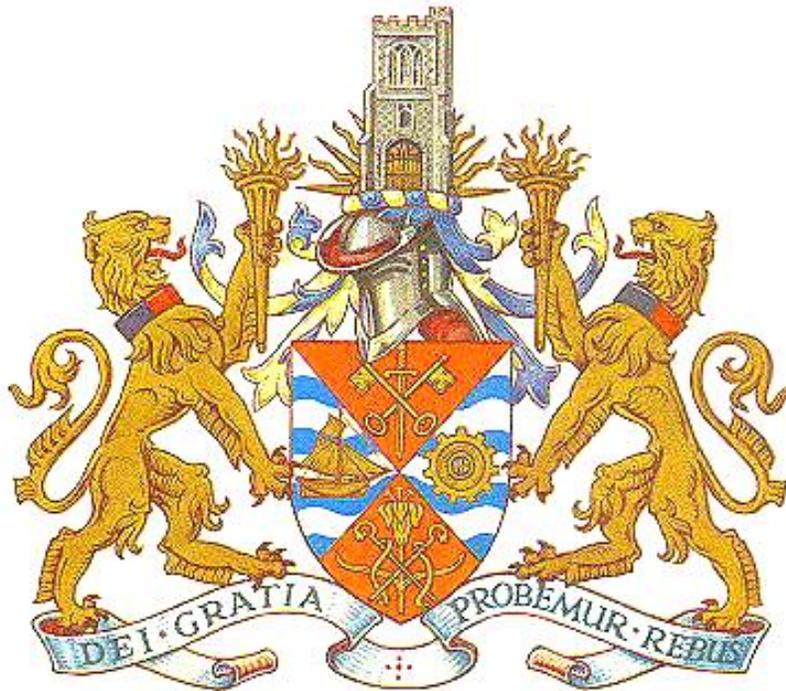




PENSION FUND ANNUAL REPORT 2023/24



1. Executive Summary

1.1 Introduction

Welcome to the London Borough of Barking and Dagenham Pension Fund (“the Fund”) Annual Report for 2023/24. This report allows the Council to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several reporting strands into one document that enables stakeholders to see how the Fund is managed and how it is performing.

The Fund is part of the Local Government Pension Scheme (“LGPS”) and is overseen by a Committee of the London Borough of Barking and Dagenham (“the Council”), who are the administering authority for the Fund. The Pension Committee consists of seven Councillors, with three non-voting observers representing the trade unions, members of the Fund and employers.

The Fund is governed by the Public Service Pensions Act 2013 and the LGPS Regulations 2013 and the LGPS (Management and Investment of Funds) Regulations 2016. The content and format of this annual report is prescribed by the LGPS Regulations 2013.

To meet the requirements of the LGPS Regulations 2013 attached to this report in the appendices are:

- Appendix 1: Accounts 2023/24
- Appendix 2: Funding Strategy Statement
- Appendix 3: Investment Strategy Statement
- Appendix 4: Governance Compliance Statement
- Appendix 5: Communications Policy Statement
- Appendix 6: Risk Register

1.2 Performance

During the year the market value of the Fund’s assets increased from £1,314.5m to £1,466.0m; which equates to an increase of 11.5%.

1.3 Strategy Changes

The Fund continued to implement changes to the Investment Strategy following a review by Hyams Robertson and an asset liability study. This analysed asset classes between Growth and Protection seeking to modify the strategy to best achieve maintenance of the funding level and stable employer contributions.

1.4 Fund Employers

Four employers including Caterlink and Aspens 2 exited the Fund in 2023/24. During the year, the total number of active employers within the Fund was 36.

1.5 Triennial Valuation

The Fund's triennial review was last completed on 31 March 2022. Following strong investment growth, the funding level increased from 90% in 2019 to 101% at 31 March 2022.

1.6 Pension Board

The Public Service Pensions Act required Councils to establish local Pension Boards by the 1 of April 2015. The Council complies with this requirement.

1.7 General Data Protection Regulations

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. GDPR changes how organisations process and handle data, with the key aim of giving greater protection and rights to individuals. To ensure GDPR compliance, every fund must update their privacy notice in line with the new requirements setting out, among other things, why certain data is held, the reason for processing the data, who they share the data with and the period for which the data will be retained.

The London Borough of Barking and Dagenham (the Council) is the Data Controller for the purposes of the Data Protection Act 1998. This means that the Council is responsible for making decisions about how your personal data will be processed and how it may be used.

1.8 LGPS pooling

As part of working collaboratively with other LGPS Funds, the Fund has signed up to the London Collective Investment Vehicle (LCIV) with all the other London Borough Pension Schemes. Currently the Fund has around £489.6m, or 33.3% of its investment, managed via the CIV. With LGPS Asset Pooling having officially started in April 2018, the Fund will follow Government Regulation and use the LCIV for future investments where an appropriate manager and strategy is available.

1.9 Responsible Investing

The Fund is committed to being 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.

The Committee recognises that social, environmental and ethical considerations are among the factors which investment managers will consider, where relevant, when selecting investments. In addition, the Committee undertakes training, and this will include training and information sessions on matters of social, environmental and corporate governance.

At the 12 March 2014 Committee Meeting, Members agreed a policy to restrict direct investment in tobacco but allow indirect investments in tobacco through pooled funds for both

passive and active managers. This restriction will be reviewed as part of each Investment Strategy Review.

One-third of the Fund's investments are now made through the LCIV and this has brought a strengthened focus on Environmental, Social and Governance (ESG) issues. As an example of this in July 2022 the Fund transferred from BG's Global Alpha strategy to the BG Paris Aligned Global Alpha fund (BGPA). There is an additional process to screen out carbon intensive companies that do not or will not play a major role in our energy transition.

2. Fund Governance and Administration

2.1 Statutory Background and Legal Framework

The Fund is part of the Local Government Pension Scheme (LGPS). The LGPS is a statutory scheme, established by an Act of Parliament and governed by regulations made under the Superannuation Act 1972. Membership of the LGPS is open to all local authority employees except teachers, fire-fighters and police, who have their own separate schemes.

The Scheme is open to all employees aged 16 or over, whether they work full-time or part-time. The Council automatically enrolls all employees into the Fund, as long as they have a contract of employment of more than three months duration.

All members of the scheme can choose to leave at any time. During 2023/24 employees contributed per a scale ranging from 5.5% to 12.5% based on their full time equivalent rate of pensionable pay, which included basic pay, contractual overtime and regular bonuses. Employers contribute at a rate set by the actuary. Employees in the Scheme are entitled to a pension of one sixtieth of their final pensionable pay for each year of service. Further information regarding the various benefits offered can be found on the Fund's website address: www.lbbdpensionfund.org

2.2 Scheme Funding and Administration

At 31 March 2024, the Fund was funded and administered as set out below:

i. Funding

The Scheme is a funded scheme, financed by contributions from the Council, other employers, employees, investment income and capital growth.

ii. Administering Authority

The Council, as Administering Authority, has legal responsibility for the Fund as set out in the LGPS Regulations. The Council delegates its responsibility for administering the Fund to the Pensions Committee, which is the formal decision-making body for the Fund.

iii. Myners principles

In 2000, the UK Government commissioned Lord Myners to review institutional investment in the UK as there were concerns that the behaviour of institutional investors, including pension funds, was distorting the economic decision making to the detriment of small and medium sized companies. Ten principles were outlined representing a model of best practice, which were incorporated into regulations applicable to the LGPS. In 2008 Treasury revised the ten principles down to six higher level principles which have now been adopted by DCLG. In response, CIPFA published a guide to assist authorities in the production of their compliance statements.

In July 2010, the Financial Reporting Council published the UK Stewardship Code which is designed to lay out the responsibilities of institutional investors as shareholders and provide guidance as to how those responsibilities may be met. The Code encourages better communication between shareholders and companies.

iv. The Pensions Committee

The Pensions Committee meets quarterly to discuss investment strategy and objectives, to examine legislation and other developments that may affect the Fund, and to review the performance of the fund managers. At all times, the Committee must discharge its responsibility in the best interests of the Fund. All Committee Members have voting rights. Co-opted members do not have voting rights. The Committee is responsible for:

- determining the investment policy objectives;
- ensuring appropriate investment management arrangements are in place;
- appointment of investment managers, advisers and custodians;
- reviewing investment managers' performance and approving statutory reports;
- considering requests from organisations wishing to join the Fund as admitted bodies;
- commissioning the actuarial valuations in accordance with LGPS Regulations; and

In addition, as recommended by the Myners' Principles 2008, the Council has adopted the recommendations of the Knowledge and Skills Framework. The Pension Committee undertake various training throughout the year to equip them in their responsibility as Fund Trustees. Following local elections in May 2022, the Pension Panel became a Pension Committee, with new Members appointed, including a new chair and deputy chair. In May 2019, two additional Members were appointed to the Committee. The current Pensions Committee is provided below:

Chairman	Cllr Manzoor Hussain
Deputy Chairman	Cllr Rocky Gill
	Cllr Donna Lumsden
	Cllr Giasuddin
	Cllr Tony Ramsay
	Cllr Summya Sohaib
	Cllr Mukhtar Yusuf

Conflicts of Interest

Conflicts of interest are managed as follows:

- a) When new Members join the Committee, they are given training on their duties. It is emphasised that Members are required to act in the interests of the Fund members and should put aside personal interests and considerations.
- b) An adviser is available to the Committee to provide strategy advice. The actuary advises on the Fund's solvency and employer contribution rates, with officers available to give independent advice. Employee groups are represented on the Committee, with quarterly Pensions Committee meetings open to the public and minutes and reports published.
- c) Members' personal or financial interest in items under discussion must be declared at the beginning of each Committee meeting.

2.3 Scheme Governance Policy Statement

It is important that appropriate governance arrangements are put in place representing the needs of all stakeholders in the Scheme. In accordance with LGPS Regulations 2007, the scheme administering authorities are now required to prepare a Governance Compliance

Statement. This statement should set out how administering authorities comply with the best practice guidance as issued by the Secretary of State for Communities and Local Government and Myners Principles 2001 as Amended 2008.

2.4 Fund Fraud / National Fraud Initiative

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), an exercise that matches electronic data within / between audited bodies to prevent and detect fraud.

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively. The use of data for NFI purposes is controlled to ensure compliance with data protection and human rights legislation. In 2006 the Audit Commission published a Code of Data Matching Practise, which, for the 2008/09 NFI exercise, has been updated to take account of new legislation as a result of the Serious Crime Act 2007.

The NFI currently matches all public sector pension scheme data to the Department for Work and Pensions (DWP) database of deceased persons. This acts as an automated life certification process for the Fund.

The Council is committed to the NFI process and undertook the data matching exercise in early 2013. Any cases where fraud is suspected will be pursued and where necessary, legal action taken. In addition, the Fund has employed a tracing agency, who provides quarterly reports on scheme membership to prevent overpayment of pensions.

The Fund also uses the Government's Tell Us Once service, which is a service that informs the Fund when a death has been registered.

2.5 Administrative Management Performance

The main activities covered by the Pension Administration Team in 2022/23 and 2023/24 is summarised in table 1 below:

Table 1: Administrative Activity

Type of Activity	2022/23	2023/24
Number of Starters	783	939
Number of Transfer Value Actual	115	115
Number of Refunds	143	154
Number of Deferred Benefits	508	372
Number of Estimates	1412	1582
Number of Retirements	278	319
Number of Death in Service	5	2
Death in Retirement	188	173

3. Pension Scheme

3.1 Summary

From 1 April 2014 the final salary LGPS ended and was replaced by a Career Average Pension Scheme. The key elements of are summarised below:

Table 2: LGPS 2014 for membership from 1st April 2014

Provision	LGPS 2014
Basis of the Pension	Career Average Revalue Earnings
Accrual Rate (% of salary)	1/49 th (previously Final Salary)
Revaluation Rate (the rate of increase)	Consumer Price Index
Normal Pension Age	Equal to the individual member's State Pension Age - minimum 65
Contribution Flexibility	Members can opt to pay 50% contributions for 50% of the pension benefit (previously no option)
Death in Service Lump Sum	3 x pensionable pay (no change)
Definition of Pensionable Pay	Actual pensionable pay to include non-contractual overtime and additional hours for part time staff
Vesting Period	2 years (previously 3 months)

The contribution bandings are summarised in table 3 below:

Table 3 Contribution Bands and Rates for 2023/24

Actual Pensionable Pay	Main Contribution	50/50 Section	Actual Pensionable Pay	Main Contribution	50/50 Section
Up to £16,500	5.50%	2.75%	£74,701 - £105,900	9.90%	4.95%
£16,501 - £25,900	5.80%	2.90%	£105,901 - £124,800	10.50%	5.25%
£25,901 - £42,100	6.50%	3.25%	£124,801 - £187,200	11.40%	5.70%
£42,101 - £53,300	6.80%	3.40%	More than £187,201	12.50%	6.25%
£53,301 - £74,700	8.50%	4.25%			

3.2 Retirement

The scheme is funded on the basis that the benefits will become available at the member's State Pension Age (minimum age 66), although members can remain in the scheme up to age 75. Employees can voluntarily retire from age 55.

Pension built up before 1 April 2014 has a protected Normal Pension Age (NPA), which for almost all members is age 65. If a member retires and draws their entire pension at their protected NPA, the pension built up in the scheme before 1 April 2014 will be paid in full.

If a member chooses to take their pension before their protected NPA, the pension built up in the scheme before 1 April 2014 will normally be reduced, as it is being paid earlier. If taken later than their protected NPA it will be increased because it is being paid later. The amount of any reduction or increase is based on how many years earlier or later than the protected NPA the member draws the pension they have built up in the scheme to 31 March 2014.

The benefits built up in the CARE scheme from April 2014 have an NPA linked to a member's State Pension Age (SPA). The amount of any reduction or increase is based on how many years earlier or later than their SPA they draw their LGPS 2014 pension. Members cannot take benefits built up to April 2014 separately from the benefits built up from April 2014. All the pension would have to be drawn at the same time, except for Flexible Retirement.

For membership after 1 April 2008, members can opt to take a lump sum by giving up some of their pension. For each £1 of pension given up, a lump sum of £12 will be paid, up to a maximum of 25% of the capital value of all their pension benefits.

3.3 Ill Health Retirement

If a member's employment is terminated due to permanent ill health and the member has at least 2 years membership, the pension is based on the member's accrued membership, plus:

First Tier- 100% of prospective membership between leaving and NPA, where the member has no reasonable prospect of being capable of obtaining gainful employment before age 65

Second Tier- 25% of prospective membership between leaving and NPA, where the member is unlikely to be capable of obtaining gainful employment within a reasonable period of time but is likely to be able to be capable of obtaining gainful employment before NPA.

Third Tier- with no enhancement where the member is likely to be able to obtain gainful employment within three years of leaving and are payable for so long as they are not in gainful employment.

3.4 Death in Service

A lump sum death grant, equal to three times the member's actual pay, is issued regardless of length of membership. In addition to the lump sum death grant, pensions are payable to surviving spouses/civil partners/cohabiting partners and children up to the age of 18, or while still in full time education up to age 23, which is based on the deceased member's pension. The member may nominate who they wish to receive their death grant.

3.5 Death in Retirement

Surviving spouse's/civil partner's/cohabiting partner's and children's pensions will be paid in the same way as above, but it will be based on the former employee's pension. If the death occurs before ten years of the pension has been paid and before the member reached age 75, the balance will be paid as a lump sum.

4. Pension Fund Management

4.1 Investment Managers

The Fund is invested in equity, fixed income, diversified growth funds, infrastructure, credit, property and alternatives, which include Hedge Funds and Private Equity. Investments are made both in the United Kingdom and overseas. The Fund does not manage any fund's internally but uses thirteen external fund managers, the details of which are provided below:

<u>Abrdn Asset Management PLC</u> Bow Bells House, 1 Bread Street London, EC4M 9HH	<u>Newton Investment Management Ltd</u> 160 Queen Victoria Street, London, EC4V 4LA
<u>Baillie Gifford & Co</u> Calton Square, 1 Greenside Row, Edinburgh EH1 3AN	<u>London CIV</u> 59½ Southwark Street London, SE1 0AL
<u>BlackRock</u> 12 Throgmorton Avenue, London, EC2N 2DL	<u>Pimco</u> 11 Baker St, London W1U 3AH
<u>BNY Mellon (BNY Standish)</u> 160 Queen Victoria Street London, EC4V 4LA	<u>Pyrford International</u> 79 Grosvenor Street, London, W1K 3JU
<u>Hermes GPE</u> 150 Cheapside London EC2V 6ET	<u>UBS</u> 21 Lombard Street, London, EC3V 9AH,
<u>Kempen International</u> Beethovenstraat 300, 1077 WZ Amsterdam PO Box 75666, 1070 AR Amsterdam	

4.2 The work of the Pension Committee is supported by a number of officers, advisors and external managers as set out below:

- i. **Actuary:** Barnett Waddingham (163 West George Street, Glasgow, G2 2JJ)
- ii. **AVC Provider:** Prudential PLC (Governor's House, London, EC4R 0HH)
- iii. **Auditor:** Grant Thornton (30 Finsbury Square, London EC2A 1AG)
- iv. **Custodian:** Northern Trust (50 Bank St, Canary Wharf, London E14 5NT)

The Fund's custodian is Northern Trust Bank and Trust Company who provide safekeeping, settlement of trades, income collection and corporate actions data.

- v. **Legal Advisors:** Weightmans (105 Fenchurch St, London, EC3M 5JG)
- vi. **Investment Advisor:** Hymans Robertson (20 Waterloo Street, Glasgow, G2 6DB)
- vii. **Independent Advisor:** John Raisin (130 Goldington Road, Bedford, MK40 3EA)
- viii. **Performance:** PIRC (2 Harbour Exchange Square, London, E14 9GE))
- viii. **Subscriptions:** Local Authority Pension Fund Forum (LAPFF)

Officers: The Following officers are responsible for the management of the Fund (current):

Richard Harbord	Strategic Director Resources (S151 Officer) Email: Richard.harbord@lbbd.gov.uk
Shabana Kausar	Director of Financial Services (Deputy S151 Officer) Email: Shabana.kausar@lbbd.gov.uk
Nick Vickers	Interim Head of Treasury and Pensions Email: nick.vickers@lbbd.gov.uk
Justine Spring	Pensions Manager Email: justine.spring@lbbd.gov.uk
Jesmine Anwar	Pension Fund Accountant Email: jesmine.anwar@lbbd.gov.uk

5. Investment Policy, Performance and Developments

5.1 Powers of Investment

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended) and require an Administering Authority to invest any Fund money that is not needed immediately to make payments from the Fund.

5.2 Investment Strategy

The Council, as Administering Authority, is responsible for setting the overall investment strategy of the Fund and monitoring the performance of its investments. This task is carried out by the Pension Committee on behalf of the Fund.

The investment strategy is usually set for the long-term but reviewed periodically by the Committee to ensure that it remains appropriate to the Fund's liability profile.

For 2017/18, the LGPS (Management and Investment of Funds) Regulations 2016, required the Fund to publish an Investment Strategy Statement (ISS), which replaced the Statement of Investment Principles.

The ISS addresses each of the objectives included in the 2016 Regulations, namely:

- The Fund's requirement to invest fund money in a wide range of instruments;
- The Fund's assessment of the suitability of investments and types of investment;
- The Fund's approach to risk and the ways in which risks are measured and managed;
- The Fund's approach to pooling investments and use of collective investment vehicles;
- The Fund's policy on how social, environmental or corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments.

