the three years. This is reflected in Hymans advice where they recommended discount rates as follows

Metric	2019	2022
Discount Rate	4.4%	4.6%
Inflation	2.3%	2.7%
Net rate	2.1%	1.9%

However, under Hymans' approach, the contribution rate is more influenced by the assumptions embedded within the ESS.

Hymans have increased the real Interest rates within the ESS (**Blue** dot to **Red** Dot) – i.e. a reversion to higher rate relative to market indicators.

In summary, this has led to Hymans' model indicating a reduction in contribution rates if we use a timeframe of 17 years and a probability of success (under the ESS model) of 70%.

Regulatory context and post valuation experience

Scheme Advisory Board (SAB) statement

Given economic headwinds' the SAB have cautioned against LGPS funds reducing contribution rates substantially. A link to the SAB's comment on this can be found [here](#)

Stability

It is a regulatory requirement that contribution rates are stable. To the extent contribution rates are reduced we will need to consider the ability for employers to be able to increase them again if required.

Post valuation experience

Inflation has turned out to be higher than anticipated at 31 March 2022 and investment markets are volatile. Whilst real interest rates have increased rapidly since the valuation it is too early to say how this might impact asset price growth over the long-term. Reflecting this, Hymans are cautious on funds seeking to reduce rates too heavily based on expectation at 31 March 2022.

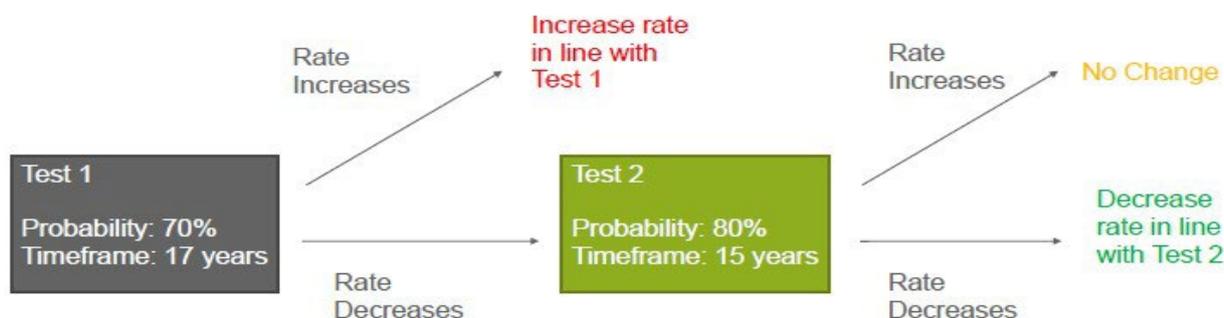
In recognition of this, we have worked with Hymans to develop a two stage process for validating whether contribution rates reduce – see next page

Two stage contribution rate test

As noted, Hymans' ESS model assumes an increase in long-term real interest rates and a higher increase relative to what was assumed in 2019. A consequence of this is that Hymans' model is generating lower contribution rates relative to 2019 for many employers.

Given general economic uncertainty around investment markets and high inflation expectations, reducing contribution rates at this time may not be prudent. After discussions with Hymans we therefore propose a two stage test to validate whether contribution rates should reduce. The second test replicates the first test, but assumes a shorter timeframe and increased probability of success – note this test is not used for MDX, B&S college or contractors.

The process is summarised below:



Important Note: Following discussions with the Fund Actuary Test 2 was not fully applied to the Council's rate. Instead, Officers "paid regard" to the output from Test 2 and increased the Test 1 contribution rate of 27.4% to 28.4% (from 28.9% payable before 1 April 2023).

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 [2 November 2023], 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 last Investment Strategy Statement was approved on 24 February 2021. Appendix C sets out changes made relative to 24 February 2021 ISS.
 - The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund (however, note Cash Management Strategy under paragraphs 3.2 to 3.4).
 - The ISS should be read in conjunction with the Fund’s Funding Strategy Statement dated March 2023.

