London Borough of Barnet Pension Fund Investment Strategy Statement

1. Introduction and background

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

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

1.3 The ISS, which was approved by the Committee on [2 November 2023], is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

1.4 The last Investment Strategy Statement was approved on 24 February 2021. Appendix C sets out changes made relative to 24 February 2021 ISS.

1.5 The Committee seeks to invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund (however, note Cash Management Strategy under paragraphs 3.2 to 3.4).

1.6 The ISS should be read in conjunction with the Fund's Funding Strategy Statement dated March 2023.

2. The suitability of particular investments and types of investments

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

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

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

2.3 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.

2.4 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.

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

- Every three years following the actuarial valuation, the Fund undertakes an asset liability modelling exercise. This exercise focuses on key risk metrics of probability of success (how likely is the Fund to be fully funded over the agreed funding period) and downside risk (how poor could the funding position become in the worst economic outcomes).
- Within each major market the Fund's investment managers will maintain a diversified portfolio of securities through direct investment or via pooled vehicles. An Investment Management Agreement is in place for each
- investment manager, which sets out the relevant benchmark, performance target and asset allocation ranges, together with further restrictions.
- This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

2.6 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

2.7 The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation. Officers may bring proposals to the Pension Fund Committee to rebalance asset allocation – discussions around the Fund's approach to rebalancing were had at the [December 2022] Pension Fund Committee meeting.

Investment of money in a wide variety of investments Asset classes

2.8 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.

2.9 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.

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

Table 1 - Fund asset allocation

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

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

3. Protocols for managing assets outside Pension Fund Committee cycle

3.1. Protocols for managing assets outside the Pension Fund Committee cycle are described below. The protocols cover:

- Cash Management
- Re-balancing
- Urgent situations

Cash Management Strategy

3.2. The Fund does not have a strategic allocation to cash. This is because, in general, cash is a low yielding asset class and not suitable for a pension fund looking to maximise return subject to an acceptable level of risk. However, there are occasions where the level of cash held by the Fund is materially high. This could happen for a number of reasons:

- Distributions from managers, particularly Private Market managers, can be lumpy and there may be some time before another manager is selected and the distribution can be re-invested;

- A shift in strategy may necessitate a temporary holding in cash;

- The Fund may need to disinvest from a specific manager or asset class due to particular market factors;

- The timing of contributions does not equal benefit payments – an issue where there is any prepayment of employer contributions, as what happened following the 2019 Valuation.

3.3. To drive better performance from the Fund's cash assets the Barnet Pension Fund employers a Cash Management Strategy that was considered and agreed at the 31 January 2023 Pension Fund Committee meeting. The Cash Management Strategy involves utilising Money Market Funds and Trade Finance Funds. To manager overall risk, the Cash Management Strategy employs two Trade Finance managers for diversification reasons and limits total exposure to each Manager to £30m.

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

	Strategy	Number of BPF Funds
Tier 1 (Current Account)	Minimise allocation to manage day-to-day cash flow.	N/A
Tier 2 MMF (Primary)	Invest balance between Tier 1 and Tier 3. This will be the Fund's primary destination for cash balances unless the Fund is expected to hold significant levels of cash for a sustained period. To manage exposure to one manager, cash will be allocated broadly equally between each MMF.	2 (LGIM / Aberdeen)
Tier 3 Higher yield (Secondary)	Officer discretion to invest up to £30m for each Tier 3. Investment in Tier 3 will be subject to managing appropriate liquidity through cashflow forecasting.	2 Allianz / Pemberton

Re-Balancing and urgent situations

3.5. re-balancing protocols allows Officers to more easily maintain the strategic allocation determined by Pension Fund Committee.

3.6. In addition, whilst there are broader mechanisms to make urgent decisions outside of the Committee cycle, but these are not well defined and do not necessarily include Pension Fund Committee members. Officers therefore feel having a well-defined protocol for an urgent situation is a matter of good governance.

3.7. The table on the next page sets out protocols for managing re-balancing and urgent situations:

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

Delegation Type	Protocol	Rationale
	the situation and steps taken to steps taken to protect the Pension Fund. The report will be shared for noting at the next Pension Fund Committee meeting.	

4. Managers

4.1 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.

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

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

4.4 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.

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

Funding risks

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

The Committee measure and manage funding risks as follows.

4.6 The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. This analysis was last conducted in July 2023. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

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

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

Asset risks

Asset Risk	Description
Concentration	The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
Illiquidity	The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
Currency risk	The risk that the currency of the Fund's assets underperforms relative to sterling (i.e. the currency of the liabilities).
Environmental, social and governance ("ESG")	The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
Manager under-performance	The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows.

