MEETING
LOCAL PENSION BOARD
DATE AND TIME
MONDAY 11TH SEPTEMBER, 2017
AT 7.00 PM
VENUE
HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ

TO: MEMBERS OF LOCAL PENSION BOARD (Quorum 3)

Chairman: To be appointed
Vice Chairman: To be appointed

Tom Evans	Stephen Ross	Salar Rida
Geoffrey Alderman	Councillor Daniel Thomas	

Substitute Members

Councillor Sury Khatri	Hem Savla	Vacancy

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is 6 September at 10AM. Requests must be submitted to Kirstin.Lambert@barnet.gov.uk

You are requested to attend the above meeting for which an agenda is attached.

Andrew Charlwood – Head of Governance

Governance Service contact: Kirstin Lambert

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Appointment of Chariman and Vice-Chairman	
2.	Minutes of last meeting	5 - 6
3.	Terms of Reference for the London Borough of Barnet Pension Board	7 - 14
4.	Disclosable Pecuniary interests and Non Pecuniary interests	
5.	Absence of Members	
6.	Public Question and Comments (if any)	
7.	Report of the Monitoring Officer (if any)	
8.	Members' Items (if any)	
9.	Compliance with Statements and Polices	15 - 82
10.	Issue of Regulatory Intervention	83 - 92
11.	Pension Administration Report	93 - 134
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13.	Any other item(s) the Chairman decides are urgent	

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Decisions of the Local Pension Board

25 April 2017

Members Present:-

AGENDA ITEM 2

Chairman: Councillor Brian Salinger
Vice Chairman: Geoffrey Alderman

Tom Evans Stephen Ross Salar Rida

Also in Attendance:
Iain Miller – Head of Treasury
Gillian Clellan – Finance Officer
Paul James – Director of Resources Capita
Hem Savla – Substitute Board Member

1. MINUTES OF LAST MEETING

It was **RESOLVED** that the minutes of the previous meeting held on 25th January 2017 be agreed as a correct record.

2. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS

Tom Evans disclosed a non-pecuniary interest by virtue of working for capita as an employee.

3. ABSENCE OF MEMBERS

None.

4. PUBLIC QUESTION AND COMMENTS (IF ANY)

None.

5. REPORT OF THE MONITORING OFFICER (IF ANY)

None.

6. MEMBERS' ITEMS (IF ANY)

None.

7. PENSION ADMINISTRATION REPORT

Paul James (Director of Resources Capita) introduced the report to the Committee and notified Members that any comments or recommendations would be implemented where possible.

Mr Ross requested that the data included in future reports be presented in a more transparent way, with totals of data being included and more information about what the numbers relate to. Mr Evans agreed and asked that the table show comparisons between Barnet's scheme and a normal SLA scheme.

Mr Rida asked whether the current process could be streamlined. Mr James said that streamlining is an on-going process and they will continue to commit to improving this.

Mr James informed the Committee that a formal communications strategy was being drawn up and would be brought back for the Committee. The Chairman asked that a report on this be brought to a future committee meeting and added to the forward work programme. The Chairman said that he felt that whilst as much should be done electronically as possible, it was important to recognise that there will be some people that cannot be targeted electronically, so these individuals must also be kept in mind.

Mr Evans commented on the lack of data in relation to complaints and asked what the numbers of complaints were. Mr James said he would provide statistics on this and a comparison to other Local Authorities in a future report, but there had been no increase in complaints.

Mr Savla enquired what the threshold for 'significant amounts' in respect of benefit statements was. Mr James said he was not sure of the exact figure but it was a small amount. Mr Savla also asked how the risk of those that migrate abroad is managed. Mr James stated Capita have a life certification scheme each year to check that those who have moved abroad are still alive and entitled to recite of a pension. He said data on this would also be included in a future report.

Mr Evans requested that Members of the Committee be provided with visibility of performance indicators. Mr James agreed that this could be provided.

RESOLVED – That the Committee noted and made comments on the report.

8. COMMITTEE WORK PROGRAMME

The Chairman asked that the Communications Strategy Report be added to the Work programme to be brought to the next meeting.

The Committee agreed the provisional dates for meetings of the Local Pension Board for 2017-2018.

9. ANY ITEM(S) THE CHAIRMAN DECIDES ARE URGENT

The Chairman announced that Iain Millar would be leaving Barnet and that this was his last meeting. He thanked Iain for all the support he has given to the Board.

The Chairman announced that he would become Mayor on the 23rd May and that membership of Committees would be finalised after Annual Council.

The meeting finished at 7.48pm

Terms of Reference for the London Borough of Barnet Pension Board

The purposed of this document is to set out the detailed Terms of References for the Local Pension Board of the London Borough of Barnet Pension Fund.

AGENDA ITEM 3

1. Role of the Local Pension Board

1.1 The role of the local Pension Board, as defined by sections 5(1) and (2) of the Public Services Pension Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Governance Regulations 2013.

- To assist with:
  - securing compliance with LGPS Government regulations and any other legislation relating to the governance and administration of the LGPS
  - securing compliance with the requirements imposed in relation to the PGPS by the Pensions Regulator.
  - such other matters that the LGPS regulations may specify

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

- Ensure the Pension Fund's strategy and policy documents are in place and have been maintained in accordance with the LGPS Regulations. These documents are the: communications policy statement; funding strategy statement; governance compliance statement; statement of investment principles and the Pension Fund annual report and accounts.

- Ensure the Pension Fund's internal Risk Register is in place and reviewed at least annually.

- Review the Pension Fund's performance in complying with the requirements of the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS.

- Review the Pension Fund's performance in complying with the requirements of the Pension Regulator.

- Annually submit a proposed work plan for the forthcoming financial year, to the Pension Fund Committee.

- To carry out any other activities relating to the efficient governance and administration of the Pension Fund.

- To submit an annual budget to the Barnet Pension Fund Committee for approval.

1.2 The Local Pension Board does not replace the Administering Authority or make decisions or carry out duties other duties which are the responsibility of the Administering Authority (refer to Compliance statement). The Pension Board is an advisory/scrutiny board and does not have decision making powers.

1.3 The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility and secure compliance with any requirements imposed by the Pensions Regulator.

2. Appointment of members of the Pension Board

2.1 All Board members will be appointed by Full Council. It is a statutory requirement (section 248A of the 2004 Act) that the Administering Authority must be satisfied that every individual member of the Pension Board is;

2.2 conversant with;

- the legislation and associated guidance of the Local Government Pension Scheme
- any document recording policy about the administration of the fund which is for the time being adopted by LBB Fund; and

2.3 have knowledge and understanding of;

- the law relating to pensions; and
- such other matters as may be prescribed

3 Rules governing Membership the Local Pension Board

3.1 Local Pension Boards must include an equal number of employer and member representative with a minimum requirement of no fewer than four in total.

3.2 No officer or Councillor who would is responsible for the discharge of any functions under the Regulations (apart from any relating to LPB) may be a Member of the Local Pension Board of that authority.