- **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. Officers may bring proposals to the Pension Fund Committee to rebalance asset allocation – discussions around the Fund's approach to rebalancing were had at the [December 2022] Pension Fund Committee meeting.

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
Equity		30%
Listed equity	Solactive L&G ESG Global Markets Net	13%
	RAFI Global Reduced Carbon Pathway 3.5%- GBP Hdgd	6%
	MSCI Emerging Market Index (TR) Net	3%
	MSCI World Index Net (Total Return)	3%
Private Equity	MSCI ACWI TR Index +4% p.a.	5%
Property		6%
	FT British Govt All Stocks Index +2%	2%
	9%-11% p.a. over 3 year rolling period	2%
5.	12%-15% p.a.	2%
Infrastructure		8%
	8%-12% p.a.	5%
	Net IRR of 7%-10% p.a.	3%
Corporate Bonds		30%
	Merrill Lynch Sterling Non-Gilts All Stocks Index	15%
	Bloomberg Global Aggregate Credit Index – GBP Hedged	15%
Illiquid Credit		7.5%
	SONIA +4%-6% p.a.	5.5%
	15%-20% p.a.	2%
Multi Credit		7%
	SONIA (30 day compounded) +4.5%	3.5%
	3 Month SOFR +5% p.a. hedged to GBP	3.5%
Alternative Credit		11.5%
	SONIA +4% p.a.	6%
	Net IRR of 6%-8% p.a.	4%
	7%-12% p.a. net IRR	1.5%
Total		100%

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

- **Protocols for managing assets outside Pension Fund Committee cycle**
- Protocols for managing assets outside the Pension Fund Committee cycle are described below. The protocols cover:
 - Cash Management
 - Re-balancing
 - Urgent situations

Cash Management Strategy

- The Fund does not have a strategic allocation to cash. This is because, in general, cash is a low yielding asset class and not suitable for a pension fund looking to maximise return subject to an acceptable level of risk. However, there are occasions where the level of cash held by the Fund is materially high. This could happen for a number of reasons:
 - Distributions from managers, particularly Private Market managers, can be lumpy and there may be some time before another manager is selected and the distribution can be re-invested;
 - A shift in strategy may necessitate a temporary holding in cash;
 - The Fund may need to disinvest from a specific manager or asset class due to particular market factors;
 - The timing of contributions does not equal benefit payments – an issue where there is any prepayment of employer contributions, as what happened following the 2019 Valuation.
- To drive better performance from the Fund's cash assets the Barnet Pension Fund employers a Cash Management Strategy that was considered and agreed at the 31 January 2023 Pension Fund Committee meeting. The Cash Management Strategy involves utilising Money Market Funds and Trade Finance Funds. To manager overall risk, the Cash Management Strategy employs two Trade Finance managers for diversification reasons and limits total exposure to each Manager to £30m.

- Officers may invest transient cash in line with the following principles:

Strategy		Number of BPF Funds
Tier 1 (Current Account)	Minimise allocation to manage day-to-day cash flow.	N/A
Tier 2 MMF (Primary)	Invest balance between Tier 1 and Tier 3. This will be the Fund's primary destination for cash balances unless the Fund is expected to hold significant levels of cash for a sustained period. To manage exposure to one manager, cash will be allocated broadly equally between each MMF.	2 (LGIM / Aberdeen)
Tier 3 Higher yield (Secondary)	Officer discretion to invest up to £50m for each Tier 3. Investment in Tier 3 will be subject to managing appropriate liquidity through cashflow forecasting.	2 Allianz / Pemberton

Re-Balancing and urgent situations

- re-balancing protocols allows Officers to more easily maintain the strategic allocation determined by Pension Fund Committee.
- In addition, whilst there are broader mechanisms to make urgent decisions outside of the Committee cycle, but these are not well defined and do not necessarily include Pension Fund Committee members. Officers therefore feel having a well-defined protocol for an urgent situation is a matter of good governance.
- The table on the next page sets out protocols for managing re-balancing and urgent situations:

Delegation Type	Protocol	Rationale
Re- Balancing	<p>The Executive Director of Strategy and Resources will, in conjunction with our investment advisors, review the value of Pension Fund assets Quarterly and will have discretionary delegation to rebalance assets towards the Fund's strategic allocation if the Executive Director of Strategy and Resources believes it appropriate.</p> <p>In making decisions, Officers will consider a broad range of factors such as overall market sentiment, size of drift, likely future changes to investment strategy and any other factors brought to their attention by their advisors.</p> <p>Before Officers take steps to re-balance the portfolio towards the strategic allocation, the Executive Director of Strategy and Resources will consult with the Chair of the Pension Fund Committee. The Executive Director of Strategy and Resources will deliver a report at the next Pension Fund Committee meeting detailing what rebalancing had been conducted.</p>	<p>This will allow Officers to maintain the strategic allocation determined by Pension Fund Committee</p>
Urgent Situation	<p>Upon an identification of a potential urgent situation (i.e. a situation that requires urgent action to protect the resources of the Pension Fund), a briefing paper, prepared by the Executive Director of Strategy and Resources (S151 Officer), will be presented to the Chair of the Pension Fund committee at the earliest opportunity.</p> <p>This paper will outline the issues, the potential risks to the Pension Fund, and proposed solutions.</p> <p>The Chair, and the S151 officer, will then consult with advisors, Officers, and other Pension Fund Committee members. Following this consultation, the S151 Officer can then implement a solution they believe is best for the Pension Fund.</p> <p>The S151 Officer will then, within 30 days, circulate a report to Pension Fund Committee members detailing the situation and steps taken to protect the Pension Fund. The report will be shared for noting at the next Pension Fund Committee meeting.</p>	<p>This protocol will protect the Pension Fund by allowing Officers to be more responsive to urgent situations.</p>

- **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

Funding Risk	Description
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 measure and manage funding risks as follows.

- 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 was last conducted in July 2023. 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

Asset Risk	Description
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 under-performance	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. Protocols for managing any re-balancing are described within this statement. 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

Asset Risk	Description
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.

Asset Risk	Description
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.**
 - a. 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. The key criteria for assessment of pool solutions will be as follows:
 - b. That the pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
 - c. 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.
 - d. 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.
 - e. 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.
 - f. The Fund holds 19% 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.
 - g. In addition the Fund has already transitioned other assets into the London CIV with a value of 32% 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.
 - h. 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

- i. 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.

- **Responsible Investment**

- 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:
 - Incorporating a regard for ESG into investment decision making will help mitigate risk such as climate change.
 - 2. Well run companies will generate better long-term returns.
 - 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.
- The Committee has set the following guiding principles for formulating the Fund's Net Zero strategy:
 1. **Leading and credible voice:** Our framework should provide a platform for Barnet to be a leading voice in discussions around targeting a Net Zero strategy for an LGPS Pension Fund
 2. **Ambitious and measurable:** our target should be evidence based, credible, measurable and ambitious
 3. **Risk and return focused:** We should not compromise risk or return potential in targeting a Net Zero strategy
 4. **Wider Council alignment:** We should echo the wider targets set by the Council
- 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:
 - 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.
 - Consideration of moving assets from passive equities to pooled active equities that have a strong sustainability approach to the selection of investments.
 - Consideration of investing into other products offered by the London CIV that focus on opportunities with sustainability characteristics e.g. renewables.
 - 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.
 - Periodic qualitative and quantitative reviews of the ESG risks within the portfolio and consideration of alternatives.

Social Investment

- 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.

Reporting of Responsible Investment Outcomes

- 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 2024-25 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.
- The Chartered Institute of Public Finance (“CIPFA”) Pensions Panel Principles for Investment Decision Making set out the six principles of good investment practice issued by Government (Myners principles). The extent to which the Fund complies is set out in Appendix B.