5.3 Monitoring the Investment Managers

Investment manager performance is measured by Northern Trust. A summary of their report is included within the quarterly performance report taken to each Committee meeting. Council officers meet the investment managers regularly to review their investment performance.

5.4 Asset Allocation and Structure

The investment portfolio is weighted towards equities together with holdings in property, bonds, infrastructure and absolute return mandates. The risk of holding substantial equity investments is mitigated by investing in different markets across the world in many different sectors and stocks. The Fund investments are allocated to eleven fund managers and within different investment types to further diversify risk.

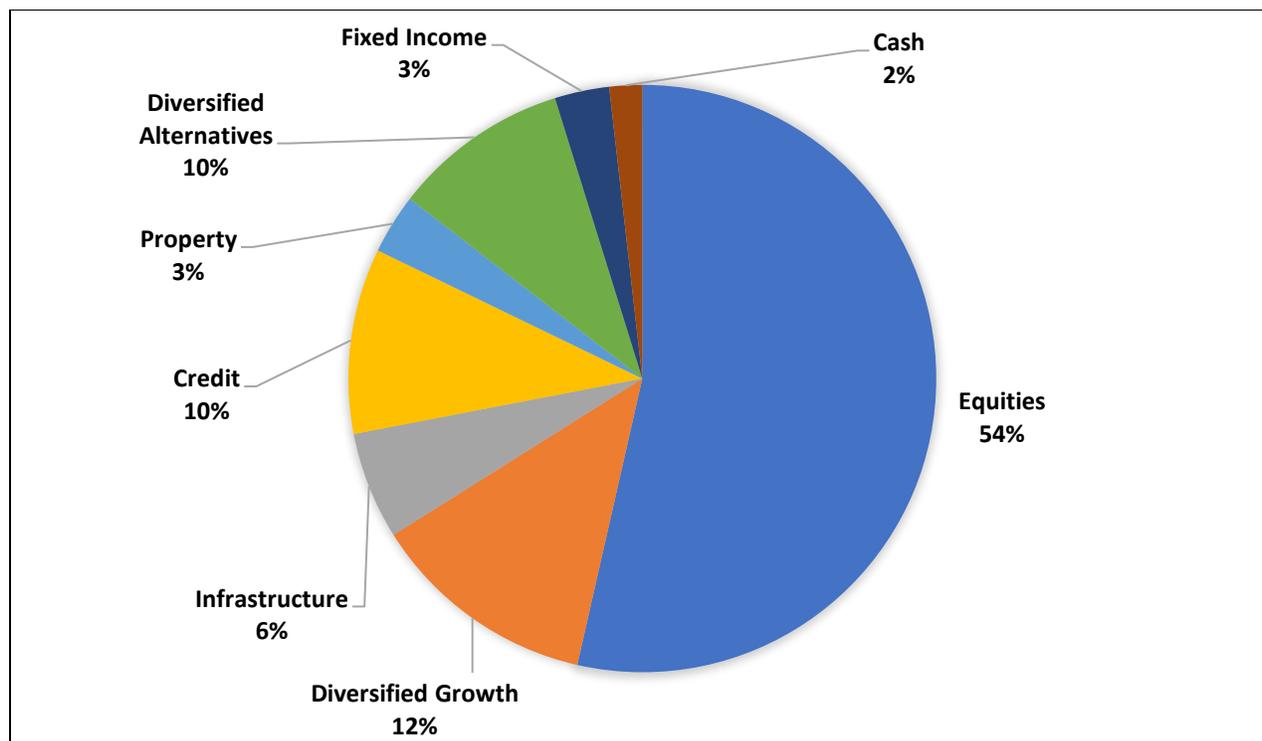
Table 4 shows the Fund's investment portfolio by type, weighting and benchmark:

Table 4: Fund Asset Allocation and Benchmarks as at 31 March 2024

Investment Manager	Mandate	Asset Allocation (%)	Investment Area
Abrdn	Active	9.7%	Diversified Alternatives
BlackRock	Active	3.3%	Property Investments (UK)
Insight	Active	5.2%	Global Credit
Hermes	Active	5.9%	Infrastructure (LLP)
Kemper	Active	15.3%	Global Equity (Pooled)
London CIV: Baillie Gifford	Active	15.8%	Global Equity (Pooled)
London CIV: Newton/Pyrford	Active	12.5%	Absolute Return
London CIV: Pimco	Active	5.0%	Global Bond
London CIV	Passive	0.0%	None
UBS Passive Bonds	Passive	3.0%	All Share Fixed Income
UBS Passive Equity	Passive	22.4%	Global Equity
Cash and Short-term Investments	Cash	1.8%	Cash

Chart 1: Fund Value by Manager as at 31 March 2024

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



5.5 Independent Advisor's (John Raisin) Market Report 2023-24

The year 1 April 2023 to 31 March 2024 (2023-2024) saw world equity markets (as measured by the MSCI World Index) advance, strongly, by 25% which was facilitated/encouraged by a number of factors. These included clear declines in inflation levels in the United States and the Eurozone, an end to monetary tightening and then expectations of interest rate reductions by the US Federal Reserve and European Central Bank, and optimism regarding the future development of Artificial Intelligence (AI). There were however wide regional differences with Developed Markets (particularly the United States, Eurozone, and Japan) clearly outperforming Asia (ex-Japan) and Emerging Markets. For example, while the US S&P 500 Index advanced by 30% the MSCI Emerging Markets Index gained 8% and the MSCI Asia (ex-Japan) advanced by only 4%. Concerns regarding the Chinese economy and tensions with the US were a mitigating factor not only to Chinese but to wider Asian (ex-Japan) and Emerging Market equities. Japanese equities had an outstanding year, at last, with the Nikkei 225 gaining 44% including finally exceeding, on 22 February 2024 the (34 year old) record high of 38,916 achieved on 29 December 1989.

During 2023-24 inflation clearly mitigated further from the high levels seen in 2021-22 (in particular) and 2022-23 but remained in the United States, Eurozone, and United Kingdom above the 2% inflation target. This facilitated, during the year, the ending of monetary tightening by the US Federal Reserve, European Central Bank and Bank of England and expectations that the trend in interest rates would next be downwards. In Japan which had long struggled with the (opposite) problem of ultra low inflation/deflation continuing inflation slightly above 2% throughout the year (and expectations of a continuation) enabled the Bank of Japan to finally end its negative interest rate policy introduced in 2016.

In May 2023, the Californian regulators acted immediately in liaison with the relevant Federal authority to close the First Republic Bank and then to sell most of its assets to JP Morgan. This was the third failure of a significant regional bank in 2023 and the second largest bank failure in US history but again, as in March 2023, the actions of the US authorities avoided a full scale banking crisis.

The monetary policy setting Federal Open Markets Committee (FOMC) of the US Federal Reserve increased its benchmark interest rate, the Federal Funds Rate by a further 0.25% at both its May 2023 and July 2023 (but not its June 2023) meetings. Following the July 2023 meeting the "target range for the federal funds rate" was "5-¼ to 5-½ percent." At the following five meetings during 2023-24 the FOMC held rates and indicated in projections issued after both the December 2023 and March 2024 meetings that FOMC participants anticipated (three) rate cuts totalling 0.75% during 2024.

This ending of interest rate rises and projections of reductions during 2024 represented a very clear change in approach to monetary policy by the Federal Reserve which in 2022-23 had raised interest rates on eight occasions by a total of 4½%. This change of approach was not surprising given the extent of monetary policy tightening in the previous year coupled with a clear decline in inflation during 2023-2024. The Core PCE (Personal Consumption Expenditures) Index which is closely observed by the US Federal Reserve when determining monetary policy declined from 4.6% in March 2023 to 2.8% in (all of) January, February and March 2024.

In the context of an end to interest rate rises, and then clear expectations of rate reductions in 2024, good company earnings results, and positive sentiment regarding the development of Artificial Intelligence, the US S&P 500 Index advanced by 30% over the year and closed at a record 5,254 on 28 March 2024. Although there were widespread gains across the S&P 500 Index a clearly disproportionate element of the overall gain of 30% was generated by just five “mega stocks” all closely related to information technology - Nvidia, Microsoft, Meta, Alphabet, and Amazon.

While Eurozone inflation began 2023-2024 well above the European Central Bank (ECB) medium-term target of 2% it reduced progressively and significantly over the year. Harmonised Index of Consumer Prices (HICP) inflation which had been 6.9% in March 2023 fell to 6.1 in May, 5.2% in August, 4.3% in September, 2.9% in December, 2.6% in February 2024, and 2.4% by March 2024.

With inflation clearly above the target of 2% the ECB raised interest rates by 0.25% at its May, June, July, and September 2023 monetary policy meetings. Following the September meeting the benchmark ECB interest rate (“the deposit facility”) stood at a record level of 4%. However, the Monetary Policy Decisions statement issued after the September meeting indicated that the ECB had likely ended monetary tightening (interest rate rises) as it included the comment that “Based on its current assessment, the Governing Council considers that the key ECB interest rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target.” In contrast to the decisions at its previous ten meetings (to increase rates) the ECB kept rates unchanged at its October 2023 policy meeting and also at the meetings held in December 2023, January 2024, and March 2024.

Eurozone shares (as measured by the MSCI EMU Index) advanced by 17% over the year. While the first two Quarters were slightly negative the final two Quarters were clearly positive. Clearly falling inflation, the holding of interest rates by the ECB and US Federal Reserve, and market expectations of interest rate reductions in 2024 in the US, in particular, and also by the ECB clearly supported Eurozone Equities in the second half of 2023-2024. In the January to March 2024 Quarter positive corporate earnings, particularly in the information technology sector, also boosted Eurozone equities.

UK inflation as measured by the UK Office for National Statistics CPI Index fell very significantly during 2023-24. CPI which had been 10.1% in March 2023 fell to 8.7% in both April and May, 7.9% in June, 6.8% in July, 4.6% in October, 3.9% in November. After rising slightly to 4.0% in both December 2023 and January 2024 it fell to 3.4% in February 2024, and 3.2% in March 2024.

In the context of inflation then well in excess of its target of 2% the Bank of England Monetary Policy Committee (MPC) increased Bank Rate (interest rates) by 0.25% at its May 2023 meeting, by 0.5% in June 2023, and by a further 0.25% in August 2023. Following the August MPC meeting Bank Rate was 5.25% a fifteen year high. At the September, November, December, January 2024, and March 2024 meetings the MPC held Bank Rate at 5.25%. Although the overall wording of the “Monetary Policy Summary” issued after the March 2024 meeting indicated that rate rises have likely ended it gave no clear direction regarding future interest rate cuts concluding with the statement “...the Committee will keep under review for how long Bank Rate should be maintained at its current level.”

During the year, the FTSE All Share Index advanced by 8% (in £ terms) which was significantly below the other major developed markets of the US, Eurozone, and Japan. Notwithstanding the “cheapness” of UK Equities (particularly compared to US Equities) there are significant questions regarding the long term attractiveness of the FTSE All Share. This is in a context of, for example, the lack of big technology companies in the index, the weighting of oil and gas in the index, the movement of pension fund investors away from UK equities, and some large companies listing/moving their listing overseas and away from the London Stock Exchange.

For Japan, the period April 2023 to March 2024 was one of very clear importance in terms of inflation and in particular both Monetary policy and Equity markets. Japanese CPI inflation which had (finally) exceeded the Bank of Japan’s 2% target throughout 2022-2023 did so again in 2023-2024. This provided further evidence that Japan has genuinely exited its prolonged period of deflation/extremely low inflation.

From April 2023 following the appointment of Kazuo Ueda as Governor of the Bank of Japan there had been some, but very limited, softening of the Bank of Japan’s longstanding and ultra loose monetary policy approach. However, at the meeting of the Policy Board of the Bank of Japan which concluded on 19 March 2024 there was a historic change whereby the policy of negative interest rates (to control the short term rate) and Yield Curve control (to control longer term rates) were both abandoned. The short term interest rate was increased from minus 0.1% to “at around 0 to 0.1 percent.” The Bank had applied short term negative interest rates and Yield Curve control since 2016 and had not raised (short term) interest rates since 2007.

In monetary policy terms the Bank of Japan’s decisions were both historic and hugely symbolic. In particular the Bank finally came to the view that Japan’s longstanding battle with deflation and ultra low inflation was ended (for now) and that the target of 2% inflation would be achieved in a sustainable and stable manner. Additionally, the Bank abandoned unconventional instruments (negative short term interest rates and Bond Yield control) in favour of short term interest rate policy “as a primary policy tool.” However, although Yield Curve control was abandoned the Bank of Japan will continue with its policy of purchasing Japanese Government Bonds with the aim “of avoiding rapid fluctuations in long-term interest rates.”

Japanese equities had an outstanding 2023-2024 with the Nikkei 225 Index gaining 44% (in Yen terms). A number of factors (likely) contributed to the success of Japanese equities over the year including the seeming end of deflation/low inflation, ongoing moderate inflation, and the continuation of clearly loose monetary policy by the Bank of Japan (even after the March 2024 interest rate and Yield control decisions). Additionally, both Japanese and overseas investors have been increasing their exposure to Japanese shares with the former encouraged by a new government subsidised savings scheme and the latter by, an improved approach to corporate governance, Japanese economic prospects compared to China, and that Japanese equities looked attractively valued. Corporate earnings results and optimism over artificial intelligence were also positives for Japanese equities.

As in 2022-2023 both Asian (excluding Japan) and Emerging market equities as a whole underperformed World equities. Over 2023-2024 the MSCI Asia (excluding Japan) Index advanced by 4% and the MSCI Emerging Markets Index advanced by 8% while the MSCI World Index gained 25% (all in US\$ terms). Issues around the Chinese economy and the limited extent of government measures to stimulate the economy and ongoing strains in

China – US relations weighed against Chinese equities in particular which had a poor year. The situation regarding China was to some extent, a negative factor influencing Asian (excluding Japan) and Emerging market equities generally.

Benchmark Government Bonds (US, UK, and Germany) experienced (another) poor year with yields rising and prices therefore falling across 2-, 10-, and 30-year bonds. In contrast, overall, US, UK and German Investment Grade Corporate Bonds rose in value. High Yield Corporate Bonds performed particularly positively compared to Government Bonds.

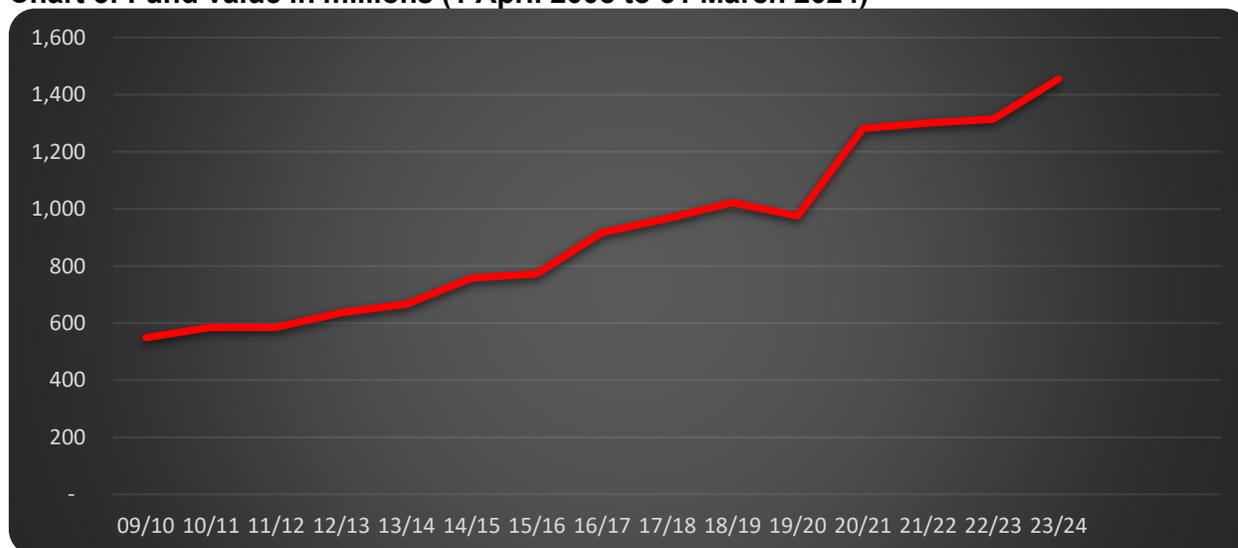
5.6 Fund Investment performance

The overall investment return for the fund over the year, net of fund manager fees and custodian costs was 11.4%, which was 2.0% lower than the benchmark of 13.4%.

Over three years the Fund's annualised return was 5.1%, which is 3.3% below the Fund's benchmark return of 8.4%. Over one-year Blackrock provided a negative return of 8.2% and underperformed its benchmark by 7.5%. While, Baillie Gifford, Newton, Abrdn, UBS, Hermes and Insight provided positive returns.

The Fund's value since 1 April 2009 is shown in Chart 3 below:

Chart 3: Fund value in millions (1 April 2008 to 31 March 2024)



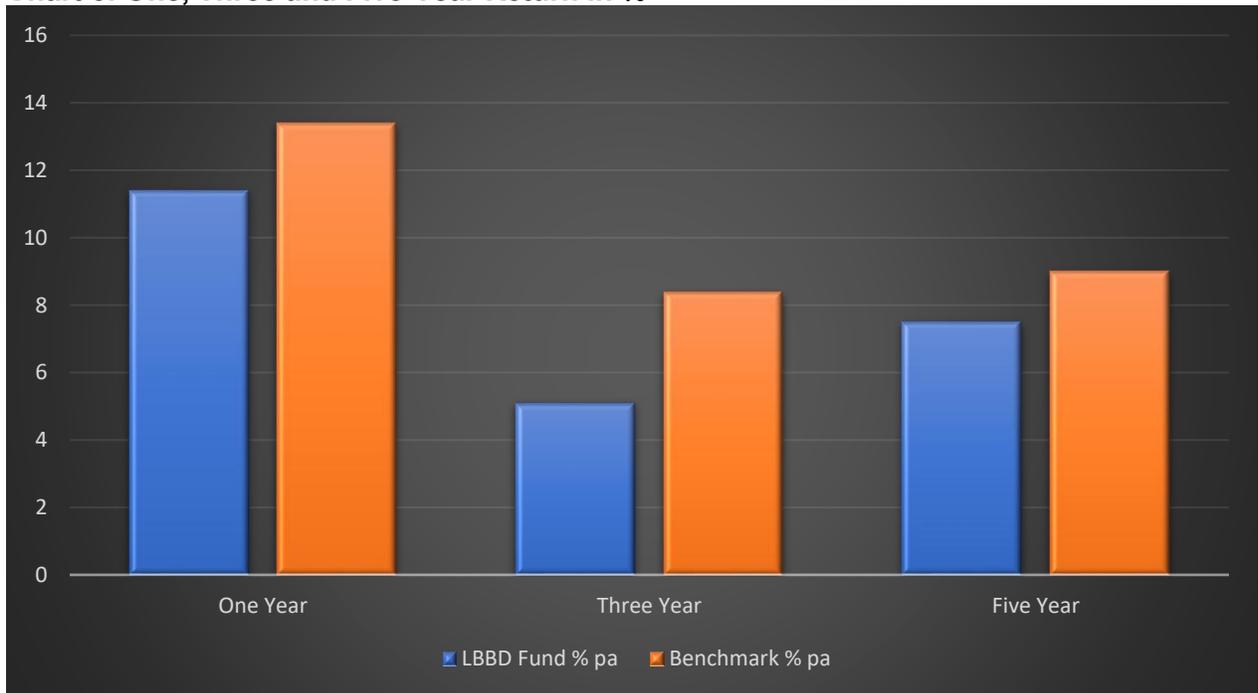
The funds annual investment return since 2014/15 is shown in chart 4 below:

Chart 4: Annual Investment Return in %



The Funds one, three and five-year investment return is shown in chart 5 below:

Chart 5: One, Three and Five-Year Return in %



5.7 Investment Manager Performance: Professional fund managers undertake the day-to-day management of the Fund's investments. Each fund manager works to a specific investment target in both the value of the funds invested and the returns required. The Pension Committee monitors how managers perform and reviews the actual performance of the investment managers each quarter to ensure the Fund is performing in line with its own targets and against other local authorities.