3.3 Officer precluded would be any officer named in the scheme of delegation (e.g. Section 151 Officer and the head of investments). The guidance also states that consideration should be given as to whether officers of the Fund at a senior level, who are not named in the formal scheme of delegation, but who are responsible for discharging functions under the Regulations, should be precluded from being a member of the LPB.

4 Composition of the Board

4.1 The Board shall consist of 5 members constituted as follows:

- 2 Council representatives (employers side) comprising:
  - 1 Councillor who is not a member of the Pension Fund Committee
  - 1 employer representative from an admitted or scheduled body (e.g. Re, CSG or Middlesex University)

- 2 scheme member representatives (employee side) comprising:
  - 1 active member
  - 1 retired/deferred member

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

4.2 Independent and Scheme Members shall be appointed following a public recruitment, selection and interview process.

5. Chairman and Vice-Chairman of the Board

5.1 The Chairman and Vice-Chairman of the Board will be appointed by Members of the Board as the first business at their first meeting.

5.2 Should the elected Chairman be an Employer representative the Vice-Chairman must be a Scheme Member representative and vice versa.

NB: Independent member cannot be appointed Chairman or Vice-Chairman.

6. Substitute Members

6.1 Each member will have a substitute to act as Board member in their absence, which will be recommended following a recruitment process consistent with their own appointment. These nominations will be approved as part of the overall appointments made by Full Council.

NB: The independent member shall not have a substitute.

7. Quorum

7.1 The Pension Board will be quorate when three voting Pension Board Members are in attendance.

8. Period of Office

8.1 Each Board member shall be appointed for a fixed period of four years, which will usually occur at the Annual Council meeting.

9. Termination of office

9.1 Each Board member will be expected to attend all meeting and training sessions during the year. The membership of any member who fails to attend two or more meetings shall be reviewed and determined by other Board members in consultation with officers.

9.2 The removal of a member from office during their term of appointment an only be enacted by the unanimous agreement of the other members present at the meeting.

9.3 In absence of mitigating factors a Board member can be removed from the Board in the following circumstances (but not limited to):

- A poor attendance record;
- If a member does not undertake training as requested;

- If a member is In breach of Council's Code of Conduct, Pension Board Code of Conduct and Conflict of Interest policy;
- If a member has a conflict of interest that cannot be managed in accordance with the Board's conflicts policy.

9.4 Should the Council representative members, or the active scheme member(s) cease to be Council representatives or active scheme members, he/she will automatically cease to be a member of the Board and the Administering Authority will conduct a replacement process.

95. If a Board member chooses not to continue their role, they must provide a written notice of their resignation from their post to the Governance Service. The notice period shall be two months. Once the written notice is received the Board shall be notified accordingly and arrangements shall be made for a replacement in line with the procedures for their original appointment.

10. Voting Rights (this is dependent on makeup of the Board)

10.1 The Independent Member will not have any voting rights. All other members of the board will be entitled to vote.

10.2 In the event of an equality of voted the Chairman will have the casting vote.

11. Frequency of meeting

11.1 The number of meetings a year should be in alignment with the number of the Pension Committee meetings year, or should be determined by the Board once it has agreed a work plan, with a minimum of two meetings annually.

12. Notice of meeting and circulation of papers

12.1 In accordance with the Access to Information Procedure Rules as set out in the Council's Constitution.

13. Minutes

13.1 In accordance with the Access to Information Procedure Rules as set out in the Council's Constitution.

14. Accountability and reporting

14.1 The Board is accountable solely to the Council for the effective operation of its functions.

14.2 The Board shall report to the Pensions Committee as often as the Board deems necessary and at least annually:

- a summary of the work undertaken;
- the work plan for the next 12 months;
- details of training received and planned; and
- details of any conflicts of interest and how they were dealt with.

On certain matters the board will report directly to Council;

14.3 The Board shall report annually to Full Council on its work.

14.4 It will also and as necessary from time to time to report to Full Council any breach in compliance or other significant issues such as:

- any areas of persistent non-compliance
- any area of non-compliance within the LGPS Regulations that have been reported to the Pension Fund Committee
- areas raised to the Board to be investigated and how they were dealt with;
- any risks or other areas of potential concern it wishes to raise;

15. Code of Conduct

15.1 All members of the Board are expected to act in accordance with Barnet Council's Code of Conduct for Councillors, and where applicable and the Pensions Regulator's Code of Practice.

16. Conflicts of interest

16.1 All members of the Board must declare on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Board.

16.2 In accordance with s5(5) Public Service Pension Act 2013, a Board member must not have a financial or other interest that could prejudice him/her in carrying out his/her Board duties. This does not include a financial or other interest arising merely by virtue of being a member of the LGPS.

16.2 On appointment to the Board and following any subsequent declaration of potential conflict the conflict must be managed in line with the Council's Members Code of Conduct, the Local Government Pension Scheme (LGPS) Guidance on Conduct of Members and Conflicts of Interest, the requirements of the Public Service Pensions Act 2013 and the requirements of the Pensions Regulator's codes of practice on conflict of interest for Board members.

17. Knowledge and understanding including training

17.1 All new members must follow an induction training plan and all members of the Board will be expected to attend the training provided to ensure that they have the requisite knowledge and understanding to fulfil their role.

17.2 All members must be prepared to participate in such regular personal training needs analysis or other processes as are put in place to ensure that they maintain the required level of knowledge and understanding to carry out their role.

17.3 Failure to attend training or participate in the processes may lead to membership being reviewed.

18. Definitions

The undernoted terms shall have the following meaning when used in this document:

Administering Authority	London Borough of Barnet
Board or Pension Board	The local Pension Board for the London Borough of Barnet, Administering Authority for the London Borough of Barnet Pension Fund as required under the Public Service Pensions Act 2013
Board Member	A member of the Board including Employer representatives, Scheme Member representatives and an independent member
Code of Practice	The Pensions Regulator's [draft] Code of Practice no 14 entitled *"Governance and administration of public service pension schemes."*
Conflicts of Interest	As defined in the Public Service Pensions Act 2013
Employer Representative	A person appointed to the Board for the purpose of representing employers for the Scheme
Fund	The London Borough of Barnet Pension Fund within the Scheme administered and maintained by the Scheme Employer
Independent Member	A Member of the Board who is neither an Employer Representative nor a Member Representative
LGPS	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional

	Provisions, Savings and Amendment) Regulations 2014 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.
Member Representative	A person appointed to the Board for the purpose of representing members of the Scheme
Scheme	The Local Government Pension Scheme as defined under LGPS
Scheme Manager	London Borough of Barnet as administering authority of the London Borough of Barnet Pension Fund

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	AGENDA ITEM 9 **Local Pension Board** **11th Septeber 2017**
Title	**Compliance with Statements and Polices**
Report of	**Director of Resources**
Wards	n/a
Status	Public
Urgent	No
Key	No
Enclosures	Appendix 1 – Investment Strategy Statement Appendix 2 – Funding Strategy Statement Appendix 3 – Governance Compliance Statement Appendix 4 – Communication Policy Statement
Officer Contact Details	George Bruce, Head of Treasury, CSG george.bruce@barnet.gov.uk - 0208 359 7126

Summary

The Council as administering authority of the Barnet Pension Fund is required by regulations and best practice to maintain, publish and comply with various statement and policy documents. This paper highlights each such document, discusses the purpose and the extent to which the Council has complied with regulations and best practice. The review indicates a number of statements and polices that require attention.