Approved by: London Borough of Barnet Pension Fund Committee 24 February 2021

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. It is anticipated that the contributions due will start to 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.

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 taking decisions concerning the management of 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.

Appendix C – Version History

A summary of changes to the Investment Strategy Statement is summarised below (changes noted from statement approved on 24 February 2021 (vs1.0))

Change Introduced	Date PFC approval made	Version Effective
Introduces the Fund's Cash Management Strategy	31 January 2023	Vs1.1
Introduces delegation protocols for re-balancing and urgent situations	31 January 2023	Vs1.1
Updates the strategic allocation to reflect a 20% shift in assets from liquid equity to investment grade credit*	4 July 2023	Vs1.1
Re-format template into Barnet headed paper	n/a	Vs1.1
Added principles around NetZero	31 January 2023	Vs1.1
Adds section numbers and other minor wording adjustments	n/a	Vs1.1
Update references to dates / allocations to reflect the position in 2023	n/a	Vs1.1
Updated Cash Management Tier 3 Limits	29 th July 2024	Vs1.2

*Note, there appears to be some discrepancy between the target allocation set out in vs1.0 compared to the target allocation set within PFC meetings and summarised in various monitoring reports. The Fund's advisors have confirmed the allocation set out in the various monitoring reports reflects the strategy set by the Pension Fund Committee

Communication Policy Statement

Background

This document sets out the communication policy for the London Borough of Barnet Pension Fund (“the Fund”) and is subject to review and annual approval by the Pension Fund Committee.

This communication policy is designed to ensure that all key stakeholders are kept informed of developments within the Pension Fund and in the appropriate medium.

The aim being to ensure an effective communication process is in place to help maintain the efficient and effective running of the Scheme and better stakeholder and customer outcomes.

This Policy has been updated following the transfer of administration to West Yorkshire Pension Fund (WYPF).

This strategy is presented to the December 2021 Pension Fund Committee for approval.

Regulatory Framework

This policy is published as a requirement under regulation 61 of the Local Government Pension Scheme Regulations 2013.

This policy has been prepared to meet the objectives about how the Fund communicates with key stakeholders:

1. Scheme members (active, deferred, retired and dependant)
2. representatives of scheme members
3. prospective scheme members
4. scheme employers
5. third-party employer service providers

Key objectives

- 3 Communicate the scheme regulations and procedures in a clear and easy to understand style
- 4 Use plain English for all communications with stakeholders
- 5 Identify and use the most appropriate communication method to take account of stakeholders’ different needs
- 6 Use technologies to provide convenient, up to date and timely information to stakeholders
- 7 Engage with our stakeholders face-to-face when possible and appropriate

Evaluation and continuous development

To ensure the Fund is meeting the expectations of stakeholders and to evaluate the effectiveness of communications, the Fund (in conjunction with WYPF) will use the following methods:

1. feedback questionnaires
2. monitoring compliments and complaints
3. customer surveys.

To ensure continuous development WYPF plan to:

- a) further develop member self service with Civica’s MyPension platform
- a) broaden the use of digital platforms to engage stakeholders
- a) increase the information given to employing authorities when they join the scheme or change main contacts.

Communications events

Below is a summary of the communication events provided to stakeholders by the Fund, in conjunction with WYPF:

Communication	Format	Frequency	Method of distribution
LGPS active members (including representatives of active members & prospective members)	Newsletter	1-2 per year	MyPension
	Annual benefit statement	1 per year	MyPension/Mail
	www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print/web
	Member fact sheets	On request/constant	Print/web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries	On employer request	Face to face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Phone/email
New member pack	On joining	Mail	
LGPS deferred members (including representatives of deferred members)	Newsletter	1-2 per year	MyPension
	Annual benefit statement	1 per year	MyPension/Mail

	www.wyppf.org.uk	Constant	Web
	WYPF Contact Centre	8.45 to 4.30 Monday to Friday	Phone, e-mail
LGPS pensioner members (including representatives of retired members)	Newsletter	1-2 per year	MyPension
	www.wyppf.org.uk	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Phone, e-mail
	Pension pay slip	As and when net pension varies by £5 or more	Mail
	P60	1 per year	Mail

Website

In addition, the Council have a pensions website (<https://www.barnet.gov.uk/your-council/finance-funding-and-pensions/local-government-pension-scheme>).