5.8 Fund Assets and Income: An analysis of fund assets at 31 March 2024 and investment income (table 5 and 6) during 2023/24 is below. This reporting assists with the production of the LGPS annual report and therefore the categories reported may differ from the accounts, which have different reporting requirements. Fund asset values do not include accruals. As most of the Fund's investments are in pooled funds, the geographical split is based on where the Fund manager is registered rather than the that of the underlying holdings.

Table 5: Fund Assets as at 31 March 2024

	UK	Non-UK	Global	Total
	£m	£m	£m	£m
Equities	-	-	782	782
Bonds	44	-	150	194
Alternatives	277	-	185	462
Cash	26	-	-	26
Total	347	-	1,117	1,464

Table 6: Investment Income Received in 2023/24*

	UK	Non-UK	Global	Total
	£m	£m	£m	£m
Equities	-	-	27.2	27.2
Bonds	-	-	0.5	0.5
Alternatives	2.3	-	-	2.3
Cash	1.7	-	-	1.7
Total	4.1	0	27.6	31.7

* Investment income includes dividends and investment income.

6. Member Training and Development

6.1 In October 2011 CIPFA published a Code of Practice on Public Sector Pensions Finance Knowledge and Skills (KSF), with the aim of facilitating sound governance in the decision making of the public bodies responsible for administering pension funds. The framework provides a framework for the training and development of officers and members involved in the management and administration of public pension funds. CIPFA now requires a commitment for LGPS schemes to adopt the key principles of the KSF and report how they have implemented the requirement of the code in the Annual Report.

6.2 This KSF is intended as a:

- i. tool to determine if there is a right skill mix to meet scheme financial management needs;
- ii. assessment tool to measure their progress and plan their development; and
- iii. framework for organisations and individuals to tailor to their own circumstances.

6.3 The KSF requires differing degrees of competencies for officers and members. Officers are grouped into categories requiring different levels of competencies. There are six key technical areas for which KSF is acquired by those involved in the decision making of pension funds:

- 1) Pensions Legislative and Governance context
- 2) Pensions Accounting and Auditing Standards
- 3) Financial Services procurement and relationship management
- 4) Investment Performance and Risk management
- 5) Financial Markets and Products Knowledge
- 6) Actuarial methods standards and practices

6.4 The Fund is committed to ensuring that officers and members acquire relevant KSF which are developed through access to training and education from various sources including:

- Attendance at relevant conferences, seminars and training courses;
- Update on regulations and governance changes at every meeting;
- A minimum of 4 Pension Fund Committee meetings per year; and
- Training at Committee meetings where required.

6.5. The Fund has adopted the following statement concerning the training and development of Members and officer responsible for managing the Fund:

1. This Fund adopts the key recommendations of the Code of Practice on LGPS.
2. This Fund recognises that effective financial administration and decision making can only be achieved where those involved have the requisite knowledge and skills.
3. Accordingly, this Fund will ensure it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public-sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision making.
4. These policies and practices will be guided by reference to a comprehensive framework of K&S requirements such as that set in the CIPFA Pensions Finance KSF.
5. This organisation will report on an annual basis how these policies have been put into practice throughout the financial year.
6. This organisation has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Chief Operating Officer, who will act in accordance with the organisation's policy statement, and where they are a CIPFA member, with CIPFA Standards of Professional Practice.

6.7 Summary of training provided to Pension Committee and Officers.

1. Training was provided on the following Knowledge and Skills as outlined below.

i. Investments Strategy:

- Responsible Investment Implementation (active and passive)
- Setting Investment Strategies
- Asset Liability Modelling

ii. Knowledge and Skills

- Updates on Pensions Legislative, Governance, Accounting and Auditing Standards changes;
- Updates on Financial Markets and Products Knowledge; and
- Responsible Investment

iii. Alternatives

- Hedge Funds and Private Equity Update

2. In addition, further training was provided to Pension Board Members, including:

iv. Delivery and Decision Making

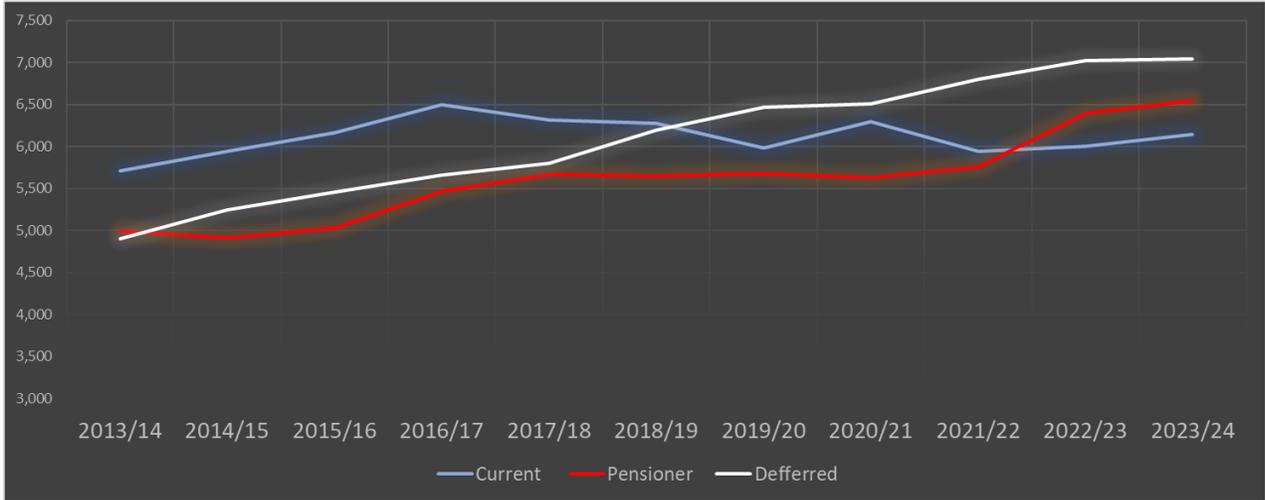
- Business Plan, Triennial Valuation and Risk register and monitoring risks;
- Governance arrangements for the Board; and
- Roles and responsibilities of the Pension Board and Pensions Committee.

7. Fund Membership Details

7.1 Scheme Membership

The chart below shows the membership of the Fund over 10 years. All of the Council's employees, except those covered by the Teachers' Pension Scheme Regulations, can join the Council's Pension Scheme. The LGPS regulations also provide for specified bodies (employers) to be admitted into the Fund.

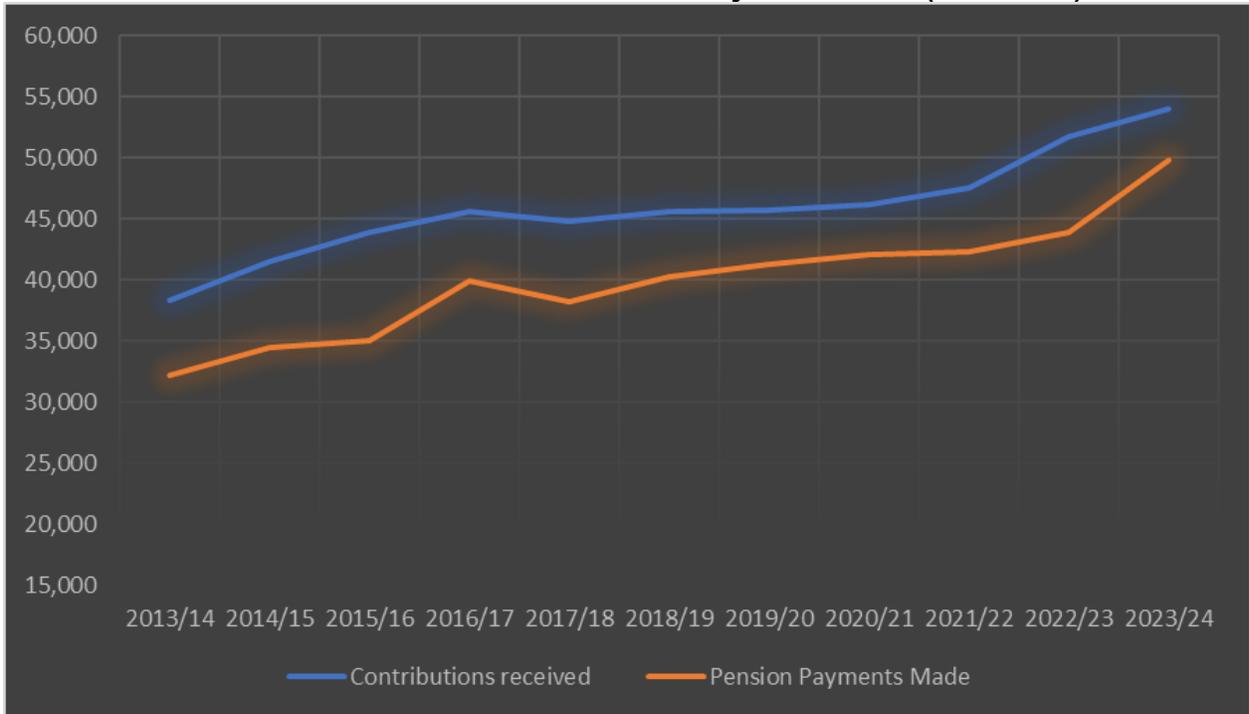
Chart 6: Scheme Membership (2013-2024)



7.2 Members Cash Flow

The chart below summarises the contributions paid to the Fund and the amounts paid out by the Fund in respect of members over the past 11 years.

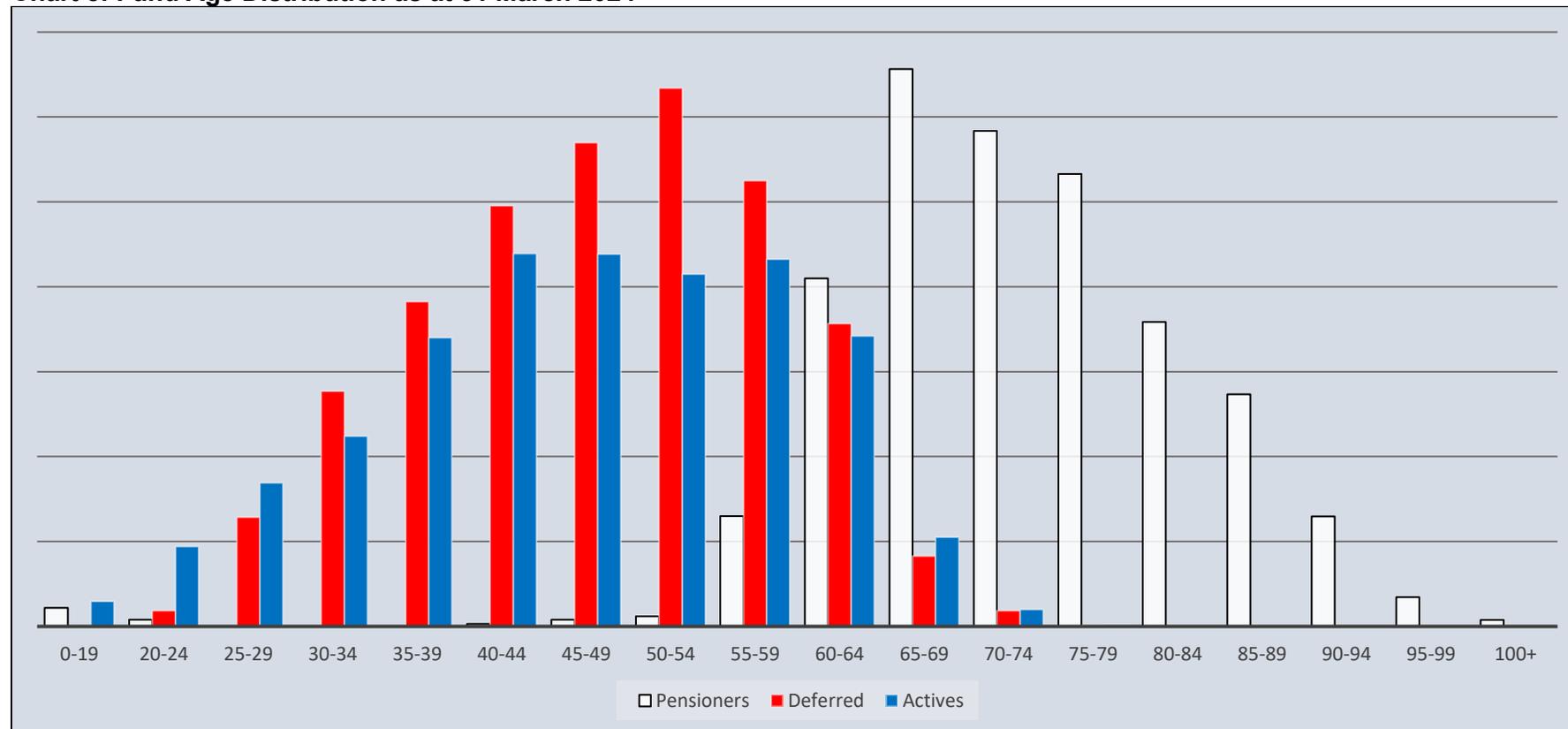
Chart 7: Contributions Received and Pension Payments Made (2013-2024)



7.3 Membership Details

As at 31 March 2024 the Fund had a total membership of 19,862, split into 6,141 active members, 7,040 deferred members and 6,551 pensioners. The Fund membership is split 69.9% female and 30.1% male. Chart 8 shows the Fund age profile at 31 March 2024.

Chart 8: Fund Age Distribution as at 31 March 2024



7.5 Employers: The Scheme had 36 active employers as at 31 March 2024. A summary of the employers analysed by scheduled body and admitted body and separated further into active (with active members) and ceased (no active members) is provided below:

Scheduled Bodies	Admitted Bodies
LBBD Barking College Dorothy Barley Academy Eastbury Academy Elutec Goresbrook Free School Greatfields Free School James Campbell Primary Partnerships Learning Pathways Riverside Bridge Riverside Free School Riverside School St Margarets St Joseph's Dagenham St Joseph's Barking St Theresa's Dagenham St Vincents Sydney Russell Academy Thames View Infants Academy Thames View Junior Academy University of East London Warren Academy	Aspens BD Corporate Cleaning Ltd BD Schools Improvement Partnership BD Together Be First BD Trading Partnerships BD Management Services Ltd Lewis and Graves Schools Offices Services Ltd Sports Leisure Management The Broadway Theatre Town and Country Cleaners
Not Active Aspens 2 Caterlink Caterlink 2 Caterlink 3 Caterlink 4 Magistrates Court May Gurney Pantry Cleaning RM Education	Not Active Abbeyfield Barking Society Age UK B&D Citizen's Advice Bureau Cleantech Council for Voluntary Service Disablement Assoc. of B&D East London E-Learning London Riverside Laing O'Rourke

7.6 Summary of Benefits

The Scheme is a defined benefit salary scheme which guarantees to provide benefits which are a specified fraction of a Scheme member's "final-pay". Benefits are not affected by variations in investment performance.

7.7 Additional Voluntary Contributions AVC

Scheme members may also elect to pay additional contributions to be invested in an Additional Voluntary Contribution Scheme. The London Borough of Barking and Dagenham have chosen Prudential as its AVC provider.

7.8 Dispute Resolution

The LGPS is required by statute to plan for the formal resolution of disagreements between, on the one hand, the managers of the Scheme and on the other, active deferred and pensioner members or their representatives. The dispute resolution's official name is the "internal dispute resolution procedure" (IDRP). The following gives an overview of the IDRP process:

First stage

If a member needs to make a formal complaint, they should make it in writing and within 6 months of the day when they were told of the decision they want to complain about.

The complaint will be considered carefully by a person nominated by the body that took the decision against which the member wishes to complain (the "nominated person"). That person is required to give the member their decision in writing.

If the nominated person's decision is contrary to the decision the member complained about, the employer or administering authority that made that original decision will now have to deal with the case in accordance with the nominated person's decision.

If the decision the member complained about concerned the exercise of discretion by the employer or administering authority, and the nominated person decides that the employer or administering authority should reconsider how they exercised their discretion, they will be required to reconsider their original decision.

Second Stage

The member can ask the pension scheme administering authority to take a fresh look at the complaint in any of the following circumstances:

- the member is not satisfied with the nominated person's first-stage decision;
- the member has not received a decision or an interim letter from the nominated person, and it is 3 months since the member lodged their complaint; and
- it is one month after the date by which the nominated person told the member (in an interim letter) that they would give them a decision, and they have still not received that decision.

This review would be undertaken by a person not involved in the first stage decision.

The member will need to send the appropriate administering authority their complaint in writing. The time limits for making the complaint are set out within the IDRP Employee's Guide (see link below). The administering authority will consider the complaint and give their decision in writing.

If the member is still unhappy following the second stage decision, they can take the case to the Pensions Ombudsman provided they do so within 3 years from the date of the original decision (or lack of a decision) about which the member is complaining.

If a member is unhappy with a decision made please ask them to contact this office in the first instance as many issues can be resolved without the need to resort to the lengthy process of IDR. It could simply be that there is a misunderstanding of the Regulations and that the decision made is in fact correct and this can be explained to the member accordingly.

8. Risk Management

8.1 Summary

The Council has incorporated key Fund risks in its corporate risk register. In addition, the Fund has an active risk management programme in place and has adopted the recommendations of the 2008 Myners principles. The measures that the Council has in place to control key risks are summarised below under the following headings:

- Financial;
- Demographic;
- Longevity;
- Regulatory and
- Governance.

8.2 Management of Third Party Risks

The Pension Committee reviews annually all SSAE 16 and AAF 01/06 reports for its investment managers and custodian. SSAE 16 and AAF 01/06 reports are Assurance reports on internal controls of service organisations which can identify issues within the way a fund manager is run. Where there are concerns the Committee contacts the fund manager for steps it has taken to mitigate risks or issues raised by third party auditors.

All employers are regularly informed of their statutory duty to ensure that contributions are received by the Administering Authority on time.

8.3 Financial Performance

The Fund prepares a three-year plan of its funding called the Funding Strategy Statement (FSS). The purpose of the Funding Strategy Statement is:

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

Admitted and Scheduled bodies are circulated with valuation results for comments and agreement on contribution rates. Their responses are considered in preparing the FSS for the Fund.

9. Actuarial Report on Fund Valuation

9.1 Actuarial Valuation and Solvency of the Fund

Legislation requires the Fund to have an actuarial valuation undertaken every three years. The purpose of the valuation is for an independent assessment to be made of the financial health of the Fund and its ability to meet its obligations to pay pensions in the future.