Recommendations

That the Board notes the report and the work ongoing to improve the Fund's governance arrangements.

1. WHY THIS REPORT IS NEEDED

1.1 The Board's role is to assist the administering authority in securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme. This report is intended to highlight areas of compliance and gaps that require attention.

1.2 The statements and policies considered in the report are:

- Investment Strategy Statement
- Funding Strategy Statement
- Governance Compliance Statement
- Communication Policy statement
- Policy on the Exercise of Discretions
- Policy on Reporting Breaches in Regulations
- Internal Disputes Resolution Procedure
- Administration strategy statement

1.3 Each of these statements and polices is outlined below, including reference to relevant legislation. Comments are made on the status of each policy and gaps in current compliance.

Investment Strategy Statement (ISS)

1.4 An ISS is required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. See:

http://www.legislation.gov.uk/uksi/2016/946/pdfs/uksi_20160946_en.pdf

1.5 The requirements of the regulations in respect of the ISS are set out in Reg. 7 of the above and a copy of the ISS approved by the Pension Fund Committee on 14th March 2017 is also attached (appendix 1). The ISS was drafted by Hymans Robertson, appointed investment advisor, confirming that proper advice was received by the Pension Fund Committee.

1.6 There is one aspect in which the ISS does not comply with the requirements of the regulations. The Regulation (7(3)) requires the ISS to state the maximum percentage of the total value of all investments that it will invest in particular classes of investment. At present, Table 1 within the ISS has a target asset allocation at mandate level but no maximum allocation. Ranges (at least upper limits) should be added. Also Table 1 has not been updated to reflect changes in mandates and allocations agreed at the March 2017 meeting. A revised ISS will be submitted for approval to the next meeting of the Pension Fund Committee.

Funding Strategy Statement

1.7 The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is "to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward; to support the regulatory framework to maintain as nearly

constant employer contribution rates as possible; and to take a prudent longer-term view of funding those liabilities."

1.8 When it comes to content the LGPS Regulations 2013 (reg. 58) refer to "CIPFA Pensions Panel Guidance on Preparing and Maintaining a Funding Strategy Statement". The Regulations are available at:

http://www.legislation.gov.uk/uksi/2013/2356/pdfs/uksi_20132356_en.pdf

1.9 A revised FSS was approved by the Pension Fund Committee on 18th July 2017. The document was drafted by the scheme actuary and reflects the approach adopted when undertaking the 2016 triennial valuation. It is intended that the approach to meeting the DCLG funding objectives will be discussed at a subsequent Board meeting.

1.10 A copy of the FSS is attached (appendix 2)

Governance Compliance Statement

1.11 A Governance Compliance Statement (GCS) is required by the LGPS Regulations 2013 (reg. 55) when an administering authority (the Council) delegates any of its functions under the Regulations. Barnet Council has delegated its functions to the Pension Fund Committee and established a Local Pension Board to assist in ensuring compliance with regulations and best practice. The requirements of the regulations are set out in appendix 3 as is the current GCS.

1.12 The current GCS was extracted from the Fund's 2016 Annual Report and Accounts. The statement can be strengthened e.g. to reflect the role of the Local Pension Board and a revised version will be presented to the Pension Committee during 2017-18.

Communication Policy Statement

1.13 The LGPS Regulations 2013 (reg. 61) requires the publication of a policy concerning communications with scheme members and employers. The requirements together with the current policy are set out in appendix 4.

1.14 It is intended to review the statement during 2017-18 in conjunction with a review of communication channels for scheme members and employers.

Statements of policy about exercise of discretionary functions

1.15 The LGPS Regulations 2013 provide both employers and the administering authority with discretions to enhance the benefits payable to scheme members. Each employer participating in the scheme is required to publish a statement on how it will apply these discretions. Each employer must send a copy of their discretions policy to the administering authority. The discretion altered in the 2013 Regulations and the Council's discretion policy will be

reviewed to ensure compliance. The other participating employers will be asked to provide copies of their discretion policies.

Policy on Reporting Breaches in Regulations

1.16 Certain people (including the Pension Fund Committee, Local Pension Board, officers and advisors) are required by the Pensions Act 2004 to report breaches of the law to the Pensions Regulator (TPR) when they have reasonable cause to believe that a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with and the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions. The Regulator's Code of Practice requires that "those people with a responsibility to report breaches, including scheme managers and pension board members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations." Although the preparation of a policy is advisory rather than a legal requirement, without such a policy the likelihood that the legal requirement to report breaches of the law will be complied with is reduced. This is an area in which governance procedures will be improved.

Internal Disputes Resolution Procedure (IDRP)

1.17 The LGPS Regulations 2013 (regs. 72-80) require the Council as administering authority to implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the administering authority, employers and scheme members (and relatives). Disputes are most commonly connected with decisions in respect of ill-health benefits, but also the exercise of employer discretions, the banding of employee contributions and the award of death in service benefits. The Regulations are specific on appeal stages (two stage internal, followed by the right to appeal to the Pensions Ombudsman) and the timetable for making and responding to appeals. Best practice as reflected in the TPR Code of Practice is to formalise and publish an IDRP so that all parties are aware of their rights to appeal and the requirements of the process. An IDRP will be prepared during 2017-18 for consideration by the Pension Committee.

Administration strategy statement

1.18 The LGPS Regulations 2013 (reg. 59) state that "An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy"). The matters include:

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions;
(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions; and
(e) the circumstances in which the administering authority may charge fees to employers due to failure to provide information.

1.19 Although an administration strategy statement is not mandatory it is more than helpful in managing the flow of information between the growing numbers of employers and the Council administrator. The administrator (Capita Employee Benefits) has drafted an administration strategy which is presented elsewhere on this agenda seeking approval to consult with Scheme employers on the strategy.

Next Steps

1.20 The paper has highlighted areas for improvement in some of the statutory statements and policies of the Pension Fund. All these statement and policies (other than the FSS) will be reviewed and brought up to date during 2017/18 to ensure they not only comply but are also helpful to members and employers.

1.21 Currently the Pension Fund has no means of making these statements and polices visible to scheme members and employers. Investigations are underway to establish a web site that would enable publication of these and other helpful information.

2. REASONS FOR RECOMMENDATIONS

2.1 N/A – the paper is for noting. As policies and statements are updated these will be brought to the Board for consideration.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 The report considers the documentation requires under regulations. As documents are drafted the Board will be able to consider revising the content of each statement and policy.