This website will be reviewed in 2022 and may be discontinued with any relevant information added to the WYPF website (wyppf.org.uk) under a section for Barnet Fund members.

The website will include a summary of the Pension Fund Report and Accounts for each year, following approval by the Pensions Fund Committee.

Scheme Employers

Employers will be kept informed on developments and consulted on changes to the Fund as necessary.

Potential scheme employers will also have access to information about the Pension Fund to ensure that they are fully informed in their relationship with the Fund and requirements.

- b) Employer Forums** – At least two employer forums will be held in 2022 to update employers of relevant current issues, administration and actuarial updates, and policy changes.

Individual meetings with employers can be held as required. Employers will also be notified in writing of any changes which affect them or the way that the scheme is administered.

- **Pensions Administration Strategy**– The administration strategy sets out the roles and responsibilities of the Administering Authority, the third-party administrator (WYPF) and employers in the Pension Scheme. It sets out the service level agreement and targets which all are expected to meet. This document will be posted on the website.
- **Technical Updates** – WYPF send employers monthly a “*Pensions Matters*” email, which highlights the latest monthly round up of news including technical updates from the Local Government Association.
- **Employer Training** – WYPF also send round periodic emails offering pension webcasts which provide training to employers and payroll providers on the LGPS.

- 4 **Other** – The Fund meets quarterly with Trade Union representatives discuss issues raised by individual members.

Member Contacts

Further information or general administrative queries should be addressed to either:

WYPF

PO Box 67

Bradford

BD1 1UP

Telephone: (01274) 434999

Email: pensions@wypf.org.uk

Employer Contacts

The WYPF employer representatives are:

Ammie McHugh - ammie.mchugh@wypf.org.uk

David Parrington - david.parrington@wypf.org.uk

Team phone number: 01274 434900

London Borough of Barnet Contact

Mark Fox

Pensions Manager

London Borough of Barnet

2 Bristol Avenue, Colindale

London NW9 4EW

Telephone: 0208 359 3341

Email: pensions@barnet.gov.uk

PENSION ADMINISTRATION STRATEGY

a) 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.
 - a. 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.

b) 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.

c) 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.

d) 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:

- Providing appropriate technical information, updates, training and assistance on the Fund and its administration.
- Arranging biannual Employer forum meeting
- Issuing any other such other materials as necessary in the administration of the Scheme
- 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.
- Reminding employers of their responsibilities
- Promptly dealing with queries arising from the submission of monthly contribution returns
- 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:

- Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point of access for information relating to the LGPS
- Create a member record for all new starters admitted to the LGPS
- Maintain and update members records for any changes received from the employer
- 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
- Provide every active, deferred and pension credit member with a benefit statement each year
- Provide estimate of retirement benefits on request by the employer and member
- Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS regulations, members' options and statutory limits
- Process all casework in line with the agreed Key Performance indicators (KPIs) as set out in Appendix A of this document
- Comply with HMRC and other statutory pensions legislation and regulations
- 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.

a. Employer Responsibilities

- Employers are responsible for:
 - Ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions.
 - 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.
 - 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.
 - Arranging payment of Additional Voluntary Contributions (AVCs) to the relevant provider within one week of them being deducted.
 - Providing the information to WYPF in relation to their employees in the Fund, as set out in Appendix B.
 - 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%.
 - 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.
 - 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.
- **Performance Monitoring**
 - LBB, as administering authority, will monitor the performance of WYPF on a quarterly basis as set out in Appendix D of this document.
 - 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.
 - 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 IDRPCs

- an administration contact for the day-to-day administration of the scheme, completing forms and responding to queries, and
- 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 IDRPs.