The aim of the report is to recommend employer contribution levels to ensure that assets in the fund cover liabilities over the long term. The key features of the review were that:

- the funding target remains unchanged to achieve a funding level of at least 100% over a specific period;
- future levels of price inflation are based on the Consumer Price Index (CPI) (previously Retail Price Index) which is assumed to be 2.9%
- the market value of the pension scheme's assets at 31 March 2022 was £1,317m; and
- assumptions made were prudent and based on available evidence.

9.2 Monitoring of Fund's Funding Position

The Administering Authority monitors the funding position between valuation dates, allowing for actual investment returns and changes in financial assumptions (such as liability discount rate) caused by changes in market conditions. This report is prepared by the Fund's actuary Barnett Waddingham.

10. Independent Auditor's Consistency Statement

Independent auditor's statement to the members of London Borough of Barking and Dagenham on the pension fund financial statements of London Borough of Barking and Dagenham Pension Fund included within the pension fund annual report

Disclaimer of opinion

We were engaged to examine the pension fund financial statements of London Borough of Barking and Dagenham Pension Fund (the 'Pension Fund') administered by London Borough of Barking and Dagenham (the 'Authority') for the year ended 31 March 2024 included within the Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

As a result of the disclaimer of opinion on the Pension Fund's financial statements for the year ended 31 March 2024 described in the basis for disclaimer of opinion section of our report, it is inappropriate to express an audit opinion on these financial statements.

We have not considered the effects of any events between 25 February 2026, being the date we signed our report on the financial statements of London Borough of Barking and Dagenham, and the date of this statement.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Pension Fund to publish audited financial statements for the year ended 31 March 2024 by 28 February 2025 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

We have been unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the London Borough of Barking and Dagenham Pension Fund's financial statements for the year ended 31 March 2024 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence over the corresponding figures or whether there was any consequential effect on the Fund Account and the Net Assets Statement for the year ended 31 March 2024 for the same reason. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

In addition, during the course of our audit procedures, we identified £16.9 million of borrowing by the Authority from the Pension Fund during 2023/24. For 2023/24, the Pension Fund recorded an opening balance at 1 April 2023 of £19.0 million, arising from a loan from the Authority to the Pension Fund, and a closing balance at 31 March 2024 of £16.9 million, representing a loan from the Pension Fund to the Authority. These balances are recognised within current liabilities and current assets respectively. We have become aware that this borrowing arrangement has been in place for several years, but due to the limitations imposed by the backstop, we have been unable to undertake procedures to assess the lawfulness of these transactions by the date of our report.

We have therefore issued a disclaimer of opinion on the financial statements. This enables the Pension Fund to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2024 as soon as reasonably practicable after.

Respective responsibilities of the Strategic Director of Resources (Section 151 Officer) and the auditor

As explained more fully in the Statement of Responsibilities the Strategic Director of Resources (Section 151 Officer) is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Our responsibility is to state to the members of London Borough of Barking and Dagenham our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of London Borough of Barking and Dagenham.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of London Borough of Barking and Dagenham describes the basis of our opinion on those financial statements.

The Strategic Director of Resources (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon. As a result of the disclaimer of opinion on the financial statements of the Pension Fund for the year ended 31 March 2024 described in the basis for disclaimer of opinion section of our report, it is inappropriate to express an audit opinion whether based on the work undertaken in the course of the audit of the Pension Fund financial statements and whether the other information published together with the Pension Fund financial statements is consistent with the Pension Fund financial statements.

Use of this auditor's statement

This statement is made solely to the members of London Borough of Barking and Dagenham, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of London Borough of Barking and Dagenham those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Barking and Dagenham and the members of London Borough of Barking and Dagenham as a body, for our work, for this statement, or for the opinions we have formed.

Parris Williams

Parris Williams, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

25 February 2026

11. Pension Fund Three Year Budget (2024/25 to 2026/27)

11.1 The three-year budget has fairly stable member numbers. A forecast 6.7% increase in pensions in 2024/25 due to the current high level of inflation has risen the total expenses forecasted. There is a forecasted average salary increase of 4.0%, and the council employer contribution will remain at 22% so overall higher contribution income forecasted. Pension Strain is forecasted to increase in 2024/25 as a result of the council's savings programme due to central government funding cuts then this forecasted to fall in the following years. Transfer values in and out of the Pension Fund are forecasted to be the same amount but these can fluctuate as its dependent on the number of members who leave and join the organisation.

11.2 Excluding investments, the fund is expected to be cashflow positive for the next 3 years. There is investment income expected from two investments managers of approximately £3m per annum. Overall, the Fund is expected to be cashflow positive, after investment income, for the next 3 years.

Table 7: Pension Fund Budget 1 April 2024 to 31 March 2027

	2024/25	2025/26	2026/27
Income	£000s	£000s	£000s
Council	10,041	10,242	10,447
Admitted bodies	425	434	442
Scheduled bodies	2,285	2,330	2,377
Total contributions from members	12,751	13,006	13,266
Council - Normal	32,441	33,090	33,751
Admitted bodies - Normal	1,799	1,835	1,872
Scheduled bodies - Normal	8,633	8,806	8,982
Pension Strain	500	250	250
Total contributions from employers	43,373	43,981	44,855
Total Contributions	56,125	56,987	58,122
Individual Transfers	5,000	5,000	5,000
Total Income Before Investments	61,125	61,987	63,122
Expenses			
Pensions			
Council	-35,894	-36,612	-37,345
Admitted Bodies	-395	-403	-411
Scheduled Bodies	-8,201	-8,365	-8,533
Total	-44,491	-45,381	-46,288
Lump sums			
Council	-4,742	-4,856	-4,974
Admitted Bodies	-388	-396	-404
Scheduled Bodies	-1,521	-1,551	-1,582
Total	-6,651	-6,804	-6,960
Death grants	- 1,000	- 1,000	- 1,000
Payments to and on account of leavers	- 5,000	- 5,000	- 5,000
Total Expense	-57,142	- 58,185	-59,248
Net Income / (Expenditure) Excl Investments and Management Costs	3,983	3,802	3,874
Total Management Costs (cash)	- 1,887	- 1,958	- 2,032
Net Income / (Expenditure) Excluding Investments	2,096	1,844	1,842
Investment Income			
BlackRock	2,472	2,546	2,623
Hermes	515	530	546

Total	2,987	3,077	3,169
Net Income / (Expenditure) - cash	5,083	4,921	5,011

Publication

This report will be made available through the Council's website, the Fund's website (www.lbbdpensionfund.org) and to all employers and members participating in the Fund as well as Council Members on request as appropriate. A copy of this document and all other documents referred to in this report can be obtained upon receipt of a written request to the Interim Head of Treasury and Pensions (nick.vickers@lbbd.gov.uk).

12. Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers, the Strategic Director of Resources (Section 151 Officer), has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Strategic Director of Resources (Section 151 Officer)'s responsibilities

The Strategic Director of Resources (Section 151 Officer) is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing the Pension Fund Statement of Accounts, the Strategic Director of Resources (Section 151 Officer) has:

- Selected suitable accounting policies and 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;
- Assessed the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future; and
- Maintained such internal control as deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Pension Fund Statement of Accounts gives a true and fair view of the financial position of the Pension Fund at 31 March 2024 and of its income and expenditure for the year then ended.



Richard Harbord

Strategic Director of Resources (Section 151 officer)

Date: 24 February 2026



Pension Fund Accounts

for the year ended

31 March 2024

London Borough of Barking and Dagenham Pension Fund Accounts

	Note	2022/23 £000	2023/24 £000
Dealings with members, employers and others directly involved in the scheme			
Contributions	8	51,706	54,031
Transfers in from other pension funds	9	2,681	6,216
		54,387	60,247
Benefits	10	(43,926)	(49,762)
Payments to and on account of leavers	11	(7,633)	(5,998)
		(51,559)	(55,760)
Net additions from dealings with members		2,828	4,487
Management expenses	12	(6,578)	(5,828)
Net Additions/(Withdrawals) including Fund Management Expenses		(3,751)	(1,341)
Returns on Investments			
Investment Income	13	26,080	31,683
Taxes on Income		-	-
Profit (losses) on disposal of investments and changes in the market value of investments	14	(46,683)	121,232
Net returns on investments		(20,603)	152,915
Net increase (decrease) in the net assets available for benefits during the year		(24,354)	151,574

Net Assets Statement as at 31 March 2024

The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future.

	Note	2022/23 £000	2023/24 £000
Investment Assets	17	1,311,868	1,447,108
Investment Liabilities	17		
Current Assets	18	22,850	20,422
Current Liabilities	18	(20,065)	(1,304)
Net asset of the fund available to fund benefits at the end of the reporting period		1,314,653	1,466,226

Notes to the Pension Fund Accounts for the year ended 31 March 2024

1. Introduction

The Barking and Dagenham Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (“LGPS”) and is administered by the London Borough of Barking and Dagenham (“LBBD”). The Council is the reporting entity for this Fund. The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- i. The LGPS Regulations 2013 (as amended)
- ii. The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- iii. The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is operated as a funded, defined benefit scheme which provides for the payment of benefits to former employees of LBBD and those bodies admitted to the Fund, referred to as “members”. The benefits include not only retirement pensions, but also widow’s pensions, death grants and lump sum payments in certain circumstances. The Fund is financed by contributions from members, employers and from interest and dividends on the Fund’s investments.

The objective of the financial statements is to provide information about the fund’s financial position and performance and show the results of the Council’s stewardship in managing the resources entrusted to it and for the assets at the period end.

The Fund is overseen by the Fund’s Pension Committee, which is a Committee of LBBD. 2023/24 had a positive return for the year due to improvements in the macroeconomy following the downturn. With inflation and interest rates on a downward trajectory, this has impacted the performance of the fund’s investments. The overall investment return for the fund over the year, net of fund manager fees and custodian costs was 11.4%, which was 2.0% lower than the benchmark of 13.4%. Over three years the Fund’s annualised return was 5.1%, which is 3.3% below the Fund’s benchmark return of 8.4%. Over one-year Blackrock provided a negative return of 8.2% and underperformed its benchmark by 7.5%. While, Baillie Gifford, Newton, Abrdn, UBS, Hermes and Insight provided positive returns.

Four employers including Caterlink and Aspens 2 exited the Fund in 2023/24. During the year, the total number of active employers within the Fund was 36.

2. Format of the Pension Fund Statement of Accounts

The day-to-day administration of the Fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Operating Officer.

The following description of the Fund is a summary only. For more details, reference should be made to the Fund’s Annual Report for 2023/24, which can be obtained from the Council’s website: <http://www.lbbdpensionfund.org>.

The statutory powers that underpin the scheme are the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) regulations, which can be found at: www.legislation.gov.uk.

Membership

All local government employees (except casual employees and teachers) are automatically enrolled into the Scheme. However, membership of the LGPS is voluntary and employees are free to choose whether to opt out, remain in the Scheme or make their own personal arrangements outside the Scheme. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

A list of the Fund's scheduled and admitted employers are provided below. Not Active employers do not have any current members but have either deferred or pensioners. The obligations and assets for these employers have been absorbed by the Council.

Scheduled Bodies	Admitted Bodies
LBBD Barking College Dorothy Barley Academy Eastbury Academy Elutec Goresbrook Free School Greatfields Free School James Campbell Primary Partnerships Learning Pathways Riverside Bridge Riverside Free School Riverside School St Margarets St Joseph's Dagenham St Joseph's Barking St Theresa's Dagenham St Vincents Sydney Russell Academy Thames View Infants Academy Thames View Junior Academy University of East London Warren Academy	Aspens BD Corporate Cleaning Ltd BD Schools Improvement Partnership BD Together Be First BD Trading Partnerships BD Management Services Ltd Lewis and Graves Schools Offices Services Ltd Sports Leisure Management The Broadway Theatre Town and Country Cleaners
Not Active Aspens 2 Caterlink Caterlink 2 Caterlink 3 Caterlink 4 Magistrates Court May Gurney Pantry Cleaning RM Education	Not Active Abbeyfield Barking Society Age UK B&D Citizen's Advice Bureau Cleantech Council for Voluntary Service Disablement Assoc. of B&D East London E-Learning London Riverside Laing O'Rourke

A breakdown of the Fund's members by employer type and by member type is included in the table below:

	2022/23	2023/24
Number of Employers with active members	40	36
Number of Employees in scheme		
London Borough of Barking and Dagenham		
Active members	4,593	4,718
Pensioners	4,962	5,080
Deferred pensioners	5,188	5,186
Undecided and other members	153	100
	<u>14,896</u>	<u>15,084</u>
Admitted and Scheduled Bodies		
Active members	1,411	1,423
Pensioners	1,430	1,471
Deferred pensioners	1,835	1,854
Undecided and other members	60	30
	<u>4,736</u>	<u>4,778</u>

a) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service as summarised below:

	Service pre-1 April 2008	Service post 31 March 2008
Pension:	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum:	Automatic lump sum of 3 x salary. In addition part of annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

The benefits payable in respect of service from 1 April 2014 are based on career average devalued earnings and the number of years of eligible service. The accrual rate is 1/49 and the benefits are index-linked to keep pace with inflation. From 1 April 2011, the method of indexation changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI).

3. Basis of preparation

The accounts summarise the transactions and net assets for the Fund's transactions for the 2023/24 financial year and its position as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2023/24. The financial statements do not reflect any liabilities to pay pension or other benefits occurring after 31 March 2024. Such items are reported separately in the Actuary's Report provided in Note 20 to the Fund's accounts.

The accounts have been prepared on an accruals basis (that is income and expenditure are recognised as earned or incurred, not as received and paid) except in the case of transfer values which are included in the accounts on a cash basis.

The Pension Fund Accounts have been prepared on a going concern basis. The vast majority of employers in the pension scheme are scheduled bodies that have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast

and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold, 90.3% of the Fund's investments can be converted into cash within 3 months.

3.1 Contributions (see Note 8)

Primary contributions from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Contributions rates from members are set in accordance with the LGPS Regulations 2007.

Secondary contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

3.2 Transfers to and from other schemes (see Note 9)

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 LGPS Regulations. Transfer Values to/from other funds, for individuals, are included in the accounts based on the actual amounts received and paid in the year.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.3 Investment income (see Note 14)

- i) Interest income - Interest income is recognised in the Fund account as it accrues. Interest from financial assets that are not carried at fair value through profit and loss, i.e. financial assets at amortised cost, are calculated using the effective interest basis.
- ii) Dividend income - Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.
- iii) Movement in the net market value of investments - Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/loss during the year.

3.4 Net Assets Statement at market value is produced on the following basis (see note 15)

- i) Quoted investments are valued at bid price at the close of business on 31 March 2024;
- ii) Unquoted investments are based on market value by the fund managers at year end in accordance with accepted guidelines;

- iii) Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax;
- iv) Investments held in foreign currencies have been valued in sterling at the closing rate ruling on 31 March 2024. All foreign currency transactions are translated into sterling at exchange rates ruling at the closing rate of exchange; and
- v) Limited partnerships are valued at fair value on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

3.5 Management expenses (see note 12)

Administration Expenses

All administration expenses are accounted for on an accrual basis. Staff costs associated with the Fund are charged to the Fund, with management, accommodation and other overheads apportioned in accordance with LBBB's policy.

Investment management expenses

All investment management expenses are accounted for on an accrual basis.

External manager fees, including custodian fees, are agreed in the respective mandates governing their appointments, which are broadly based on the market value of the Fund's investments under their management. Therefore, investment management fees increase / decrease as the value of these investments change.

The Fund does not include a performance related fees element in any of their contracts. Where it has not been possible to confirm the investment management fee owed by the balance sheet date, an estimate based on the market value has been used.

Most the Fund's holdings are invested in pooled funds which include investment management expenses, including actuarial, trading costs and fund manager fees, within the pricing mechanism.

3.6 Taxation

The Fund is a registered public-sector 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 proceed of investments sold.

Taxation agreements exist between Britain and other countries whereby all or a proportion of the tax deducted locally from investment income may be reclaimed. Non-recoverable deductions are classified as withholding tax.

Value Added Tax is recoverable on all Fund activities by the administering authority.

3.7 Foreign currency transactions

Dividends, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts.

3.8 Cash and cash equivalents

Cash comprises cash in-hand and on-demand deposits.

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.

3.9 Present Value of Liabilities

These accounts do not include the Fund's liabilities to pay pensions and other benefits, in the future, to all the present contributors to the Fund. These liabilities are taken account of in the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined at these valuations.

3.10 Actuarial present value of promised retirement benefits (see note 21)

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement

3.11 Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Fund's Balance Sheet but are disclosed as a note to the accounts. They arise as a result of past events but are only confirmed by the occurrence of one or more uncertain future events which are not entirely within the Fund's control.

Contingent liabilities arise from a present obligation arising from past events but only where it is not probable that a transfer of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured with sufficient reliability.

4. Critical Judgements in applying accounting policies

In applying the accounting policies set out in Note 3, the Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events.

A critical judgement made within the accounts is for the Pension Fund liability, which is calculated every three years by the appointed Actuary and is included in Note 20 but is not included in the net asset statement. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 20. This estimate is subject to significant variances based on changes to the underlying assumptions.

Unquoted investments

Determining the fair value of unquoted investments (unquoted equity investments and hedge fund or funds) can be subjective. They are inherently based on forward-looking estimates and judgements involving many factors including the impact of market volatility following the COVID-19 outbreak and the Russian invasion of Ukraine. Unquoted investments are valued by the investment managers. The total financial instruments held by the Fund at **Level 3** were **£276.6m**.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Actuarial present value of promised retirement benefits depends on several complex assumptions and judgements from the RPI inflation, the assumed salary changes, discount rate, mortality rate and others. These assumptions are applied by the pension funds actuary in consultation with the fund to whom they provide expert advice. The effects of changes in the assumptions used on the net pension liability can be measured.	<ul style="list-style-type: none"> • A 0.1% increase in discount rate would increase future pension liabilities by c. £22m • A 0.1% increase in long term salary would increase future pension liabilities by c. £1m • A 0.1% increase in pension increases and deferred revaluation would increase future pension liabilities by c. £22m
Level 3 unquoted investments	All investments are measured at fair value and by necessity, unquoted investments involve a degree of estimation. Notes 15 and 22 provide information about valuation methodology and the assumptions made in deriving the estimates.	<ul style="list-style-type: none"> • The fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out the consequent potential impact on the closing value of investments held at 31 March 2024. The assess valuation range is 10% for property holdings and 15% for infrastructure, private equity and hedge funds.

6. Additional Voluntary Contributions (AVC)

Additional Voluntary Contributions (AVCs) administered by the Prudential were made by LBBB employees during the year. In accordance with Regulation 4(2) (b) of the Pension

Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts.

AVCs were valued by Prudential at a market value of **£3.2m** (2022/23 £3.3m).

7. Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are included in Note 12.

8. Contributions

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007, ranging from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employee contributions are matched by employer contributions, which are set based on triennial actuarial funding valuations.

Currently employer contribution rates range from 18.2% to 34.4%.

Pension strain contributions are accounted for in the period in which the liability arises. Any amounts due in year but unpaid will be classed as a current financial asset. The Council uses a mechanism to stabilise the contribution rates. This was agreed following the actuary, Barnett Waddingham, completing a stochastic modelling of the long-term funding position. Eligibility for stabilisation is dependent on reasonable consistency in an employer's membership profile. The primary contribution rate for the financial year ending 31 March 2024 was 21.2%.