4. POST DECISION IMPLEMENTATION

4.1 All the statements and policies mentioned with the exception of the Funding Strategy Statement will be reviewed during 2017.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Local Pension Board supports delivery of Council's strategic objectives and priorities as expressed through the Corporate Plan 2015-2020 by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the Fund.

5.2 **Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 None in the context of this report.

5.3 **Social Value**

5.3.1 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

5.4 **Legal and Constitutional References**

5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme Regulations 2015 requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice.

5.4.2 This paper considers statements and policies required by regulation, with the details of the regulations contained within the paper.

5.5 **Risk Management**

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.5.2 There are both financial and reputational risks from non-compliance from regulation and best practice. The paper identifies gaps in compliance that will be addressed.

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5.6 **Equalities and Diversity**

5.6.1 There are no Equalities and Diversity issues arising from this report.

5.6.2 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty

requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

5.7 **Consultation and Engagement**

5.7.1 When policies and statements are updated there will be full consultation with the Board and scheme employers.

5.8 **Insight**

5.8.1 The gaps in compliance with regulations together with the minimalistic approach to compliance indicate scope for improvements in Pension Fund governance.

6. BACKGROUND PAPERS

6.1 None

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Investment Strategy Statement (Published March 2017)

Introduction and background

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

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

The ISS, which was approved by the Committee on 14 March 2017, 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 Draft Funding Strategy Statement dated March 2017.

The suitability of particular investments and types of investments

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

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

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

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

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

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

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

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

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

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

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

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

Investment of money in a wide variety of investments

Asset classes

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

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

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

Table 1: Fund allocation

Asset class	Fund	Benchmark Proportion (%)
EQUITY		**36.0**
LGIM	Passive Global Equity	18.0
LGIM	FTSE RAFI AW 3000 Equity Index Fund	18.0
DIVERSIFIED GROWTH		**22.0**
Schroder	Diversified Growth Fund	11.0
Newton	Real Return Fund	11.0
MULTI-ASSET CREDIT		**17.0**

Schroder	ISF Strategic Bond Fund	10.0
Barings	Global High Yield Credit Strategies Fund	3.5
Alcentra	Global Multi Credit Fund	3.5
CORPORATE BONDS		**12.0**
Schroder	Corporate Bond Fund	12.0
ILLIQUID ALTERNATIVES		**13.0**
Alcentra	European Direct Lending Fund	4.0
Partners Group	Private Market Credit Strategies Fund	4.0
TBC	TBC	5.0
Total		**100.0**

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

Managers

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

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

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

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

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

Funding risks

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

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

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

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

Asset risks

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

The Committee measure and manage asset risks as follows.

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

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

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

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

Other provider risk

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

- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending - The possibility of default and loss of economic rights to Fund assets.

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

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

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

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

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

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.

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

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

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

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

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

Structure and governance of the London CIV

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

How 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 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. In addition the Panel undertakes training on a regular basis and this will include training and information sessions on matters of social, environmental and corporate governance.

The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, 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 with regard to 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 ESG 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 monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

The Fund in preparing and reviewing its Investment Strategy Statement 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.

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

Voting rights

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

Stewardship

The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the 7 Principles of the Stewardship Code. The Fund will be reviewing this position in 2017-18 with a view to formally adopting the Code.

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

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

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

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

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.

Prepared by:-

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For and on behalf of London Borough of Barnet Pension Fund Committee

Appendix A – Approach to Risk

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

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

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

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

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

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

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

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

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

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

Appendix B – CIPFA Compliance

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

Principle 1: Effective decision-making

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

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

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

Principle 2: Clear Objectives

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

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

Principle 3: Risk and Liabilities

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

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

Principle 4: Performance Assessment

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

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

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

Principle 5: Responsible Ownership

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

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

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

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

Principle 6: Transparency and Reporting

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

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

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

London Borough of Barnet Pension Fund

Funding Strategy Statement

18 July 2017

PUBLIC | SECTOR

HYMANS ROBERTSON

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Funding Strategy Statement

Appendices

1 Introduction

1.1 What is this document?

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

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 31 March 2017.

1.2 What is the London Borough of Barnet Pension Fund?

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

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

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

1.3 Why does the Fund need a Funding Strategy Statement?

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

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

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

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

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

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

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

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

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

1.5 What does the FSS aim to do?

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

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

1.6 How do I find my way around this document?

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

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

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

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

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

B. who is responsible for what,

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

D. some more details about the actuarial calculations required,

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

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

If you have any other queries please contact Iain Miller, Head of Treasury in the first instance at iain.millar@barnet.gov.uk.

2 Basic Funding issues

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

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

1. Calculate the ultimate funding target for that employer, i.e. the ideal amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

3. Calculate the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

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

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

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

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

2.3 What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

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

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

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

2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

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

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

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

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

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2.5 How is a deficit (or surplus) calculated?

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

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

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

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

In short, deficits and funding levels are short term measures, whereas contribution-setting is a longer term issue.

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

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

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

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

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

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

The Administering Authority may consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date.

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

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

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

3 Calculating contributions for individual Employers

3.1 General comments

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

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

These and associated issues are covered in this Section.

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

3.2 The effect of paying lower contributions

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

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

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

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

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

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

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	**Local Authorities**	**Colleges, Universities etc**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to "gilts basis" - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No
Maximum time horizon – Note (c)	20 years	15 years	20 years	15 years or less depending on circumstance	15 years or less depending on circumstance	Outstanding contract term unless pass-through
Secondary rate – Note (d)	monetary amount	Monetary amount	% of payroll	% of payroll or monetary amount	Monetary amount	Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Admin. Authority	Covered by academy approach detailed below	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Admin. Authority		Reduce contributions by spreading the surplus over the time horizon
Probability of achieving target – Note (e)	66%	66%	66%	66%	66%	66% - assuming there is a guarantor
Phasing of contribution changes	Covered by stabilisation arrangement	Maximum of 3 years	Maximum of 3 years	Maximum of 3 years	Maximum of 3 years	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of non pass-through contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)

Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).	Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).	Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

Note (a) (Basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

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

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

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

Note (b) (Stabilisation)

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

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

The current stabilisation mechanism applies if:

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

On the basis of extensive modelling carried out for the 2016 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	London Borough of Barnet Council and Academies
Max cont increase per year	Max of +1% pa until 2020, to be confirmed thereafter

Max cont decrease per year	-0.5% pa

The stabilisation criteria and limits will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

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

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

Note (e) (Probability of achieving funding target)

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

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

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

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

Note (f) (Regular Reviews)

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

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

Note (g) (Academy schools)

At the time of writing, the Fund's proposed approach on academies' funding issues is as follows:

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

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

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

iv. The new academy's stand-alone contribution rate may be calculated using market conditions, the council funding position and membership data, all as at the day prior to conversion;

v. Academies existing in the Fund as at 31 March 2017 and those who convert between 1 April 2017 and 31 March 2020 will pay a pooled rate until the certification of rates following the 31 March 2019 valuation.

vi. From 1 April 2020 onwards (i.e. when the Rates and Adjustments certificate comes into force following the 31 March 2019 formal valuation) rates will be set as follows:

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

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

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

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

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;

- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

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

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

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

Note (i) (New Transferee Admission Bodies)

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

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

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

i) Pooling

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

ii) Letting employer retains pre-contract risks

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

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and does not pay any cessation deficit.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

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

Note (j) (Admission Bodies Ceasing)

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

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

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

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

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

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

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

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

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

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

3.4 Pooled contributions

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

- Barnet Council pool
- Colleges
- Orphan employer codes with the relevant successor body

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

Employers who are permitted to enter (or remain in) a pool at the 2016 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

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

3.5 Additional flexibility in return for added security

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

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

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

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

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

3.6 Non ill health early retirement costs

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

3.7 Ill health early retirement costs

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 (see 3.8 below).