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: May 2021

Reviewed:

APPENDIX A - Key Performance indicators (KPIs)

The minimum performance targets are shown below.

Type of Work	Working days	Minimum Target
New Joiners/membership updates -issue letter/certificates	10	95%
General requests for information from members	10	95%
Deferred Benefit On Leaving Calculation complete	10	95%
Pension Estimate despatched to appropriate recipient	7	95%
Refund Calculation completed	10	95%
Refund Payment despatched	5	95%
Transfer Out Calculation complete	20	95%
Transfer Out Payment despatched to appropriate recipient	10	95%
Transfer In Calculation complete	10	95%
Transfer In Payment Received by relevant fund or scheme	10	95%
Pension Set Up - Payment of Lump Sum despatched to appropriate recipient	5	95%
Death in Service - Payment of Death Grant despatched to appropriate recipient	5	98%
Death of a Pensioner - Payment of Death Grant despatched to appropriate recipient	5	95%
Deferred Benefits into Payment - Payment of Lump Sum despatched to appropriate recipient	5	95%
Divorce/ Pension Sharing Order quotations/processing	10	95%
No errors in calculations sent to members (measured as a percentage of all calculations issued).	n/a	99%

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	90% compliance or better

			data submission	
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

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

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).

	<p>WYPF receives:</p> <ul style="list-style-type: none"> at least 90% positive responses from quarterly member satisfaction survey positive employer feedback with minimal employer complaints.
WYPF pays accurate benefits.	<p>Positive audit results through internal and external audit and other reviews.</p> <p>Minimal member complaints/IDRPs resulting from incorrect calculation of benefits.</p> <p>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.</p>
WYPF sets out clear roles and responsibilities for employers	<p>Minimal issues identified as part of monthly data checks and ongoing reconciliations when monthly returns received by WYPF. All issues resolved within 2 months.</p>
WYPF identifies, mitigates and monitors potential risks to the Fund and employers	<p>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.</p> <p>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.</p>
WYPF puts in place effective governance arrangements to monitor and improve pension administration	<p>Monthly reporting to LBB Officers on any governance issues identified (to be included in Local Pension Board updates) included in Annual Report & Financial Statements.</p> <p>WYPF maintain their ISO9001 accreditation and provide Officers details of the annual external audit.</p> <p>WYPF provide Officers with monthly updates on number of LBB Pension Fund members registered on the WYPF member portal.</p>
WYPF maintains accurate records and communicates all information and data accurately, and in a timely and secure manner	<p>Minimal issues identified as part of monthly data checks and ongoing reconciliations. All issues resolved within 2 months.</p> <p>No breaches of data security protocols.</p> <p>Positive audit results through internal and external audit and other reviews.</p> <p>Annual target for common data score - 95% or better (in line with TPR expectations).</p> <p>Annual improvement in conditional data score (base limit is 27% in 2020).</p> <p>Annual test of data using Hymans data portal to check data quality for valuations etc. All data</p>

	<p>errors from previous year corrected and continued reduction in new data issues</p> <p>Completion of the data improvement plan within agreed timescales.</p> <p>WYPF maintain their ISO27001 accreditation and provide Officers details of the annual external audit.</p>
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	<p>WYPF to participate in fortnightly meetings with LBB Officers and ensure timely completion of actions outstanding to them.</p> <p>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.</p>

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.

APPENDIX E – CHARGES

Performance areas	Reason for charge	Basis of charge
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.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III).
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.	Number of days late interest charged at base rate plus 1%.
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.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Senior Pensions Officers level II).
4. Change in member detail	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to the administrator within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Pensions Officer level I).
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.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I).
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.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II).
7. Death in membership	Due within 3 working days of the notification – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III).
8. AVC deducted from pay to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I).
9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at

pension officer level I).

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.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at Pensions Officer level I).
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III).