Contributions shown in the revenue statement may be categorised as follows:

	2022/23 £000	2023/24 £000
Employees Contribution	<u>11,650</u>	<u>12,342</u>
Employers Contribution:		
Normal	32,191	38,903
Deficit Recovery	7,826	2,609
Total employers contributions	<u>40,017</u>	<u>41,512</u>
Pension Strain	39	177
Total contributions from members	<u>51,706</u>	<u>54,031</u>
Type of Employer		
Administering Authority	39,617	41,218
Scheduled Bodies	9,655	10,674
Admitted Bodies	2,434	2,139
Total Contributions	<u>51,706</u>	<u>54,031</u>

9. Transfers in from other pension funds

	2022/23 £000	2023/24 £000
Individual Transfers	2,681	6,216
Group Transfers	-	-
	<u>2,681</u>	<u>6,216</u>

10. Benefits

Benefits payable and refunds of contributions have been brought into the accounts based on all valid claims approved during the year.

	2022/23				2023/24			
	Council £000	Admitted Bodies £000	Scheduled Bodies £000	Total £000	Council £000	Admitted Bodies £000	Scheduled Bodies £000	Total £000
Pensions	30,508	259	7,091	37,858	33,640	370	7,686	41,697
Lump sums	4,007	188	1,005	5,200	5,381	364	1,425	7,170
Death grants	667	45	156	868	811	14	69	895
	<u>35,182</u>	<u>491</u>	<u>8,253</u>	<u>43,926</u>	<u>39,833</u>	<u>749</u>	<u>9,180</u>	<u>49,762</u>

11. Payments to and on account of leavers

	2022/23 £000	2023/24 £000
Individual Transfers	7,235	5,739
Refunds	398	259
	<u>7,633</u>	<u>5,998</u>

12. Management Expenses

	2022/23 £000	2023/24 £000
Administration Costs	767	794
Management Fees	4,182	4,769
Audit Fees	56	33
Oversight and Governance Costs	214	190
Pooling Expenses	1,359	42
	<u>6,578</u>	<u>5,828</u>

13. Investment Income

	2022/23 £000	2023/24 £000
Fixed Interest Securities	427	453
Equity Dividends	22,223	27,179
Pooled Property Income	2,104	2,337
Interest - Manager's Cash	1,309	1,313
Interest - LBBB balance	9	396
Other Income	8	5
	<u>26,080</u>	<u>31,683</u>

14. Investments: The movement in the opening and closing market value of investments during the year were as follows:

Investment Assets	Market Value as at 31 March 2023	Market Value as at 31 March 2024
	£'000	£'000
Bonds	98,667	119,346
Equities	480,541	552,057
Pooled Investments		
Fixed Income		74,269
Absolute Return	442,437	415,161
Alternatives	38,513	34,653
Private Equity	89,808	107,474
Infrastructure	96,926	86,574
Property	50,088	47,850
Derivatives-forward currency contracts	821	-
Cash and Cash Equivalents	13,572	7,426
Pending Trade Sale	344	2,148
Other- LCIV	150	150
Total Investment Assets	1,311,047	1,447,108
Futures	821	
Total Investment Liabilities	821	-
Net Investment Assets	1,311,868	1,447,108

15a. Reconciliation of movements in investments and derivatives

	31/03/2023 £000	Purchases £000	Sales £000	Fair Value £000	31/03/2024 £000
Bonds	98,667	12,282		8,397	119,346
Equities	480,541	751	(20,000)	90,764	552,056
Pooled Investments	442,437	89,541	(70,000)	27,452	489,430
Infrastructure	96,926		(2,478)	(7,874)	86,574
Alternatives	38,513	3,970	(9,735)	1,905	34,653
Private Equity	89,808	26,678	(11,681)	2,669	107,474
Property	50,088	3,460		(5,698)	47,850
Derivative forwards currency	821	1,264	(5,932)	3,847	-
Cash and cash equivalents	13,572	(6,916)	2,800	(61)	7,426
Pending Trade Sales	344	1,794		10	2,148
Other- LCIV	150				150
Net Investment asset	1,311,868	133,209	(114,548)	121,412	1,447,108

The change in fair value of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits and losses realised on sales of investment and changes in the sterling value of assets caused by changes in exchange rates. In the case of pooled investment vehicles changes in market value also includes income, net of withholding tax, which is reinvested in the Fund.

The cost of purchases and the sales proceeds are inclusive of transaction costs, such as broker fees and taxes. In addition to transaction costs, indirect costs are incurred through the bid offer spread on investments within pooled investment vehicles. The amount of indirect cost is not separately provided to the Fund. The Fund employs specialist investment managers with mandates corresponding to the principal asset classes. A list of the Fund's Fund Manager, their mandate and the asset type are outlined in the table below:

Investment Manager	Mandate	Asset Type
Abrdn Asset Management	Active	Diversified Alternatives
Insight	Active	Global Credit
London CIV: Baillie Gifford	Active	Global Equity (Pooled)
London CIV: Pyrford	Active	Absolute Return
London CIV: Newton	Active	Absolute Return
London CIV: Pimco	Active	Global Credit
London CIV: Other	Passive	None
BlackRock	Active	Property Investments (UK)
Hermes	Active	Infrastructure (LLP)
Kempen	Active	Global Equity (Pooled)
Prudential/M&G	Active	Alternatives - UK Companies Financing
RREEF	Active	Property Investments (UK)
Schroders	Active	Property Investments (UK Fund of Funds)
UBS	Passive	Global Equity (Pooled)
UBS	Passive	All Share Fixed Income (Pooled)

The value of the Fund, by manager, as at 31 March 2024 was as follows:

Fund by Investment Manager	2022/23		2023/24	
	£'000	%	£'000	%
Investments managed by the London CIV				
London CIV Cash	150	0.0%	150	0.0%
London CIV- Newton, Pyrford and Baillie Gifford	442,437	33.7%	415,161	28.3%
London CIV - Pimco	-	-	74,269	5.0%
Investments managed outside the London CIV				
Abrdn Asset Management	129,142	9.8%	142,127	9.7%
BlackRock	50,088	3.8%	47,850	3.3%
Hermes	96,926	7.4%	86,574	5.9%
Kempen	218,687	16.6%	224,133	15.3%
Other Cash Balances	35,231	2.7%	9,417	0.6%
Short Term Investment	-	0.0%	16,900	1.2%
Short Term Loan	(19,000)	-1.4%	-	0.0%
Insight	67,849	5.2%	75,771	5.2%
UBS Passive Bonds	30,818	2.3%	43,575	3.0%
UBS Passive Equity	261,854	19.9%	327,923	22.4%
Pending Trade Sales	344	0.0%	2,148	0.1%
Other Investments – Tax Recoverable	9	0.0%	9	0.0%
Total	1,314,536	100.0%	1,466,007	100.0%

15. Cash and cash equivalents

The cash balance held at 31 March 2024 is made up as follows:

Cash balances held by Investment Managers	2022/23 £000	2023/24 £000
Aberdeen Asset Management	13,572	7,425
BlackRock	-	1
In-house Cash	21,659	1,991
Total Cash	35,231	9,417

16. Securities

	2022/23 £000's	2023/24 £000's
Investment Assets		
Bonds	98,667	119,346
Equities	480,541	552,057
Pooled Investments		
Fixed Income		74,269
Absolute Return	442,437	415,161
Alternatives	38,513	34,653
Private Equity	89,808	107,474
Infrastructure	96,926	86,574
Property	50,088	47,850
Other investment - LCIV	150	150
Cash and cash equivalents	13,572	7,426
Pending Trade Sales	344	2,148
Total Investment Assets	1,311,046	1,447,108
Investment Liabilities		
Futures	821	-
Total Investment Liabilities	821	-
Current Assets: Debtors	22,850	20,422
Current Liabilities: Creditors	(20,065)	(1,304)
Total Net Assets	1,314,653	1,466,226

17. Debtors and Creditors

The following amounts were debtors or creditors for the Fund at 31 March 2024:

Current Assets	2022/23 £000	2023/24 £000
Contributions due – employees	197	203
Contributions due - employers	661	711
Sundry debtors	333	17,517
Total	1,191	18,431
Cash Balances	21,659	1,991

Current Asset Total	<u>22,850</u>	<u>20,422</u>
Current Liabilities		
Sundry Creditor	<u>20,065</u>	<u>1,304</u>
Total Creditors	<u>20,065</u>	<u>1,304</u>

18. Holdings

All holdings within the Fund at 31 March 2024 were in pooled funds or Limited Liability Partnerships (LLP), with no direct holdings over 5% of the net assets of the scheme. At 31 March 2024 the following pooled funds and LLPs were over 5% of the scheme's net assets:

Security	Market Value as at 31 March 2024	% of Total Fund
	£000	%
Insight	75,771	5.2%
UBS Passive Equity	327,923	22.4%
Kempen	224,133	15.3%
London CIV – Pyrford/Newton	415,161	28.3%
Hermes	86,574	5.9%

19. Investment Strategy Statement

An Investment Strategy Statement was agreed by the Council's Investment Committee on 16 December 2020 and is updated periodically to reflect changes made in Investment Management arrangements. The nature and extent of risk arising from financial instruments and how the Fund manages those risks is included in the Investment Strategy Statement. Copies can be obtained from the Council's Pension website: <http://www.lbbdpensionfund.org>

20. Actuarial position

Actuarial assumptions

In line with LGPS Regulations, a full actuarial valuation is carried out every 3 years. The purpose of this is to ensure the long term solvency of the fund and that it is able to meet its liabilities to past and present contributors. Employer contribution rates are set in this process for the forthcoming triennial period. The 2022 triennial review of the Fund took place as at 31 March 2022 by Barnett Waddingham the funds actuary and the salient features of that review were as follows:

- The funding target is to achieve a funding level of at least 100% over a specific period;
- Market value of the scheme's assets at the date of the valuation were £1,317 million;
- The past service liabilities at the rate of the valuation were £1,306 Million; and
- The resulting funding level was 101% (90% as at 31 March 2019).

Some of the key financial assumptions adopted by the actuary for the valuation of members' benefits at the 2022 valuation are set out below:

Financial Assumptions	2019 Valuation	2022 Valuation
	£m	£m
Discount Rate	4.0%	4.3%
Pension increases (CPI)	2.3%	2.9%
Salary increases	3.0%	3.9%

Funding level and position

The table below shows the detailed funding level for the 2022 valuation:

Employer contribution rates	As at 31 March	
	2019	2022
Primary Rate (net Employer Future Service Cost)	19.8%	21.2%
Secondary Rate (Past Service Adjustment – 14-year spread)	3.0%	0.8%
Total Contribution Rate	22.8%	22%

Full details of the individual employers contribution rates payable can be found in the Rates and Adjustment Certificate in the 2022 actuarial valuation report.

21. Actuarial Present Value of Promised Retirement Benefits

The fund's actuary Barnett Waddingham also undertakes a valuation of the pension fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year but taking account of changes in membership numbers and updating assumptions to the current year.

This figure is used for statutory accounting purposes by the Pension Fund and complies with the requirements of IAS 26 Accounting and Reporting by Retirement Benefit Plans.

	As at 31 March 2023 £m	As at 31 March 2024 £m
Present Value of Promised Retirement Benefits	1,311	1,345
Fair Value of Scheme Assets (bid value)	1,315	1,474
Net Asset/(Liability)	(4)	(129)

The figure is prepared for the purposes of IAS 26 and has no validity in other circumstances. It is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund, which is carried out on a triennial basis.

Financial Assumptions

The key financial assumptions used are:

Financial Assumptions	As at 31 March 2023 £m	As at 31 March 2024 £m
Discount Rate	4.80%	4.90%
Pension increases (CPI)	2.85%	2.90%
RPI inflation	3.20%	3.20%
Salary increases	3.85%	3.90%

Demographic Assumptions

Barnett Waddingham have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022, except for an update of the CMI projection model. The CMI 2021 model was used as at 31 March 2023 and the CMI 2022 model was used as at the 31 March 2024 valuation.

The assumed life expectancies are set out in the table below:

Longevity Assumptions	As at 31 March 2023		As at 31 March 2024	
	Male	Female	Male	Female
Life expectancy from age 65 (years)				
Retiring today	20.9	23.6	20.6	23.4
Retiring in 20 years	22.2	25.2	21.9	24.9

22. Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. There were no transfers between levels during 2023/24.

Level 1

Financial instruments 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 unit trusts.

Listed investments are shown as bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. The total financial instruments held by the Fund at **Level 1 were £680.1m**

Level 2

Financial instruments 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 use inputs that are based significantly on observable market data. Pending trade sales from the funds pooled alternative manager has been classified as Level 2. The total financial instruments held by the fund at **Level 2 was 491.7m.**

Level 3

Financial instruments at Level 3 are those where at least one input could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund or funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The Fund's infrastructure manager has been classified as level 3 as valuations are based on a variety of assumptions and the assets held do not have a readily identifiable market.

The values of the investment in infrastructure is based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value. The total financial instruments held by the Fund at **Level 3 were £276.6m.**

Asset Valuation Hierarchy and Basis of Valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs
Fixed Income	Level 1	Published bid market price ruling on the final day of the accounting period	Not required
Equities	Level 1	Market value based on current yields	Not required
Absolute Return	Level 1	Closing bid value on published exchanges	Not required
Pending Trade Sale	Level 2	Quoted prices in inactive market	Sales Value

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs
Property	Level 3	Closing single price where single price published	NAV-based pricing set on a forward pricing basis
Infrastructure	Level 3	Enterprise value (EV) / Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) as their valuation methodology, using a basket of public and transaction comparables.	EV / EBITDA
Private Equity	Level 3	EV / EBITDA as their valuation methodology, using a basket of public and transaction comparables.	EV / EBITDA
Hedge Funds	Level 3	Underlying assets publicly traded securities (equities, bonds) where pricing is readily available from providers i.e. Bloomberg or Reuters.	Valuations affected by any changes to value of the financial instrument being hedged against.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Values at 31 March 2024	£000	£000	£000	£000
Bonds	119,346			119,346
Equities	552,057			552,057
Property Unit Trusts			47,850	47,850
Pooled Investments		489,430		489,430
Private Equity			107,474	107,474
Cash and cash equivalents	7,426			7,426
Alternatives			34,658	34,658
Infrastructure			86,574	86,574
Other investments- LCIV		150		150
Pending Trade Sales		2,148		2,148
Total Financial Assets	678,828	491,728	276,556	1,447,111

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Values at 31 March 2023	£000	£000	£000	£000
Bonds	98,667			98,667
Equities	480,541			480,541
Property Unit Trusts			50,088	50,088
Pooled Investments		442,437		442,437
Private Equity			89,808	89,808
Cash and cash equivalents	13,572			13,572
Alternatives			38,513	38,513
Infrastructure			96,926	96,926
Other investments- LCIV		150		150
Pending Trade Sales		344		344
Total Financial Assets	592,780	442,931	275,335	1,311,048

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

Description of asset	Assessed valuation range	Value at 31 March 2024	Value on Increase	Value on Decrease
	%	£000s	£000s	£000s
Property Unit Trust	10	47,850	52,635	43,065
Other Investment - Infrastructure	15	86,574	99,560	73,588
Other Investment - Private Equity	15	107,474	123,595	91,353
Other Investment - Hedge Funds	15	31,941	36,732	27,150
		273,839	312,522	235,156

Description of asset	Assessed valuation range	Value at 31 March 2023	Value on Increase	Value on Decrease
	%	£000s	£000s	£000s
Property Unit Trust	10	50,088	55,097	45,079
Other Investment - Infrastructure	15	96,926	111,465	82,387
Other Investment - Private Equity	15	89,808	103,279	76,337
Other Investment - Hedge Funds	15	36,473	41,944	31,002
		273,295	311,785	234,805

The potential movement of 10% for Property Unit Trusts represents a combination of the following factors, which could all move independently in different directions:

- Rental increases +/- 4%
- Vacancy levels +/- 2%
- Market prices +/- 3%
- Discount rates +/-1%

All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 15% is caused by how this profitability is measured since different methods (listed in the first table of Note 22 above) produce different price results.

22a. Reconciliation of fair value measurements within level 3

	Private Equity £000s	Infrastructure £000s	Other- Hedge Fund £000s	Other- Property £000s	Total £000s
Market Value 1 April 2023	89,808	96,926	36,473	50,088	273,295
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Purchases during the year	26,678	-	3,360	3,845	33,882
Sales during the year	(11,681)	(2,478)	(9,733)		(23,893)
Unrealised gains/losses	(3,039)	(7,874)	1,983	(6,082)	(15,012)
Realised gains/losses	5,708		(141)		5,567
Market Value 31 March 2024	107,474	86,574	31,941	47,850	273,839

	Private Equity £000s	Infrastructure £000s	Other- Hedge Fund £000s	Other- Property £000s	Total £000s
Market Value 1 April 2022	76,427	104,150	40,002	62,413	282,992
Transfers into Level 3					
Transfers out of Level 3					
Purchases during the year	18,552		12,580	1,685	32,817
Sales during the year	(5,445)	(3,173)	(20,434)	(3,049)	(32,100)
Unrealised gains/losses	(2,188)	(4,050)	1,345	(14,010)	(18,903)
Realised gains/losses	2,461		2,980	3,049	8,490
Market Value 31 March 2023	89,808	96,926	36,473	50,088	273,295

23. Events after the Reporting Period

None

24. Related parties

The Fund is a related party of the Council as the following transactions are controlled by the Council. Pension administration and investment management costs of **£539.6k** (2022/23: £651.5k) are charged by the Council. There is also a short-term investment from the Pension Fund to the Council of **£16.9m** (2022/23: £19.0m short term loan).

The Council is also the single largest employer of members of the Fund and contributed **£31.5m** to the Fund in 2023/24 (2022/23 £30.4m). All monies owing to and due from the Fund were paid in year.

The Members of the Committee do not receive fees in relation to their specific responsibilities as Members of the Committee. Of the Committee members there are no active members of the LGPS and one deferred member.

25. Contingent Asset and liabilities

As at 31 March 2024 there were no contingent assets but there is one potential contingent liability detailed below.

The Virgin Media Case

The Court of Appeal has upheld the High Court's decision in Virgin Media Ltd v NTL Pension Trustees II Ltd and Others ("the Virgin Media case"), so the Virgin Media issues remain for defined benefit ("DB") pension schemes. The Government Actuary's Department and HM Treasury are currently investigating the consequences of the legal case on the LGPS. At this point in time there remains insufficient information to assess the potential impact on Pension Funds.

26. Compensation of key management personnel

Compensation of key management personnel, including the Head of Investments, Pension Fund Accountant and Senior Treasury Accountant, charged to the Fund are provided below:

	2022/23 £000	2023/24 £000
Short Term employee benefits	135.6	125.1
Total	135.6	125.1

27. Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period. The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Financial assets	Fair value through profit and loss £000	Financial	Financial	Fair value through profit and loss £000	Financial	Financial liabilities at amortised cost £000
		assets as at amortised cost 2022/23 £000	liabilities at amortised cost £000		assets as at amortised cost 2023/24 £000	
Bonds	98,667			119,346		
Equities	480,541			552,057		
Property Unit Trusts	50,088			47,850		
Pooled Investments	442,437			489,430		
Private Equity	89,808			107,474		
Cash and cash equivalents		13,572			7,426	
Alternatives	38,513			34,653		
Infrastructure	96,926			86,574		
Other investments	150			150		
Pending Trade Sales		344			2,148	
Total Financial Assets	1,297,131	13,916	-	1,437,534	9,574	-
Financial Assets - Debtors		22,850			20,422	
Financial liabilities - Creditors			(20,065)			(1,304)
Futures	821					
Total Net Assets	1,297,952	36,767	(20,065)	1,437,534	29,996	(1,304)

Carrying value of financial liabilities are equal to the fair value.