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund may monitor each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer may be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.8 External Ill health insurance

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.

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.

3.9 Employers with no remaining active members

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

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

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

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

3.10 Policies on bulk transfers

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

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

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

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

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (being replaced by an Investment Strategy Statement under new LGPS Regulations), which is available to members and employers.

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

The same investment strategy is currently followed for all employers.

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

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

Therefore, the funding and investment strategies are inextricably linked.

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

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see Appendix E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

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

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;

Affordability – how much can employers afford;

Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position; and

Stability – employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore, a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2020, it should be noted that this will need to be reviewed following the 2019 valuation.

4.5 Does the Fund monitor its overall funding position?

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

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

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

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

5.2 Solvency

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

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

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

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

5.3 Long Term Cost Efficiency

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

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

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

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

Relative considerations include:

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

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

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

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is:

*"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

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

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

A2 Does the Administering Authority consult anyone on the FSS?

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

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

a) A draft version of the FSS was issued to all participating employers in w/c 12 June 2017 for comment;

b) Comments were requested within 14 days;

c) An Employers Forum was scheduled for the first quarter of 2017/18, which provided the opportunity for questions regarding the FSS to be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and then published on the administering authority's website and reported to the Pension Fund Committee.

A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the website, at www.barnet.gov.uk;

A copy to be sent to each participating employer in the Fund;

A copy sent to employee/pensioner representatives via the Local Pension Board;

A full copy linked from the annual report and accounts of the Fund;

Copies sent to investment managers and independent advisers;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

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

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

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

A5 How does the FSS fit into other Fund documents?

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

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

Appendix B – Responsibilities of key parties

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

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles/Investment Strategy Statement (SIP/ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and a SIP/ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and SIP/ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's SIP/ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP/ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. the Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

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

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

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this

Risk	Summary of Control Mechanisms
	risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

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

Risk	Summary of Control Mechanisms
	For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The results of the most recent reforms were built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.
Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or	The Administering Authority maintains close contact

Risk	Summary of Control Mechanisms
is not heeded, or proves to be insufficient in some way	with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).

Appendix D – The calculation of Employer contributions

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

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

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

2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform;

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

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

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

Employer contributions are normally made up of two elements:

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

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

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

D2 How is the Primary contribution rate calculated?

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

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

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,

2. within the determined time horizon (see note 3.3 Note (c) for further details),

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

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

The projections are carried out using an economic modeller developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

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

D3 How is the Secondary contribution rate calculated?

The combined Primary and Secondary rates aim to achieve the employer's funding target, within the appropriate time horizon, with the relevant degree of probability.

For the funding target, the Fund actuary agrees the assumptions to be used with the Administering Authority – see Appendix E. These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see Section 3).

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

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. within the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes with at least 100% solvency (by the end of the time horizon) is equal to the required probability.

D4 What affects a given employer's valuation results?

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

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;
4. any different time horizons;

5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not account for each employer's assets separately. Instead, the Fund's actuary is required to apportion the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

1. the actual timing of employer contributions within any financial year;
2. the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations in the process, but it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

3. the actual timing of employer contributions within any financial year;

4. the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

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

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

The combination of all assumptions is described as the "basis". A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower funding targets and lower employer costs. A more prudent basis will give higher funding targets and higher employer costs.

E2 What basis is used by the Fund?

The Fund's standard funding basis is described as the "ongoing basis", which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see Note (a) to 3.3.

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund's investments. This "discount rate" assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds ("gilts"). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 2.0% per annum greater than gilt yields at the time of the valuation. In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2020. Although this "pay freeze" does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to be a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by

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

This gives a single "blended" assumption of RPI less 0.7%. This is a change from the previous valuation, which assumed a flat assumption of RPI plus 1.0% per annum. The change has led to a reduction in the funding target (all other things being equal).

c) Pension increases

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

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the "formula effect" of the difference between RPI and CPI. At this valuation, we have used a reduction of 1.0% per annum.

d) Life expectancy

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

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

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the 2013 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a similar allowance for future improvements than was made in 2013.

The combined effect of the above changes from the 2013 valuation approach, is to reduce life expectancy by around 0.2 years on average, which reduces the funding target all other things being equal. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

e) General

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

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

Appendix F – Glossary

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of **the funding target**. The main assumptions will relate to the **discount rate**, salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a **funding target** which is consistent with the present day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the **Primary and Secondary rates**.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Funding target	The actuarially calculated present value of all pension entitlements of all **members** of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the **deficit**. It is calculated on a chosen set of **actuarial assumptions**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.

Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. In broad terms, this relates to the shortfall of its asset share to its **funding target**. See

	Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Valuation	An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

Appendix 3

Governance Compliance Statement

Extract from LGPS Regulations 2013

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

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

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

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

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

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

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

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

Current Statement

Governance Compliance Statement

The Governance compliance statement for the Barnet Pension Fund is set out below.

Principle	Compliance Status	Comment
Governance structure	Compliant	The decision making structure is clearly defined. Council delegates responsibility to the Pension Fund Committee which meets quarterly, see: https://barnet.moderngov.co.uk/documents /s33855/15AResponsibilityforFunctionsAnnexA.doc.pdf
Representation	Partial Compliance	Main employers and scheme members represented on the committee. However, no individual representation for admitted bodies.

Selection/ role of lay members	Partial Compliance	Lay member observer role.
Voting	Partial Compliance	Voting rights have not been extended to employer and member representatives.
Training/Facility time/ Expenses	Compliant	There is a clear policy on training. The Fund pays all approved training courses for all members. The training plan reflects the needs of the committee agenda.
Meetings	Compliant	Formal meetings are held quarterly and lay members are included in the formal arrangements.
Access	Compliant	All members have equal access to meeting papers and advice.
Scope	Compliant	The Pension Investment Panel's terms of reference are investment related
Publicity	Compliant	All statutory documents are made available to members.

[As published in the March 2016 Annual Report and Accounts]

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Appendix 4

Communications Policy Statement

Regulatory Requirements

(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—
(a) members;
(b) representatives of members;
(c) prospective members; and
(d) Scheme employers.