4.9 The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. Protocols for managing any re-balancing are described within this statement. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as liquid diversified growth funds, the Committee has recognised the need for access to liquidity in the short term.

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

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

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

Other provider risk

Asset Risk	Description
Transition risk	The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.
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.

4.13 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.

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

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

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

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

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

5.3 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.

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

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

5.6 The Fund holds 19% of its assets in life funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.

5.7 In addition the Fund has already transitioned other assets into the London CIV with a value of 32% of the assets and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

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

Structure and governance of the London CIV

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

6. Responsible Investment

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

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

Beliefs

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

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

6.4 The Committee has set the following guiding principles for formulating the Fund's Net Zero strategy:

- **Leading and credible voice:** Our framework should provide a platform for Barnet to be a leading voice in discussions around targeting a Net Zero strategy for an LGPS Pension Fund
- **Ambitious and measurable:** our target should be evidence based, credible, measurable and ambitious
- **Risk and return focused:** We should not compromise risk or return potential in targeting a Net Zero strategy
- **Wider Council alignment:** We should echo the wider targets set by the Council

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

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

Implementation of Beliefs

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

- The majority of passive quoted equities are currently invested in line with either market capitalisation or a value based index. Consideration will be given to changing the indices to one's that incorporate ESG factors into the selection of investment particularly with the aim of reducing exposure to climate changing emissions and preferring companies with good social and governance practices.

- Consideration of moving assets from passive equities to pooled active equities that have a strong sustainability approach to the selection of investments.

- Consideration of investing into other products offered by the London CIV that focus on opportunities with sustainability characteristics e.g. renewables.

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

- Periodic qualitative and quantitative reviews of the ESG risks within the portfolio and consideration of alternatives.

Social Investment

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

Reporting of Responsible Investment Outcomes

6.9 It is expected that the Fund will be required to manage and monitor its exposure to climate change using the framework developed by the Taskforce on Climate-related Financial Disclosures. The Fund will develop its approach to compliance with the framework durin0g 2021 & 2022. Where possible, reporting will also incorporate the social and governance aspects to RI. In doing so, the Fund will take a long-term view on RI, including the direction of travel as well as the current implementation.

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

Voting rights

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

Stewardship

6.12 The Fund fully endorses the principles embedded in the Stewardship Code. The Fund will be reviewing this position during 2024-25 and will consider becoming a signatory to the Code as part of this review.

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

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

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

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

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

Approved by:

London Borough of Barnet Pension Fund Committee 24 February 2021

Appendix A – Approach to Risk

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

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

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

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

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

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

Demographic risk: This relates to the uncertainty around longevity. The Committee recognises there are effectively no viable options to mitigate these risks and assesses the impact of these factors through the Funding Strategy Statement and formal triennial actuarial valuations.
Counterparty risk: This risk relates to the counterparty in a financial transaction failing to meet its obligations to the Fund. The Committee has set guidelines with its fund managers and its custodian to limit its exposure to counterparty risk by specifying minimum credit ratings and credit limits. It has similarly applied this strict criteria within its stock lending agreements to mitigate counterparty risk in these transactions.

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

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

Appendix B – CIPFA Compliance

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

Principle 1: Effective decision-making

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

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

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

Principle 2: Clear Objectives

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

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

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Compliant. The investment strategy is reviewed annually and updated to take account of the latest actuarial information. Risk of sponsor or fund default is irrelevant as the London Borough of Barnet Pension Fund benefits are guaranteed by law.

Principle 4: Performance Assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.

Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Part Compliant. The performance of the Fund's investments is monitored on a quarterly basis by officers and also the adviser, Hymans Robertson. The Committee is looking into how to assess the performance of decisions taken.

Principle 5: Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt the Institutional Shareholder’s Committee Statement of Principles on the responsibilities of shareholders and agents.

A statement of the scheme’s policy on responsible ownership should be included in the Statement of Investment Principles.

Trustees should report periodically to members on the discharge of such responsibilities.

Compliant. Investment managers employed by the fund have clear corporate governance policies. The Pension Fund Committee has an approved voting policy.

Principle 6: Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

Trustees should provide regular communication to members in the form they consider most appropriate.

Compliant. The Committee publishes documents including the Investment Strategy Statement, Funding Strategy Statement, Corporate Governance policy and committee meeting minutes on the London Borough of Barnet website. Annual reports and accounts are also published on the website.

Appendix C – Version History

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

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

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