28. Nature and extent of risks arising from Financial Instruments.

The Fund activities expose it to a variety of financial risks, including:

- **Market risk** – the possibility that financial loss might arise from the Fund's as a result of changes in such measures as interest rates or stock market movements;
- **Interest rate risk** – the risk that interest rates may rise/fall above expectations;
- **Credit risk** - the risk that other parties may fail to pay amounts due;
- **Liquidity risk** – the risk that the Fund may not have funds available to meets its commitments to make payment; and
- **Refinancing risk** – the risk that the Fund might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through 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. The Council manages these investment risks as part of its overall pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Fund's Committee. Risk management policies have been 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.

Risk and risk management

Market risk

Market risk is the risk of loss from fluctuations in equity prices, from interest and foreign exchange rates and from credit spreads. The Fund is exposed to market risk predominantly from its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

- Fund's exposure to market risk monitored by reviewing the Fund's asset allocation.
- Specific risk exposure limited by applying maximum exposure to individual investment.

Other price risk

Other 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. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other price risk - sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Risk assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on Funds' asset allocations.

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix. The Council has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period.

Asset Class	One Year Expected Volatility (%)	Asset Class	One Year Expected Volatility (%)
Equities	12.1	Alternatives	6.6
Bonds	6.6	Cash	1.0
Property	7.9		

The sum of the monetary impact for each asset class will equal the total Fund impact as no allowance has been made for diversification of the one-year standard deviation for a single currency. Had the market price of the Fund investments increased or decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2024 £000	% Change	Value on Increase £000	Value on Decrease £000
Bonds	119,346	6.6	127,223	111,469
Equities	552,057	12.1	618,855	485,258
Property Unit Trust	47,850	7.9	51,630	44,070
Pooled Investments	489,430	6.6	521,732	457,127
Private Equity	107,474	6.6	114,567	100,381
Other Investments	123,533	6.6	131,687	115,380
Cash and cash equivalents	9,417	1.0	9,511	9,323
Total	1,449,107		1,575,205	1,323,008

Asset Type	Value as at 31 March 2023 £000	% Change	Value on Increase £000	Value on Decrease £000
Bonds	98,667	5.7	104,291	93,043
Equities	480,541	13.9	547,337	413,746
Property Unit Trust	50,088	7.5	53,845	46,331
Pooled Investments	442,437	6.8	472,523	412,352
Private Equity	89,808	6.8	95,915	83,701
Other Investments	136,763	6.8	146,063	127,463
Cash and cash equivalents	35,231	1.8	35,865	34,597
Total	1,333,535		1,455,839	1,211,233

Interest rate risk

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 interest rate risk is monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest movements as at 31 March 2023 and 31 March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March	As at 31 March
	2023	2024
	£000	£000
Cash and cash equivalent	35,231	9,417
Bonds	98,667	119,346
Total	133,898	128,763

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100-basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Carrying amount as at 31 March 2024	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalent	9,417	94	(94)
Bonds	119,346	1,193	(1,193)
Total	128,763	1,287	(1,287)

Asset type	Carrying amount as at 31 March 2023	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
Cash and cash equivalent	35,231	352	(352)
Bonds	98,667	987	(987)
Total	133,898	1,339	(1,339)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Pension Committee Members are aware of the cash flow pressures that are affecting the Fund. These include the potential for a reduction in Fund current members from the significant savings the LBBD needs to make in the coming years and from an increase in pension payments due to increased pensioner numbers and as a result of the pricing index exceeding salary increases. Members receive a quarterly report on the Fund's cash flow and have agreed to utilise distributions from property and infrastructure to fund future investments and to cover any cash flow shortfalls.

Where there is a long-term shortfall in net income into the Fund, investment income will be used to cover the shortfall. All financial liabilities at 31 March 2024 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of the Fund's 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 treasury management and investment strategies.

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, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Fund's internally managed cash is invested by the Council's treasury team. Deposits are not made with banks and financial institutions unless they meet the council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution in the Annual Treasury Management Strategy Statement.

Appendix 2: Funding Strategy Statement



London Borough of Barking and Dagenham Pension Fund



Funding Strategy Statement 2023

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Introduction

This is the Funding Strategy Statement for the London Borough of Barking and Dagenham Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes the London Borough of Barking and Dagenham's strategy, in its capacity as administering authority, for the funding of the London Borough of Barking and Dagenham Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition*) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
 - Meet the costs associated in administering the Fund; and
 - Receive and invest contributions, transfer values and investment income.
- **Funding objectives**
Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme

so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

Key parties

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is the London Borough of Barking and Dagenham. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employee contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2022. The results of the 2022 valuation are set out in the table below:

2022 valuation results	
Surplus (Deficit)	£10.9m
Funding level	101%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 21.5% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2022 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund. A deduction of 0.3% p.a. is applied to the yield at the 20 year point to reflect the shape of the yield curve. A further deduction of 0.4% p.a. is applied to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. However, RPI is due to be aligned with CPIH (CPI but with allowance for housing costs) from 2030.

Therefore, reflecting the anticipated amendment to RPI from 2030 and therefore the relative difference between RPI and CPI, a deduction of 0.35% p.a. is made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2022 valuation is set out in the table below:

Financial assumptions as at 31 March 2022	
CPI inflation	2.9% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.3% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the

valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

McCloud/Sargeant judgments

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2023 with revised Regulations effective from October 2023.

For the 2022 valuation, as required by the Department for Levelling Up, Housing & Communities, in calculating the value of members' liabilities it was assumed that:

- The current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and will apply to all members who were active in the Scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap;
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner);
- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner);
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension; and
- The underpin will consider when members take their benefit.

Further details of the McCloud/Sergeant judgment can be found below in the [Regulatory risks](#) section.

Guaranteed Minimum Pension (GMP) indexation and equalisation

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be

directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found [here](#).

The 2022 valuation approach for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund will be required to pay the entire inflationary increase.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 14 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise the surplus over an appropriate period.

The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

Risk-sharing

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

At the 2022 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

Contribution payments

Employers pay contributions on a monthly basis. Primary contributions are certified as a percentage of payroll and therefore amounts paid by employers each month will fluctuate in line with payroll each month. Secondary contributions can be certified as a percentage of payroll or as a monetary amount. Monetary amounts are payable in 12 equal monthly instalments throughout the relevant year.

Employers must pay contributions in line with the Rates and Adjustments Certificate but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the administering authority. Employers should discuss with and gain agreement from the administering authority before making up front payments.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

Risk-sharing

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

1. **Pooling** - Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer.
2. **Letting employer retains pre-contract risks** - Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The admission body would be responsible for the future liabilities that accrue in respect of transferred staff. The admission body’s contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.
3. **Fixed contribution rate agreed** - Under this option the admission body pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks “pass through” to the letting employer.

The Administering Authority is willing to administer any of the above options if the approach is documented in the Admission Agreement as well as the transfer agreement. Alternatively, letting employers and admission bodies may operate any of the above options by entering into a separate Side Agreement. The Administering Authority would not necessarily be a party to this side agreement, but may treat the Admission Agreement as if it incorporates the side agreement terms where this is permitted by legislation or alternatively agreed by all parties.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs where it relates to their decisions and it is unfair to burden the letting authority with that risk. For example, the admission body should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority’s active liabilities, after fully funding the local authority’s deferred and pensioner liabilities.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be calculated taking into account the academy's individual membership and funding position on conversion.

Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

- (i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- (ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- (iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out in the Fund's separate Contribution review policy which can be accessed [here](#). This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next Rates and Adjustments Certificate.

Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence may be included in order to take into account potential uncertainties and risk e.g. due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence will be set by considering the distribution of funding levels under a large number of economic scenarios, with the aim being to gain a reasonable level of confidence that the Fund will be able to meet its benefits obligations to the relevant members in future.

Exit credit policy

The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case by case basis before any payment is made. Considerations will be based on any

previous agreements made and discussions between the administering authority, the exiting employer and the guaranteeing employer (if relevant).

Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This is on the basis that these employers would not have been asked to pay an exit payment had a deficit existed at the time of exit.
- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out why the arrangements make payment of an exit credit appropriate.
- Any exit credit payable will be subject to a maximum of the actual employer contributions paid into the Fund.
- As detailed above, the Fund Actuary may adopt differing approaches when assessing whether an exit debt is payable by the employer, depending on the specific details surrounding the employer's cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.
- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.
- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the timing of future actuarial valuations. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the [Regulatory risks](#) section below.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Longevity

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 3% - 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. The Fund commissions bespoke longevity analysis by Club Vita in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

Non ill-health retirement costs

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (NB the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014).

The administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. The payment is payable immediately.

Ill health retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance.

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation.

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

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

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

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

Climate risk

There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes. More detail is included in the Fund's Investment Strategy Statement.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time

available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meet its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk.

More information on this can be found in the [Regulatory risks](#) section below.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgments and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgments

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgment but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed

remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. A ministerial statement in response to this was published on 13 May 2021 and revised Regulations are awaited to bring a remedy into play.

At the time of drafting this FSS, Regulations and therefore confirmation of the remedy are not yet finalised and are expected in 2023.

Cost control mechanism

As a result of the public service pension schemes reforms, the Government established a cost control mechanism for all those schemes to ensure a fair balance of risks between scheme members and the taxpayer. The process has been complex and has still not been fully resolved. Although the 2016 cost cap valuation report for the LGPS has been published, at the time of writing there is still a challenge outstanding regarding the inclusion of McCloud in the cost cap. Therefore, there is still a possibility that the 2016 valuation may have to be revisited with the small chance that benefit improvements will be required and potentially backdated to April 2019.

For the purposes of the 2022 valuation, we have made no allowance for any potential benefit changes. The Fund's prudence allowance already allows for an element of regulatory uncertainty and any potential impact is not deemed to be material.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The proposals for flexibility on exit payments and for further policy changes to exit credits have been finalised, however, are still to be finalised for the remaining three proposals. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control mechanism and HMT believed that all public sector scheme should have the cost control test happen at the same time.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund will commission an employer risk review from the Fund Actuary on a regular basis, every three years as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2025. The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Appendix 4: Investment Strategy Statement



London Borough of Barking and Dagenham Pension Fund



1. Introduction and background

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

The ISS has been prepared by the Fund’s Pensions 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 is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

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

The Committee has agreed the following target investment strategy for the Fund.

Asset class	Target allocation (%)
Equities	50.0
Diversified Growth Funds	13.0
Private equity and Hedge Funds	11.0
Property	4.0
Infrastructure	8.0
Global Credit	11.0
Fixed Interest Gilts	3.0
Total	100.0

1.

2. The suitability of particular investments and types of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The 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. For

employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

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 the Fund's 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 set out below.

The Fund carried out an asset liability modelling exercise in conjunction with the 31 March 2022 actuarial valuation. A number of different investment strategies were modelled and the future evolution of the Fund considered under a wide range of different scenarios. The Committee considered the chances of the Fund being fully funded at the end of the projection period, and considered the level of downside risk in the various strategies by recognising the lower funding levels which might emerge in the event of poor outcomes.

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
- Environmental, Social and Governance (ESG) factors

The Committee has agreed a rebalancing policy and reviews the asset allocation at each quarterly meeting. The review is based on the latest published quarterly investment performance report, supported by more up to date information where available. Rebalancing activity is at the discretion of the Officers and the Committee and is only made between the Fund's liquid assets. Among the factors taken into account in these decisions are:

- the materiality of under and overweight positions;
- any asset transitions that are already scheduled;
- market views on the relative attractiveness of different asset classes;
- liquidity and transaction costs; and
- the confidence of the Officers and the Committee in the managers' ability to meet performance targets.

To help inform rebalancing decisions, the Committee has set the following agreed ranges:

Asset class	Target allocation (%)	Agreed ranges (%)
Equities	50.0	45.0 - 55.0
Diversified Growth Funds	13.0	10.0 - 16.0
Diversified Alternatives	11.0	8.0 - 14.0
Property	4.0	2.0 - 6.0
Infrastructure	8.0	5.0 - 11.0
Global Credit	11.0	8.0 - 14.0
Fixed Interest Gilts	3.0	1.0 - 5.0

During 2020, the Committee agreed a set of investment beliefs. These beliefs were subsequently reviewed during 2023 and continue to represent the views of the current Committee. These beliefs underpin the ISS and cover:

- The long-term objective of achieving contribution stability for the Fund should be key in determining the level of investment risk.
- The Fund should take no more investment risk than is necessary to have a reasonable chance of achieving its objectives.
- Being a long-term investor provides opportunities for enhancing returns through riskier asset classes such as equities.
- Alternative asset classes (including income-oriented assets) can, to a point, add diversification to the Fund's investment strategy and should ensure equities alone do not dominate the overall level of risk and return.
- Investment in illiquid assets is acceptable to achieve long-term returns for the Fund, however, the overall level of illiquid assets should be carefully monitored and managed.
- Diversification within an asset class is as important as diversification across assets.
- Companies that demonstrate better RI (Responsible Investment) characteristics are expected to outperform other companies, over the long term.

3. 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 long-term asset class returns assumed within the asset liability modelling exercise were as follows. These returns reflect financial conditions as at 31 March 2023.

Asset class	Median expected return over 10 years (% p.a.)
Equities	7.7
Diversified Growth Funds	6.0
Diversified Alternatives	11.3
Property	6.2
Infrastructure	7.8
Global Credit	4.9
Fixed Interest Gilts	3.6
Total Fund	7.1

At 31 March 2023, the expected volatility of the investment strategy was 14.2% p.a. where volatility is defined as the annualised dispersion over a 1-year period. This volatility includes an assumed diversification benefit. In the absence of this diversification, the expected volatility would have increased to 16.9% p.a. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Committee's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various risks involved and rebalancing is considered on a quarterly basis to maintain the asset split close to the agreed asset allocation target.

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.

In addition to this the March 2014 Committee Members agreed to restrict direct investment in tobacco but allow indirect investments in tobacco through pooled funds for both passive and active managers. This restriction is reviewed as part of each ISS Review.

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 index-tracking funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

4. 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. One of the Committee's overarching beliefs is to only to take as much investment risk as is necessary.

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

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. The results from the 2023 analysis highlighted the Fund has a c.90% probability of being fully funded in 2042 albeit downside risks could affect the Fund and bring about low levels of funding and/or a sizeable deficit. This analysis will be revisited as part of the 2025 valuation process.

The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so these 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 risk

- 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).
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns.
- Climate change – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Committee measure and manage asset risks as follows.

The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund’s “actual allocation” does not deviate substantially from its target. 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 property, 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. 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 have attempted to reduce this risk by appointing more than one manager and having a significant proportion of the Fund’s assets managed on an index-tracking basis. The Committee assess the Fund’s managers’ performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

Other provider risk

- Transition risk – The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
- Custody risk – The risk of losing economic rights to Fund assets, when held in custody or when being traded.

- Credit default – The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

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

A separate schedule of risks that the Fund monitors is set out in the Fund’s Funding Strategy Statement.

5. Approach to pooling investments, including use of collective investment vehicles and shared services

The Fund is a participating scheme in the London Collective Investment Vehicle (“LCIV”) Pool. The proposed basis on which the LCIV Pool (“the Pool”) will operate was set out in the July 2016 submission to Government.

Assets to be invested in the LCIV Pool

The Fund’s intention is to invest its assets through the Pool 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:

- 1 That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
- 2 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.

At the time of preparing this statement the Fund has already invested the following assets via the Pool:

Asset class	Manager	% of total Fund assets	Benchmark and performance objective
Global Equities (Active)	Baillie Gifford	18.6	MSCI AC World Index + 2%
Diversified Growth	Pyrford	8.7	UK RPI +5% per annum
	Newton	5.9	One-month LIBOR +4% per annum

At the time of preparing this statement the Fund has elected not to invest the following assets via the LCIV Pool.

Asset class	Manager	% of Fund assets ¹	Benchmark and performance objectives	Reason for not investing via the Pool
Global Equities (Passive)	UBS Equities	19.6	FTSE AW Developed Tracker	No Pool equivalent offered
Global Equities (Active)	Kempen	16.4	MSCI World NDR Index	Mandate currently under review
Diversified Alternatives	Aberdeen Standard	10.9	3 Mth LIBOR + 4% per annum	No Pool equivalent offered
Infrastructure	Hermes GPE	7.2	Target yield 5.9% per annum	Illiquid nature of investment and potential costs of transfer
Global Credit	Mellon Corporation	5.1	3 Mth LIBOR + 4% per annum	Currently reviewing this mandate and options available via the Pool
Property	BlackRock	3.8	AREF/ IPD All Balanced	Illiquid nature of investment and potential costs of transfer
Government Bonds	UBS Bonds	2.3	FTSE UK Gilts All Stocks	No Pool equivalent offered

¹ Allocations as at 31 March 2023

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

The July 2016 submission to Government of the Pool 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. As the Pool develops and the

structure and governance of the Pool are fully established the Fund will include this information in future iterations of the ISS.

6. How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Committee consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee takes ESG matters very seriously and regularly reviews its policies in this area and its investment managers' approach to ESG. The Committee has also developed a set of Responsible Investment beliefs, which are set out below.

The Committee recognises that climate change presents a particular systemic risk to the financial stability of the global economy and has the potential to impact the Fund's investments and, as such, represents a long-term financial risk to the Fund and its holdings. Given the importance of this risk, the Committee recently implemented a new Paris-aligned equity investment with Baillie Gifford.

At the present time the Committee does not prioritise non-financial factors when selecting, retaining, or realising its investments.

The Committee has agreed the following set of investment beliefs in relation to Responsible Investment:

- The Fund is committed to being 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.
- The Committee recognises RI are among the factors which investment managers will take into account, where relevant, when selecting investments for purchase, retention, or sale. In addition, the Committee undertakes regular training including training and information sessions on RI.
- The Fund requires its investment managers to integrate all material financial factors, including RI, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.
- The Fund expects its external investment managers (and specifically the London CIV through which the Fund will increasingly invest) to undertake appropriate monitoring of

current investments regarding their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material RI factors within its investment analysis and decision making.

- Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.
- The Fund will invest on the basis of financial risk and return having considered a range of factors contributing to the financial risk including social, environment & governance factors to the extent these directly or indirectly impact on financial risk and return. The Fund, in preparing and reviewing its ISS will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.
- Current Restrictions: At the March 2014 Committee Members agreed to restrict direct investment in tobacco but allow indirect investments in tobacco through pooled funds for both passive and active managers. This restriction is reviewed as part of each ISS Review.

To date, the Fund's approach to Social investments has largely been to delegate this to their underlying investment managers as part of their overall ESG duties. The Fund does not hold any assets which it deems to be social investments.

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

Voting rights

The Committee considers the Fund's approach to stewardship also as a key area by acting as a responsible and active investor, by commissioning considered voting on the Fund's behalf as shareholders, and by indirectly engaging with investee company management as part of the investment process.

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.