(2) In particular the statement must set out its policy on—
(a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
(b) the format, frequency and method of distributing such information or publicity; and
(c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Current Statement

Communication Policy Statement

An effective communications strategy is vital for the pension administration service (provided on behalf of the Council by Capita Employee Benefits) in its aim to provide a high quality and consistent service to its customers.

This document sets out a policy framework within which the pension administration service will communicate with:-

- Fund members and their representatives
- Prospective Fund members and their representatives
- Fund employers

Set out in this statement are the mechanisms which are used to meet those communication needs.

It identifies the format, frequency and method of distributing information and publicity.

The pension administration service aims to use the most appropriate communication medium for the audiences receiving the information. This may involve using more than one method of communication.

- **Capita Employee Benefits:** for day-to-day contact between the hours of 9am and 5pm.
- **Correspondence:** the Fund utilises both surface mail and e-mail to receive and send correspondence.

- **Website:** A members' website is available and other information is available on the national websites at http://www.lgps.org.uk/lge/core/page.do?pageId=97977
- **Member Self-Service** as above
- **Annual Benefits:** An annual benefits statement is sent direct to the home addresses of deferred members where a current address is known and is available online for active members.
- **Pensions Roadshows:** The pension administration service also stages ad hoc roadshows for Fund members particularly where there are changes to the Fund organisational changes which have pension implications.
- **Existence Validation – Pensioners Living Abroad:** Capita Employee Benefits undertakes an annual exercise conducted through correspondence in order to establish the continued existence of pensioners living abroad.
- **All Employer Meetings:** Periodic meetings are arranged for employers. Specifically this has been used as a mechanism for communicating major strategic issues, significant changes in legislation and triennial valuation matters.

Comments

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

barnetpensions@capita.co.uk
Address: London Borough of Barnet Pension Fund, PO Box 319, Darlington, DL98 1AJ
Telephone: 01325 746010/11/12/13/14.

[Extract from Annual Report and Accounts March 2016]

AGENDA ITEM 10

Local Pension Board

11 September 2017

Title	**Issue of Regulatory Intervention Report to the Barnet Pension Fund**
Report of	Director of Resources
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	**Appendix A - Detailed timeline of activity listed in the Intervention Report and follow up events**
Officer Contact Details	Gillian Clelland Gillian.clelland@barnet.gov.uk 0208 359 5310

Summary

This purpose of this report is to inform the Local Pension Board of the issue of a regulatory intervention report by the Pensions Regulator to the London Borough of Barnet Pension Fund. The intervention report related to a fine that was levied due to non-completion of the 2016 Scheme Annual Return. This report advises the Board of the failures that led to the fine being issued and the actions that have been and are being taken in response.

Recommendations

That the Local Pension Board note the issue of a regulatory intervention report by the Pensions Regulator in relation to the London Borough of Barnet Superannuation Fund and the actions being taken in response.

1. WHY THIS REPORT IS NEEDED

1.1 A regulatory intervention report was issued by the Pensions Regulator under section 89 of the Pensions Act 2004 in relation to the London Borough of Barnet Superannuation Fund. The report can be found at the following link. http://www.thepensionsregulator.gov.uk/docs/regulatory-intervention-section-89-london-borough-of-barnet.pdf

The report related to a fine of £1,000 being issued due to non-completion of the 2016 scheme return. The Board has requested a full report on the issues leading to this intervention and the actions being taken to address weaknesses identified.

1.2 Depending on the nature and size of the scheme, trustees and managers of pension schemes are sent a scheme return notice at least once every three years. From the information available, it appears that the last return for the Barnet Pension Fund was submitted in 2013 before the transfer of the pension administration service to Capita. It is believed that the return was completed by a former employee who did not transfer. The 2016 scheme return, due on 12 August 2016, was not submitted.

1.3 A detailed timeline of events is included at Appendix A. As shown in that timeline, the Pensions Regulator has demonstrated that they made several attempts to contact the individual who submitted the 2013 return and possibly two other employees of CSG/ Capita Employee Benefits, although the extent of the contact cannot be verified as both of these individuals have now left. Having been unsuccessful in making contact, the Regulator referred the matter of non-completion of the scheme return to its Determination Panel which decided to impose a fine of £1,000 against the scheme manager.

The fine was issued on 13 April, however it was not until 30 May when payment of the fine was being chased that the council became aware of the fine. The fine was paid and the council was subsequently reimbursed by Capita. The scheme return was also partially completed.

1.4 The Director of Resources was informed of the fine and non-completion of the return at the end of May and as there was no financial impact to the council or the pension fund (as Capita paid the fine) and no perceived underlying systematic failure that led to the non-completion, this was treated as a business as usual occurrence and not escalated to elected members or members of the Local Pension Board immediately. The incident of non-compliance was included in the Annual Governance Statement presented to the Audit Committee on 27 July 2017 and will be included in the quarter one monitoring report to the Performance and Contract Management Committee.

On 31 July, the CSG Assistant Director of Finance wrote to all members of the Pension Fund Committee and Local Pension Board advising them of the publication of the regulatory intervention report and members of both the Committee and the Board requested a report to their next meeting on the issue.

1.5 As a result of the non-completion of the scheme return and other matters which had come to its attention, the Pensions Regulator requested a meeting with the scheme manager to discuss some concerns about the administration and governance of the scheme. The meeting took place on 14 August and was attended by the Director of Resources and the CSG Assistant Director of Finance. The outcome of the meeting is awaited.

Actions taken

1.6 A number of improvements to the scheme administration have been put in place and further actions are planned or in progress.

- Additional users have now been added to the Pensions Regulator's website so that notifications go to a number of people and cannot therefore be missed.
- The 2017 scheme return notice is due to be received in September and will need to be completed within six weeks of the date of issue of the notice. The CSG Assistant Director of Finance will take responsibility for ensuring that the return is fully completed and submitted on time.
- The post room have been instructed that in future any correspondence from the Pensions Regulator or addressed to the scheme manager should be delivered to the CSG Assistant Director of Finance or Head of Treasury.
- A full review of the Scheme's governance documentation has been undertaken and is reported elsewhere on this agenda. Where documents are missing or require improvement, this will be rectified during this year.
- A pension service improvement plan and a risk register covering administration matters are now in place and are also included elsewhere on the agenda. The Local Pension Board is requested to monitor these documents on an ongoing basis.

2 REASONS FOR RECOMMENDATIONS

2.1 The Local Pension Board's responsibilities include:

- reviewing the Pension Fund's performance in complying with the requirements of the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS; and
- reviewing the Pension Fund's performance in complying with the requirements of the Pension Regulator

It is therefore essential that the Board is made aware of this matter and its implications for the council in order that it, in conjunction with the Pension Fund Committee, can monitor future improvements and have assurance that the pension fund is being effectively administered.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not applicable.

4 POST DECISION IMPLEMENTATION

4.1 A full review of the Scheme's governance documentation has been undertaken and is reported elsewhere on this agenda. Where documents are missing or require improvement, this will be rectified during this year and updated documents brought back to the Board for review.

4.2 A pension service improvement plan and a risk register covering administration matters are now in place and are presented elsewhere on the agenda.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Not applicable

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 This issue will be reported to the Performance and Contract Management Committee as part of the quarter one monitoring report.

5.2.2 The fine has been reimbursed by Capita and, as such, has no financial implication for the council.

5.2.3 There are no procurement, staffing, IT, property or sustainability implications.

5.3 Social Value

5.3.1 Contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

5.4 Legal and Constitutional References

5.4.1. Section 64 of the Pensions Act 2004 requires the managers of public service pension schemes, like trustees and managers of other registrable schemes, to provide the Pensions Regulator with a document called a 'scheme return'. If a scheme return in respect of a scheme is not provided in compliance with subsection (1), section 10 of the Pensions Act 1995 (civil penalties) applies to any trustee or manager of the scheme who has failed to take all reasonable steps to secure compliance. Fines of up to £5,000 per individual or £50,000 in all other cases may be levied.

5.4.2 Section 89 of the Pensions Act 2004 allows the Pensions Regulator, if it considers it appropriate to do so in any particular case, to publish a regulatory intervention report.

5.4.3 The Council's Constitution – Part 15, Annex A, Responsibility for Functions details the responsibilities of the Local Pension Board, which include the following:

"The Board is responsible for assisting with:

- securing compliance with Local Government Pension Scheme (LGPS) Government regulations and any other legislation relating to the governance and administration of the LGPS;
- securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator;
- such other matters that the LGPS regulations may specify.

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

Review the Pension Fund's performance in complying with the requirements of the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS.

Review the Pension Fund's performance in complying with the requirements of the Pensions Regulator."

5.5 Risk Management

5.5.1 A risk register covering pension administration matters is now in place and will be monitored by the Local Pension Board.

5.5.2 The governance improvements that have made in response to the issue of the regulatory intervention report will mitigate the risk of a similar incident reoccurring in the future.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies and the delivery of services.

5.7 Consultation and Engagement

5.7.1 The Local Pension Board will also receive this report.

6 BACKGROUND PAPERS

6.1 None

Appendix A

Detailed timeline of activity listed in the Intervention Report and follow up events:

Date	Pensions Regulator Action	CSG Finance Comment
9 July 2016	The Pension Regulator (TPR) issued a scheme return notice to the Scheme Manager, requiring the scheme return to be completed by 12 August 2016.	It is thought that the notice was sent to two offers from Capita Employee Benefits (CEB) but as both have left, this is not known for definite. A former CSG staff member was also a user on the Pensions Regulator's website but did not recall receiving the notice.
20 September 2016	Scheme Manager called TPR to confirm they had access to the scheme return online and would submit it within a week.	The former CSG staff member recalls speaking to the Pensions Regulator but did not action this.
29 September 2016	TPR issued a notification of failure to the Scheme Manager, advising that if the scheme return was not completed by 14 October 2016, or if they did not tell TPR what reasonable steps they had taken to comply, the Scheme Manager could be fined.	It is not known if and by whom this was received. Correspondence addressed to the Scheme Manager has not always been delivered to the right person as it is not clear who should receive it.
18 January 2017	TPR issued a warning notice to the Scheme Manager, explaining their intention to ask the Determinations Panel to issue a penalty notice to the scheme manager for failing to submit the scheme return.	There is no trace of this being received.
24 February 2017	The Scheme Manager had not provided the scheme return and TPR's case team referred the matter to the Determinations Panel.	
8 March 2017	The Determinations Panel decided that a fine of £1,000 against the Scheme Manager was appropriate in accordance with TPR objectives as the scheme has nearly 23,000 members and had appeared to have done nothing to secure compliance.	

Date	Pensions Regulator Action	CSG Finance Comment
13 April 2017	Penalty notice issued after the 28 day window for the scheme manager to refer the determination to the Upper Tribunal had expired.	There is no trace of this being received.
30 May 2017		The CSG Assistant Director of Finance took a call from the Pensions Regulator chasing payment of the fine. This was the first time the matter had come to her attention. The Regulator made reference to a 'signed for' letter which it was established had been delivered to HR and sent onto CEB. The CSG Assistant Director of Finance contacted CEB to try to establish what the issue was and the reason for the fine. The fine was paid by the Council on 9 June and has subsequently been reimbursed by Capita.
12 June 2017		The Pensions Regulator wrote to the Council requesting a meeting. The letter was addressed to The Scheme Manager but there is no record of the letter being received. A further letter was sent on 28 June by registered post. As the Regulator also telephoned to alert the Council to this, the CSG Assistant Director of Finance was able to track down this letter and inform the Director of Resources. The letter requested a meeting to discuss a number of concerns about the administration and governance of the scheme, namely: - Failure to complete a Scheme Return - Delays in the production of the Annual Benefit Statements for 2015/16 - The omission of administration and governance matters from the Scheme's risk register - Uncertainty as to the presence and quality of the Scheme's internal controls. This meeting took place on 14 August and was attended by the Director of Resources and the CSG Assistant Director of Finance.

Date	Pensions Regulator Action	CSG Finance Comment
30 June 2017		At around 11am, the CSG Assistant Director of Finance received a phone call from the Regulator advising that the online scheme return would close at lunchtime. In the time available the return was partially completed.
18 July 2017		An email was received advising that the Pensions Regulator would be publishing the regulatory intervention report. The report was published and a press release issued on 27 July.
31 July 2017		At the request of the Director of Resources, the CSG Assistant Director of Finance wrote to members of the Pension Fund Committee and Local Pension Board advising them of this report.

AGENDA ITEM 11

Local Pension Board

11th September 2017

Title	**Pension Administration Report**
Report of	Assistant Chief Executive
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Report to the Pension Board Appendix B – LBB Fund Administration Strategy Appendix C – LBB Pension Fund Risk Register Appendix D – LGPS Calendar of Events
Officer Contact Details	Paul James paul.james@capita.co.uk 07801 136639

Summary

The Local Pension Board has a role in ensuring the effective and efficient governance and administration of the Pension Fund. The appended report and draft documents provide the Board with a summary of the performance of the administration function provided by Capita Employee Benefits for the period 1 May to 31 July 2017.

Appendices B, C and D are proposed to allow the Board to monitor the risks associated with the management and performance of the administration to review the mitigations that are in place and the controls that are operated remain effective. .

Recommendations
1. **That the Board scrutinises and considers the performance of Capita in relation to the provision of pension fund administration services as reported in Appendix A.**
2. **That the Board agrees to adopt proposed Fund Administration Strategy (Appendix B) and to consult with employers for 1 month to consider comments and feedback before agreeing to the final version.**
3. **That the Board notes the Fund Risk Register (Appendix C) and the Annual Schedule of Events (Appendix D) include in this pack**
4. **That the Board provides comment and feedback on all of the appended documents**

1. WHY THIS REPORT IS NEEDED

1.1 Administration of the London Borough of Barnet Pension Fund is undertaken by Capita Employee Benefits (CEB). The Local Pension Board has a role in ensuring the effective and efficient governance and administration of the Pension Fund. At the last meeting the Board reviewed and commented on a revised reporting format that detailed the performance of the administration function provided by CEB. This report (Appendix A) provides the Board with a summary of the performance of the administration function for the period 1 May to 31 July 2017.