Engagement

The Committee endorses the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the LCIV Pool and any directly appointed fund managers to be signatories to the UK Stewardship Code 2020. In addition, the Fund believes in collective

engagement and is a member of the LAPFF, through which it collectively exercises a voice across a range of corporate governance issues.

The Committee supports engagement activity that seeks to:

- Achieve greater disclosure of information on the ESG-related risks that could affect the value of an investment
- Achieve transparency of an investment's carbon exposure and how such companies are preparing for the transition to a low carbon economy
- Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

Investments made via the LCIV Pool are subject to its Responsible Investment Policy, which is developed in consultation with all of the Pool's partner funds.

Appendix 5: Governance Compliance Statement

In accordance with the Local Government Pension Scheme Regulations 2007, Local Government Pension Scheme administering authorities are now required to prepare a Governance Compliance Statement. This statement sets out how administering authorities comply with the best practice guidance as issued by the Secretary of State for Communities and Local Government.

The Governance and Compliance Statement sets out best practice guidance and how the London Borough of Barking and Dagenham (the Council) comply with this guidance.

Structure

- The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council;
- Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee;
- Where a secondary committee or Committee has been established, the structure ensures effective communication across both levels;
- Where a secondary committee or Committee has been established, at least one seat on the main Committee is allocated for a member from the secondary committee or Committee.

The Council delegates the management of the Fund to the Pension Committee. The Committee meets on a quarterly basis.

The Committee comprises seven Councillors. The Committee also includes representation from the General and Municipal Boilermakers Union (GMB), from an employee representative and from an employer within the Fund. Admitted bodies are not represented on the Committee but are consulted on a regular basis. The Committee reviews its terms of reference on a regular basis, so this position will be reviewed in the near future.

The Pension Committee terms of reference are set out below and the Committee is responsible for monitoring all aspects relating to the investment of the assets of the Fund as follows: -

- The Committee will formally review the Fund's asset allocation at least annually, taking account of any changes in the profile of Fund liabilities and any guidance from the Committee regarding tolerance of risk. They will recommend changes in asset allocation to the Executive;
- The Committee will consider and monitor the Quarterly Reports produced by their Investment Manager. In addition to managers' portfolio and performance reporting, the Committee will also receive and review information from the managers on risk analysis, transaction costs, and details of corporate governance (including SRI, voting activity and engagement with management);
- The Committee will formally review annually the manager's mandate, and its adherence to its expected investment process and style. The Committee will ensure that the explicit written mandate of each of the Fund's managers is consistent with the Fund's overall objective and is appropriately defined in terms of performance target, risk parameters and timescale;
- The Committee will consider the need for any changes to the Fund's investment manager arrangements (e.g. replacement, addition, termination) at least annually.

- In the event of a proposed change of managers, the Committee will evaluate the credentials of potential managers;
- The Committee will consider the Fund's approach to social, ethical and environmental issues of investment, corporate governance and shareholder activism;
- The Committee will review the Fund's AVC arrangements annually. If they consider a change is appropriate, they will make recommendations to the Executive;
- The Committee will monitor the investment advice from their investment consultant and investment services obtained from other providers (e.g. custodian) at least annually.
- The Committee will be responsible for the appointment and termination of providers;
- The Committee will conduct and conclude the negotiation of formal agreements with managers, custodians and other investment service providers;
- In order to fulfil their roles, the members of the Committee will be provided with appropriate training, initially and on an ongoing basis;
- The Committee is able to take such professional advice as it considers necessary;
- The Committee will keep Minutes and other appropriate records of its proceedings, and circulate these Minutes to the Executive;
- The Committee may also carry out any additional tasks delegated to it by the Borough Council.

The Committee currently consists of:

Chairman: Cllr Manzoor Hussain
Deputy: Cllr Rocky Gill
 Cllr Donna Lumsden
 Cllr Giasuddin Miah
 Cllr Tony Ramsay
 Cllr Summya Sohaib
 Cllr Mukhtar Yusuf

Any changes to the membership of the Committee require the approval of the Executive.

Membership of the Committee consists of a minimum of two Members with a quorum of two Members. All Committee members are expected to have or, for new members, to develop sufficient expertise in investment matters to be able to conduct their Committee responsibilities and to interpret the advice which they receive.

Representation:

All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:

- Employing authorities;
- Scheme members;
- Independent professional observers; and
- Expert advisors.

Where lay members sit on the main or secondary Committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.

Appendix 5: Communications Policy Statement

1. Introduction

This is the Communications Policy Statement of LB of Barking and Dagenham Pension Fund, administered by LB of Barking and Dagenham (the Administering Authority).

The Fund liaises with over 30 employers and approximately 18,000 scheme members in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with a number of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful. It is effective from 1 April 2017.

This policy statement is required by the provisions of Regulation 67 of the Local Government Pension Scheme (Administration) Regulations 2008 and Regulation 106B of the Local Government Pension Scheme Regulations 1997. The provision requires us to:

“...prepare, maintain and publish a written statement setting out their policy concerning communications with:

- (a) members.*
- (b) representatives of members.*
- (c) prospective members.*
- (d) employing authorities.”*

In addition it specifies that the statement must include information relating to:

- “(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;*
- (b) the format, frequency and method of distributing such information or publicity; and*
- (c) the promotion of the Scheme to prospective members and their employing authorities.”*

As a provider of an occupational pension scheme, we are already obliged to satisfy the requirements of the Occupational Pension Schemes (Disclosure of information) Regulations and other legislation, for example the Pensions Act 2004. Previously the disclosure requirements have been prescriptive, concentrating on timescales rather than quality. From 6 April 2006 more, generalised disclosure requirements are to be introduced, supported by a Code of Practice.

The type of information that pension schemes are required to disclose will remain very much the same as before, although the prescriptive timescales are being replaced with a more generic requirement to provide information within a *“reasonable period”*. The draft Code of Practice¹ issued by the Pensions Regulator in September 2005 sets out suggested timescales in which the information should be provided. While the Code itself is not a statement of the law, and no penalties can be levied for failure to comply with it, the Courts or a tribunal must take account of it when determining if any legal requirements have not been met.

A summary of our expected timescales for meeting the various disclosure of information requirements are set out in the Performance Management section of this document, alongside those proposed by the Pension Regulator in the draft Code of Practice (Code of Practice – Reasonable periods for the purposes of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 issued September 2005)

Within the Pension Section the responsibility for communication material is performed by our Pension Manager with the assistance of the Senior Pensions Officer. Although we write most all communication within the section, including any web based or electronic material, the design work is carried out by the Council's publications team. We also carry out all the arrangements for forums, workshops and meetings covered within this statement.

Some printing is carried out by an external supplier, which is usually decided based on the most economical of three quotations from suppliers. In exceptional circumstances (either due to lack of skills or inability to meet delivery timescales), we may use external consultants to assist with the preparation or design of communications. Any such circumstances are agreed in advance with the Pensions Manager. The remainder of the printing is carried out internally by the Council's printing department.

2. Communication with key audience groups

2.1 Our audience

We communicate with most stakeholders. For the purposes of this communication policy statement, we are considering our communications with the following audience groups:

- active, deferred members, pensioners and prospective members;
- employing authorities (scheme employers and admission bodies);
- senior managers;
- union representatives;
- elected members/the Pension Committee;
- Pension Section staff;
- Tax payers, the media and other Stakeholders / Interested Parties.

In addition, there are many other stakeholders with whom we communicate on a regular basis, such as HMRC, solicitors, the Pensions Advisory Service, and other pension providers. We also consider as part of this policy how we communicate with these interested parties.

2.2 How we communicate

- **General communication** - We use paper based communication as our main means of communicating, i.e. sending letters to our scheme members. However, we will compliment this by use of electronic means. We accept electronic communications, i.e. e-mail and, where we do so, we will respond electronically where possible. Pension staff are responsible for all pension related queries. Phone calls or visitors are passed to the relevant person within the section. Direct line phone numbers are advertised to allow easier access to the correct person;
- **Branding** - as the Fund is administered by the Administering Authority, all literature and communications will conform with the branding of the Council; and
- **Accessibility** - we recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically; however, these are available on request.

2.3 Policy on Communication with Active, Deferred and Pensioner Members

Our objectives regarding communication with members are:

- for the LGPS to be used as a tool in the attraction and retention of employees;
- for better education on the benefits of the LGPS;
- to provide more opportunities for face to face communication;
- as a result of improved communication, for queries and complaints to be reduced;
- for our employers to be employers of choice;
- to increase take up of the LGPS employees; and
- to reassure stakeholders.

Our objectives will be met by providing the following communications, which are over and above individual communications with members (for example, the notifications of scheme benefit or responses to individual queries). The communications are explained in more detail in the table below:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Scheme booklet	Paper based / on website	At joining & major scheme changes	Post to home address/via employers	Active
Newsletters	Paper based	As scheme changes necessitate notification	Via employers / post to home address	Separately for active / deferred and pensioners
Pension Fund Report and Accounts	Paper based and on website	Annually	On request	All
Pension Fund Accounts Summary	Paper based	At valuation	Via employers	All Actives
Estimated Benefit Statements	Paper based	Annually	Post to home address	active & deferred members
Face to Face education sessions	Face to Face	On request	On request	All
Joiner Packs	Paper based	On joining	Post to home addresses	Active members

2.4 Explanation of communications

- **Scheme booklet** – A booklet providing a relatively detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits;
- **Newsletters** – An ad hoc newsletter which provides updates in relation to changes to the LGPS as well as other related news, such as national changes to pensions, a summary of the accounts for the year, contact details, etc;

- **Fund Report and Accounts** – Details of the value of the Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers. This is a somewhat detailed and lengthy document and, therefore, it will not be routinely distributed except on request. A summary document, as detailed below, will be distributed;
- **Fund Report and Accounts Summary** – provides a handy summary of the position of the Fund during the financial year, income and expenditure as well as other related details;
- **Estimated Benefit Statements** – For active members these include the current value of benefits as well as the projected benefits at age 65. The associated death benefits are also shown as well as details of any individuals the member has nominated to receive the lump sum death grant. State benefits are also included. In relation to deferred members, the benefit statement includes the current value of the deferred benefits and the earliest payment date of the benefits;
- **Face to face education sessions** – These are education sessions that are available on request for small groups of members. For example, where an employer is going through a restructuring, it may be beneficial for the employees to understand the impact any pay reduction may have on their pension rights; and
- **Joiner packs** – These complement the joiner booklet and enclose information on AVCs and the paperwork needed to join the scheme.

2.5 Policy on promotion of the scheme to Prospective Members and their Employing Authorities

Our objectives regarding communication with prospective members are:

- to improve take up of the LGPS;
- the LGPS to be used as a tool in the attraction of employees; and
- our employers to be employers of choice.

The Pension Administration Section does not have direct access to prospective members which necessitates working with the employing authorities in the Fund to meet these objectives by providing the following communications:

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Overview of the LGPS leaflet	Paper based	On commencing employment	Via employers	New employees
Educational Sessions	As part of induction workshops	On commencing employment	Face to face	New employees
Promotional newsletters/flyers	Paper based	Ad Hoc	Via employers	Existing employees

2.6 Explanation of communications

- **Overview of the LGPS leaflet** – A short leaflet that summaries the costs of joining the LGPS and the benefits of doing so;
- **Educational sessions** – An opportunity to talk to individuals to provide an overview of the benefits of joining the LGPS;
- **Promotional newsletter/flyers** – These will be designed to help those who are not in the LGPS to understand the benefits of participating in the scheme and provide guidance on how to join the scheme.

2.7 Policy on promotion of the scheme with Employing Authorities

Our objectives regarding communication with employers are to:

- improve relationships;
- assist them in understanding costs/funding issues;
- work together to maintain accurate data;
- ensure smooth transfers of staff;
- ensure they understand the benefits of being an LGPS employer;
- assist them in making the most of the discretionary areas within the LGPS.

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Employers' Guide	Paper based	At joining and updated as necessary	Post or via email	Main contact for all employers
Newsletters	Electronic (e-mail) and paper based	As required	Post or via email	All contacts for all employers
Employers meeting	Face to face	As required / when contribution rate dictates	Invitations by email	All contacts for all employers
Pension Fund Report and Accounts	Paper based and employer website	Annually	Post or via email	Main contact for employers

2.8 Explanation of communications

- **Employers' Guide** – a detailed guide that provides guidance on the employer responsibilities including the forms and other necessary communications with the Pension Section and scheme members;
- **Newsletters** – a technical briefing newsletter that will include recent changes to the scheme, the way the Pension Section is run and other relevant information so as to keep employers fully up to date;
- **Employers meeting** – a formal seminar style event covering topical LGPS issues;
- **Pension Fund Report and Accounts** – details of the value of the Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

2.9 Policy on communication with Senior Managers

Our objectives regarding communication with senior managers are to:

- ensure they are fully aware of developments within the LGPS;
- ensure that they understand costs/funding issues;
- promote the benefits of the scheme as a recruitment/retention tool.

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All
Committee papers	Paper based and electronic	In advance of Pension Committee	Email or hard copy	All

2.10 Explanation of communications

- **Briefing papers** – a briefing that highlights key issues or developments relating to the LGPS and the Fund which can be used by senior managers when attending meetings;
- **Committee paper** – a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

2.11 Policy on communication with union representatives

Our objectives regarding communication with union representatives are to:

- foster close working relationships in communicating the benefits of the scheme to their members;
- ensure they are aware of the Fund's policy in relation to any decisions that need to be taken concerning the scheme;
- engage in discussions over the future of the scheme;
- provide opportunities to educate union representatives on the provisions of the scheme.

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All
Face to face education sessions	Face to face	On request	On request	All
Pension Committee meetings	Meeting	As and when required	Via invitation when appropriate	All

2.12 Explanation of communications

- **Briefing papers** – a briefing that highlights key issues and developments relating to the LGPS and the Fund;
- **Face to face education sessions** – these are education sessions that are available on request for union representatives and activists, for example to improve their understanding of the basic principles of the scheme, or to explain possible changes to policies;
- **Pension Committee meetings** – a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

2.13 Policy on communication with elected members/the Pensions Committee

Our objectives with regard to communication with elected members/the Pensions Committee are to:

- ensure they are aware of their responsibilities in relation to the scheme;
- seek their approval to the development or amendment of discretionary policies, where required;
- seek their approval to formal responses to government consultation in relation to the scheme.

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Training sessions	Face to face	As and when required	Face to face or via the Employers Organisation for local government	All members of the Pension Committee as well as other elected members
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All members of the Pension Committee
Pension Committee Meetings	Meeting	Monthly/quarterly/half yearly	Members elected onto Pension Committee	All members of the Pension Committee

2.14 Explanation of communications

- Training Sessions – providing a broad overview of the main provisions of the LGPS, and elected members’ responsibilities within it;
- Briefing papers – a briefing that highlights key issues and developments to the LGPS and the Fund;
- Pension Committee meeting – a formal meeting of elected members, attended by senior managers, at which local decisions to the scheme (policies, etc.) are taken.

2.15 Policy on communication with pension section staff

Our objectives regarding communication with pension section staff are to:

- ensure they are aware of changes and proposed changes to the scheme;
- provide on the job training to new staff;
- develop improvements to services, and changes to processes as required;
- agree and monitor service standards.

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Face to face training sessions	Face to Face	As required	By arrangement	All
Staff meetings	Face to face	As required, but no less frequently than monthly	By arrangement	All
Attendance at seminars	Externally provided	As and when advertised	By email, paper based	All

2.16 Explanation of communications

- **Face to face training sessions** – which enable new staff to understand the basics of the scheme, or provide more in depth training to existing staff, either as part of their career development or to explain changes to the provisions of the scheme
- **Staff meetings** – to discuss any matters concerning the local administration of the scheme, including for example improvements to services or timescales
- **Attendance at seminars** – to provide more tailored training on specific issues.

2.17 Policy on communication with tax payers

Our objectives with regard to communication with tax payers are to:

- provide access to key information in relation to the management of the scheme;
- outline the management of the scheme.

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Pension Fund Report and Accounts	Paper based and on website	Annually	Post	All, on request
Pension Fund Committee Papers	Paper based and on website	As and when available	Post	All, on request

2.18 Explanation of communications

- **Pension Fund Report and Accounts** – details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers;
- **Fund Committee Papers** – a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

2.19 Policy on communication with the media

Our objectives regarding communication with the media are to:

- ensure the accurate reporting of Fund valuation results, the overall performance of the Fund and the Fund's policy decisions against discretionary elements of the scheme.

Our objectives will be met by providing the following communications:

<i>Method of Communication</i>	<i>Media</i>	<i>Frequency of Issue</i>	<i>Method of Distribution</i>	<i>Audience Group</i>
Press releases	Paper based or electronic	Every three years following the valuation of the Fund, annually on the publication of the Fund accounts and as and when required for other matters	Post or email	Local press

2.20 Explanation of communications

- **Press releases** – provide statements setting out the Fund's opinion of the matters concerned (i.e. Fund valuation results).

2.21 Policy on communication with other stakeholders/interested parties

Our objectives regarding communication with other stakeholder/interested parties are to:

- meet our obligations under various legislative requirements;
- ensure the proper administration of the scheme;
- deal with the resolutions of pension disputes; and
- Administer the Fund's AVC scheme.

Our objectives will be met by providing the following communications:

<i>Method of Communication</i>	<i>Media</i>	<i>Frequency of Issue</i>	<i>Method of Distribution</i>	<i>Audience Group</i>
Fund valuation reports R&A certificate Revised R&A certificates Cessation valuations	Electronic	Every three years	Via email	Her Majesty's Revenue and Customs (HMRC)/all scheme employers
Details of new employers in the Fund	Hard copy	As new employers are entered the Fund	Post	HMRC
Formal resolution of pension disputes	Hard copy or electronic	As and when a dispute requires resolution	Via email or post	Scheme member, representatives, PAS/Pensions Ombudsman
Completion of questionnaires	Electronic or hard copy	As and when required	Via email or post	HMRC/the Pensions Regulator

2.22 Explanation of communications

- Fund Valuation Reports – a report issued every three years setting out the estimated assets and liabilities of the Fund as well as setting out individual employer contribution rates for a three-year period commencing one year from the valuation date;
- Details of new employers – a legal requirement to notify both organisations of the name and type of employer entered the Fund (i.e. following admission of third party service providers);
- Resolution of pension disputes – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute;
- Completion of questionnaires – various questionnaires that are received, requesting specific information in relation to the structure of the LGPS or the make-up of the Fund.

2.23 Performance Measurement - To measure the success of our communications with members, we use the following methods:

2.24 Review Process - We will review our communication policy to ensure it meets audience needs and regulatory requirements at least every three years. A current version of the policy statement will always be available on our website at www.barking-dagenham.gov.uk and paper copies will be available on request.

2.25 Timeliness - We will measure against the following target delivery timescales:

Communication	Audience	Statutory delivery period	Target delivery period
Scheme booklet / Brief Guide to the scheme	New joiners to the LGPS	Within two months of joining	Included with new joiner pack / day of joining the Council
Estimated Benefit Statements as at 31/03	Active members	On request	31 October of each year
Telephone calls	All	Not applicable	95% of phone calls to be answered within 30 seconds
Issue of retirement benefits	Active and deferred members retiring	Within two months of retirement	95% of retirement benefits to be issued with 5 working days of retirement
Issue of deferred benefits	Leavers	Within one months of withdrawal	Within one month
Transfers in	Joiners/active members	Within two months of request	Within one month
Issue of forms i.e. expression of wish	Active/Deferred members	N/A	Included within new joiner pack or upon request within five working days
Changes to scheme rules	Active/Deferred and pensioner members	as required	Within two months of the change coming into effect
Annual Pension Fund Report and Accounts	All	Within two months of request	Within five working days

2.26 Quality

<i>Audience</i>	<i>Method</i>	<i>To consider</i>	<i>Notes</i>
All member types	Annual paper base survey on completion of specific tasks	Service received during that task	One task to be chosen as and when required

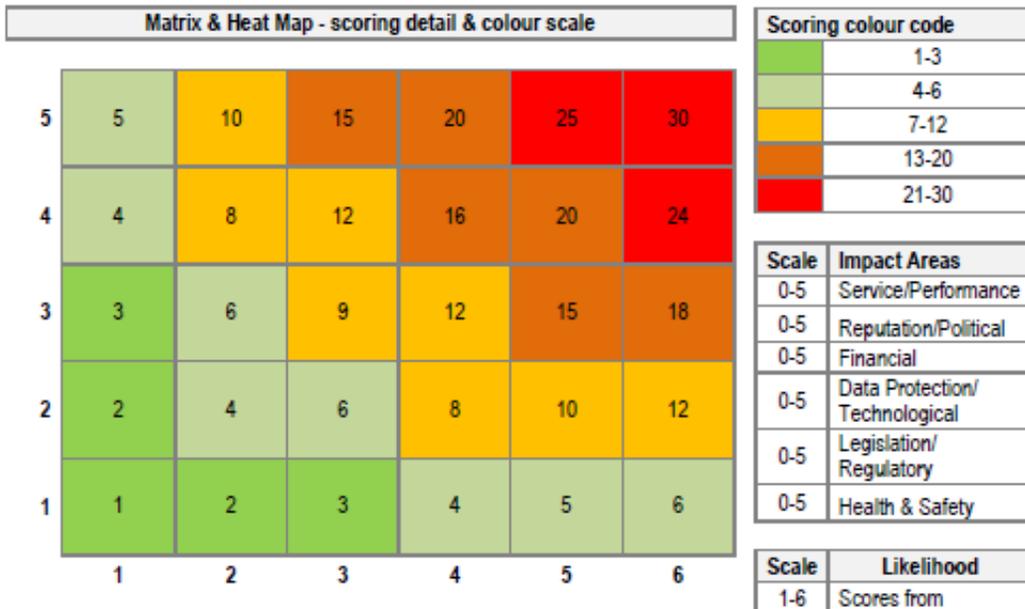
2.27 Results

We will publish an overview of how we are performing when appropriate to active members. Full details will be reported to our Pensions Committee.

Appendix 6: Pension Fund Risk Register

Key to the risk / impact

Scores between 0 and 5 are attributed to the impact of the risk. Scores between 0 and 5 are attributed to the likelihood of the risk from extremely unlikely (1) to extremely likely (6). The scores for each risk are combined and assigned red, amber or green in the heat map in accordance with the table below.



1 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Underlying financial information is incorrect	Information contained in Report & Accounts is inaccurate due to poor financial controls and recording of financial information leading to qualification of accounts and inaccurate valuations with financial and reputational impact	Finance		Reviewed August 2018 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Underlying financial information incorrect: Monitoring Reconciliations of key financial transactions.	Quarterly & annual reconciliations of all accounting data. Monthly reconciliation of cash book, bank accounts.	David Dickinson Jesmire Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - controls ongoing

2 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Poor stakeholder engagement	Poor communication with stakeholders giving rise to disaffection and actions against Council	Finance		Reviewed August 2018

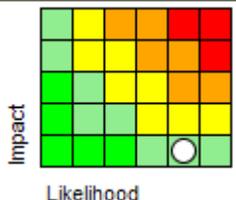
Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Poor stakeholder engagement and giving rise to disaffection and actions against Council	Annual Newsletter on Pension Fund, updates to any changes to scheme Website, presentations. Employer meetings, communications strategy AGM. Pension Specific Website. Increase in FTE.	David Dickinson, Justine Spring	Jo Moore	30 June 2024	Reviewed August 2019

3 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Reliance on External Systems	Reliance on external systems in all aspects of Pensions which includes Lloyds, Northern Trust, Fund Managers, Heywood, Logotech. Failure of systems could result in significant issues.	Finance		Updated April 2018 - risk merged with several separate risks which dealt with risks to individual systems. Systems failure impacts all areas of Pensions.

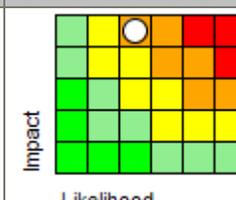
Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
BCP and manual processes	BCP includes use of manual process in emergency, backing up of records, working from home etc. The administration is provided through a hosted environment with a number of disaster recovery options.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018

4 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Recruitment and retention of experienced Treasury and Pensions staff	The Authority is unable to recruit or retain experienced or suitably qualified staff because the salaries offered are not competitive, the working environment is unattractive or the authority has a bad reputation as an employer.	Finance		Reviewed August 2018

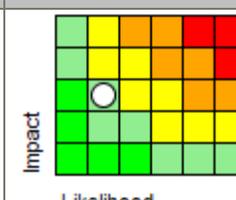
Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Continuity of team and ability to cover different roles plus appropriate pay levels	Ensure continuity by having other members of the team able to cover essential functions. Benchmarking of salaries for the section both against other local authorities and private sector.	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018- ongoing with controls in place
Detailed policies and procedures in place to enable others to take on key tasks	Ensure policies and procedure notes which enable others to take on key roles. Involvement different team members to ensure specialist knowledge not confined to a few individuals	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing with controls in place

5 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Pension Overpayments	Pension Overpayments arising because of non-notification of death, re-employment, or ceasing education. This has financial and reputational consequences.	Finance		Reviewed August 2018 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Pension Fraud: NFI & Tell Us Once	Management of NFI matches and follow up. Checks through other companies that carry out data checks. A tracing agent appointed to run quarterly reports on members to ensure the pension fund database is up to date and prevent overpayments of pensions.	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

6 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Management of Third Party Contracts – lack of control could result in financial and reputational risks	Pensions manage in excess of 20 external contracts, which carry significant financial and reputational risks if not managed appropriately - for example leading to higher costs or legal challenges,	Finance		Fund managers' performance actively reviewed quarterly. Benchmarking undertaken and research undertaken. Reviewed August 2018 - ongoing

7 Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Contract Monitoring and Service Level Agreements	Regular monitoring of key contracts, including performance monitoring, service level agreements, reviewing internal controls reports	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Market Testing of contracts and benchmarking	Market testing of contracts through procurement exercises and/or benchmarking of costs regularly	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Market Intelligence gathering	Regular reviews of developments in the market place to ensure the section maintains up to date knowledge and can act on market intelligence such as changes to financial standing	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

8 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Increased Longevity	Pensioners living longer, drawing pensions for longer than accounted for within the funding position leading to increasing liabilities giving rise to higher costs and major financial implications. Longevity Risk.	Finance		Reviewed August 2018 - ongoing

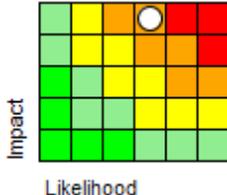
Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
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Monitoring of Pension Fund position	Controls in place to monitor developments with Fund Actuary and Triennial valuations, targeting increased funding level to manage increased longevity. A flight path structure will be developed and implemented during the year to allow opportunities in funding level to be acted on.	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Raising retirement ages to match increasing longevity	Scheme retirement age of State Pension Age changes Retirement and a linking of future increases in longevity with increasing retirement age, then it would be possible to downgrade this risk rating.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Fund profiling to monitor specific experience	Club Vita membership to annually monitor the LBBB specific fund longevity profile	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

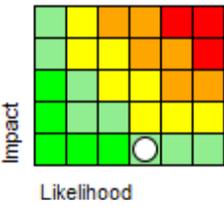
9 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Asset/Liability mismatch	Assets and liabilities impacted by investment performance. Assets could fail to increase at the same rate as liabilities giving rise to a larger deficit and therefore increased cost to the Pension Fund	Finance		Reviewed April 2018 - Risk likelihood has increased slightly as this has actually happened, and otherwise the risk is ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Asset Pooling	Keep up to date on DLUHC's consultation on asset pooling by 2025.	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed in 2023- On-going
Asset allocation reviews	Controls in place to monitor assets and liabilities of the pension fund and to review asset allocation on a regular basis to ensure it remains appropriate.	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Use of external advisers	Actuarial and investment advisor advise the Fund on how to manage the asset/liability mismatch	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 – ongoing.
Strategic goal Setting	Set strategic goals to achieve full funding, set targets to make changes to the assets when appropriate.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2022 – ongoing but next main review after the 2025 triennial valuation

10 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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Investment Performance	Poor investment performance either as a result of the types of assets invested in or performance of individual fund managers.	Finance		August 2018 - Risk reviewed and ongoing
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Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Medium Term Financial Planning	MTFP / Budget reflects any potential changes arising (or predicted to arise) from the actuarial valuations.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Set aside reserves	Rebuilding Pensions reserve to buffer against future valuations variations.	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Performance Monitoring	Regular monitoring of asset allocation, monitoring of investment performance of fund managers to ensure both are on target to achieve the targeted returns.	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Appropriate levels of knowledge and skills to make decisions	Use of external advisers to assist in making investment decisions and ensuring that decision takers understand the investments of the fund	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Derisking of Fund when appropriate	At various staged the Pension Fund will be in a better funding position and a strategy is in place to allow the Fund to take advantage of these opportunities when they arise.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

11 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Poor Membership Data	Poor administration by the Pension Fund, employers and payroll providers participating in the Fund giving rise to inaccurate data – causing financial, reputational risks, actuary unable to set contribution rates, higher contribution rates, member dissatisfaction, inaccurate benefit statements produced, overpayment etc	Finance		Reviewed August 2018 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Monitoring of membership data	Controls – annual monitoring of membership records, valuation checks, external data validations	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Contributions monitoring	Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

12 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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Discretionary Policies	Regulations allow the Pension Fund and employers certain areas where they are able to exercise discretion. Risk is where policies are too generous or not robust enough leaving the Pension Fund and employers exposed to higher costs and reputational risks	Finance		Reviewed August 2018 - ongoing
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Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Discretionary Policies in place	Controls – Agreed policies and procedures to control such risks.	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Awareness of employers	Ensuring that employers are aware of the additional costs that could arise from the exercise of their discretions or lack of policy.	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

13 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Regulatory Risks	Regulatory Risks encompass both compliance with existing legislation and regulatory changes – this particularly affects LGPS 2014 changes, pension auto-enrolment and Jackson reforms for insurance	Finance		Reviewed August 2018 - The Investment Regulations 2016 removed some of the existing prescriptive means of securing a diversified investment strategy and placed the onus on authorities to determine the balance of their investments and take account of risk. The Secretary of State has the power to intervene to ensure the more flexible legislation is used and the guidance on pooling is adhered to.

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Regulatory Changes – monitoring developments and responding to changes	Monitor proposed changes and respond to consultations to influence outcome. Amend systems, processes to ensure compliance, use of specialist advisors to prepare for anticipated changes	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Compliance with regulation policies	Ensure processes and policies in place to meet regulatory compliance	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Compliance with regulation knowledge and skills	Ensure adequate training and specialist knowledge and skills for both staff and Members charged with governance	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

14 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Admission/Scheduled Body failures or deficits on termination	Risk employer goes into default, deficit on termination, change of status, financial risk	Finance		Updated August 2018 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Admission/Scheduled Body failures or deficits on termination	Controls – valuation and Intervaluation monitoring, monitoring of contributions, employer covenant check, putting bonds/guarantees in place for admission bodies. Ensure funding levels remain high for individual employers.	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

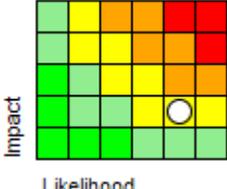
15 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Pension Administration Risk	Risks arising from administration of pensions by employers, the administering authority and the pension administrator. Poor administration could lead to incorrect pension payments, financial and reputational damage	Finance		Updated August 2018 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Clear policy and procedures for the administration of pensions	Ensuring there are detailed policies and procedures for all parties involved in administering the pension scheme – Pension Administration Strategy	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Monitoring of Performance	Benchmarking of performance against other authorities	David Dickinson Justine Spring	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

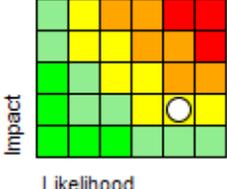
16 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Pensions- Lack of adequate professional advice on strategies, projects and decisions	Decisions made in respect of Pensions can have a major financial impact on the Council and Pension Fund. Lack of adequate or inappropriate professional advice on strategies, projects and decisions could give rise to financial and reputational risks.	Finance		Updated August 2018 - ongoing

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Monitoring of advice	Controls – monitoring of advice received, risk assessment for procurements, Committee review of recommendations. Also ensure there is a good level of 'in-house expertise'.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Market intelligence gathering	Monitoring wider developments and ensuring that officers and Members are kept informed. Wider networking and collaboration with other authorities where appropriate to ensure best practice.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

17 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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Failure to manage costs	Failure to manage the costs of running the various services within Treasury and Pensions would give rise to significant additional financial costs for the Council along with reputational risks of poor value for money.	Finance		Reviewed Jan 18 - upgrade due to potential additional costs arising from regulatory changes LGPS 2016, Auto-Enrolment
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Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Budget Monitoring	Controls budget monitoring, performance fees, monthly budget monitoring, financial intelligence, etc	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Benchmarking	Benchmarking costs with other authorities to ensure costs for LBBB are not disproportionate	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Market Testing	Regular market testing of external costs which includes regular procurement exercises, assessing the market place for both pensions and insurance costs	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Frameworks/ Collaborative Working	Consider the use of Framework Agreements and other joint working where appropriate to control costs and to work with other authorities to deliver value for money and efficiency savings	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

18 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Pension Funding Risk	The fund is unable to meet its liabilities, due to a mismatch of assets/liabilities. The Funding position as at March 2017 showed 78% funding position. Further deterioration of the funding position from poor asset returns or increasing liabilities could result in the Council and other employers being required to make significant additional employer contributions.	Finance		Reviewed Jan 2018

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Medium Term Financial Planning	MTFP / Budget reflects any potential changes arising (or predicted to arise) from the actuarial valuations. Rebuilding Pensions reserve to buffer against future valuations variations. The current financial strategy ensures that the base budget anticipates changes to contribution levels.	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Pens - Valuation Monitoring	Triennial Valuation assesses the funding position, Intervaluation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration are put in place.	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Identifying the external risk factors that affect the funding position	Identifying the various risk factors, asset/liability, investment, longevity, interest rates, inflation, liquidity, etc and how the interaction of these impacts on the funding position and adapting the strategy and business plans to manage these risk where feasible.	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Knowledge and Skills	Ensuring those charged with governance of the Fund and for managing the day to	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

	day operations have the requisite knowledge and skills to make informed decisions when managing the funding position	Jesmire Anwar			
Cash flow Monitoring	Quarterly monitoring of Pension Fund cashflows to ensure that there is sufficient cash inflows from contributions and income to meet the cash outflows from benefit and cost payments. This will also provide early warning of potential cashflow mismatch and possible changes to investment strategy. Longer term cash flow monitoring in conjunction with the Fund Actuary to establish trigger points for the Fund becoming cashflow negative.	David Dickinson Jesmire Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

19 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Auto Enrolment Risk	Workplace Pensions or Auto-Enrolment. LBBB staging date was 01/04/2016 (with transitional arrangements pushing back full implementation to October 2017). Risks include increased costs for employers, failure to implement, lack of preparation, failure to communicate, inability to manage auto-enrol process and have adequate monitoring in place. Significant financial (including Regulator Fines) and reputational risks	Finance		Risk Reviewed May 2018.

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Auto Enrolment Risk Communications	Use of different forms of communications to reach wider possible audience to understand what A-E means for individuals and employers within the Pension Fund. Use of individual letters, presentations, internet, etc. Communications strategy to feed into project plan	Justine Spring, David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Auto Enrolment Risk System Enhancements	Review of existing systems both payroll and pension to ensure that they are able to cope with the implementation of A-E and to ensure that they are adequate to cope with the ongoing monitoring requirements.	Justine Spring, David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Auto Enrolment Risk Monitoring	Monthly monitoring of A-E to ensure all new employees are auto-enrolled and to ensure that any existing employees who were previously not eligible or who had previously opted out are auto-enrolled should their circumstances change. Use of payroll/ pension to ensure compliance with legislation.	Justine Spring, David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

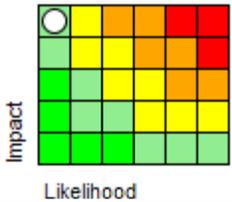
20 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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Governance Risk	Governance is important in Pension Fund as it carries significant financial and reputational risks. It is therefore crucial that those charged with governance understand the full implications of the decisions which are being taken in these areas. Membership turnover on Committees poses risks due to lack of understanding of the responsibilities.	Finance		Risk added January 2018
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Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Governance Risk A – Knowledge and Skills Training Programme	Training programme for Committee Members to ensure that they have the requisite knowledge and skills to be in a position to question and understand the agenda and recommendations put before them to make high level strategic decisions.	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Governance Risk B – Assessment	Committees to undertake assessment to ensure that their level of understanding is adequate for the decisions being made.	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Governance Risk C – S161 Responsibilities	CIPFA have issued a Code of Practice on the Knowledge and Skills Framework for the Pension Fund and the Section 151 Officer has responsibility for the implementation of its requirements. The COO will ensure that the Code is implemented and that a policy statement is included in the Annual Report & Accounts	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Governance Risk D – Succession Planning for Committee	Succession planning to ensure some continuity of Membership and the introduction of substitute members with access to suitable training will help to ensure that the knowledge base is maintained within Committees.	David Dickinson Jesmine Anwar	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

21 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Procurement Risk	Treasury and Pensions is heavily reliant on the use of external contractors in all areas. All the contracts have to be tendered on a regular basis which brings procurement risks in terms of both timetables for procurement (often several procurements having to take place at the same time) and potential challenges to procurements.	Finance		Risk created Jan 2018

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Ensuring adequate resources	The Council will look to use external advisers to supplement internal resources when undertaking procurement exercises.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Timing of Procurements	Where feasible, procurement exercises will be spread across different time periods, although this is not always feasible.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Collaborate with other authorities	Where the timing and scope of procurement exercises are likely to coincide with other authorities and where practical to do, joint exercises including Frameworks will be undertaken.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing

22 Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Internal Fraud within Team	Treasury and Pensions is involved in the management of large scale financial resources on behalf of the Council and there is a potential risk that the area could be subject to internal fraud leading to significant financial and reputational risks	Finance		Risk Reviewed April 2018

Control Title	Control Description	Responsible Officer	Manager	Due Date	Control - Latest Note
Internal Fraud A – Policies and Procedures	Detailed policies and procedures and internal controls to ensure segregation of duties for key roles	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Internal Fraud B – Internal Audit	Treasury and Pensions is subject to internal audit scrutiny on an annual basis with different areas being tested to ensure compliance.	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing
Internal Fraud C – External Audit	All aspects of the work of Treasury and Pensions are subject to annual external audit covered by the audit of the Financial Statements with the Pension Fund also being subject to a separate audit opinion	David Dickinson	Jo Moore	30 June 2024	Reviewed August 2018 - ongoing