1.2 In future, this report will be presented to the Board on a quarterly basis. Board members' comments on the content of the report and any additional information that they would like to see presented in future reports would be welcomed.

1.3 Appendices B, C and D are provided in draft format and are designed to assist the Board in governing the administration of the Pension Fund effectively and proactively monitoring all associated risks and issues in seeking assurance that the control environment remains fit for purpose at all times

2. REASONS FOR RECOMMENDATIONS

2.1 To ensure that the Local Pension Board is able to fulfil its role in ensuring the effective and efficient administration of the London Borough of Barnet Pension Fund.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 N/A

4. POST DECISION IMPLEMENTATION

4.1 It is proposed that in future the Local Pension Board receives a quarterly report on the administration of the LB Barnet Pension Fund.

4.2 It is further proposed that the Risk Register is a standing agenda item and is reviewed at all future meetings. .

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 This report enables the Board to monitor the performance of the administration of the Pension Fund to ensure that employers' and members' interests are protected.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 This report enables the Board to assess the performance and thus value for money delivered by CEB as administrator of the London Borough of Barnet Pension Fund.

5.3 Social Value

5.3.1 Contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

5.4 Legal and Constitutional References

5.4.1 The Council's Constitution – Part 15 – Annex A - Responsibility for Functions, Responsibility for Council Functions outlines the terms of reference of the Local Pension Board which include ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.

5.5 Risk Management

5.5.1 If the Pension Fund is not accurately and efficiently administered, contributions may not be correctly collected from employers in a timely manner and fund members may not receive the benefits to which they are entitled. This may lead to financial consequences for members and reputation consequences for the Council. Robust oversight of the administration function by the Local Pension Board helps to mitigate this risk.

5.6 **Equalities and Diversity**

5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

5.7 **Consultation and Engagement**

5.7.1 Not required.

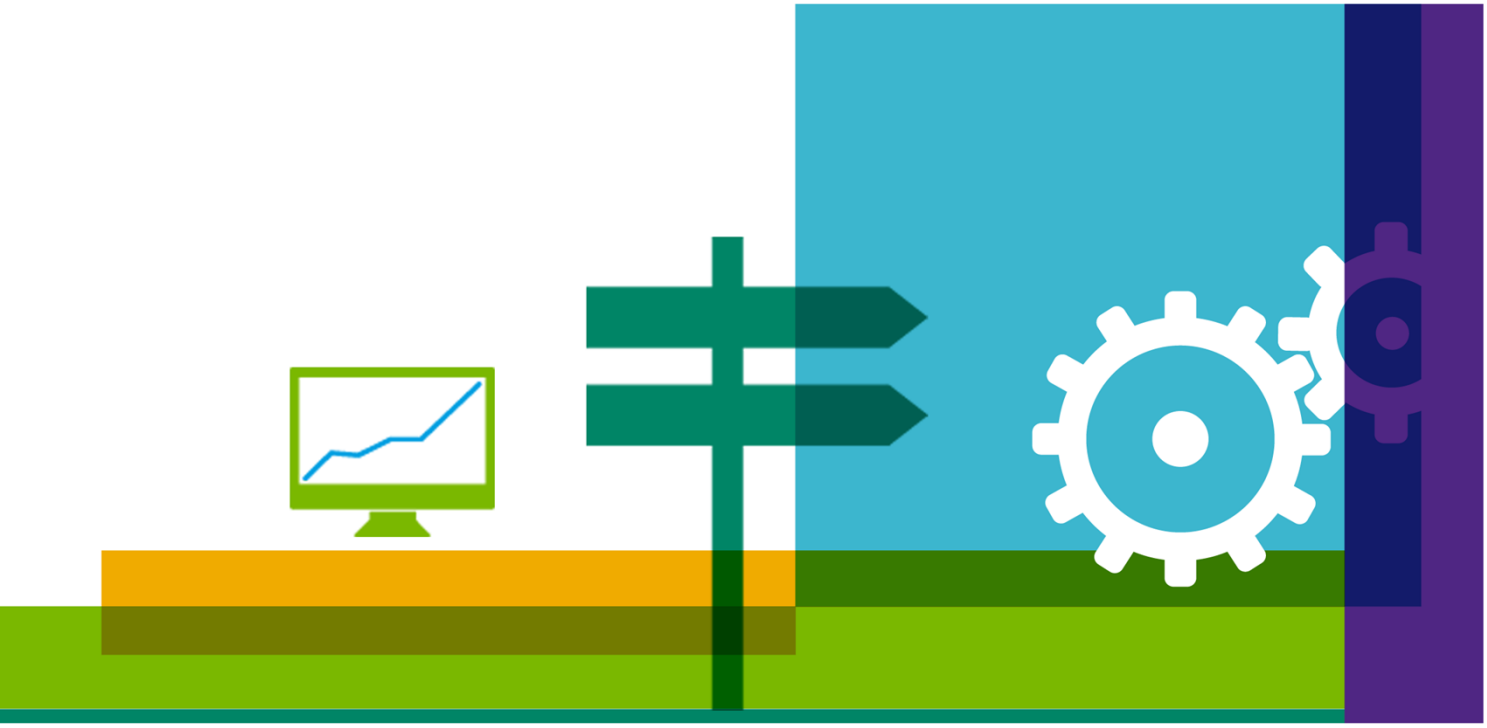
5.8 **Insight**

5.8.1 Not used - external report.

6. BACKGROUND PAPERS

6.1 None

CAPITA



Report to the London Borough of Barnet

1st May 2017 – 31st July 2017

London Borough of Barnet Pension Fund

21st August 2017

CAPITA

Executive Summary

Capita Employee Benefits is pleased to report to the Pension Board of the London Borough of Barnet Pension Fund for the period May to July 2017 inclusive.

During an extremely challenging period, we have been able to achieve a performance level of **96.44%** against industry standard performance targets.

Simultaneously, we have also dedicated significant resource to the collection and validation of end of year returns from all employers that will ultimately form the basis of the information required for the Annual Benefit Statements that are due to be issued to members by 31 August 2017.

Following receipt of an intervention report from the Pensions Regulator for the non-completion of the 2016 Scheme Return, Capita has been working closely with the Council to bring greater transparency to the governance of the Pension Fund and the various controls that are in place to satisfy operational and regulatory requirements. Actions and responsibilities have been agreed and are captured in a formal Service improvement Programme.

Prepared by:

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CAPITA

Performance Summary

Performance Statistics for period May to July 2017 inc.

This report has been designed to provide a summary of the performance of the administration of the London Borough of Barnet Pension Fund for the period specified above.

The table below outlines a summary of the transactions in the period:

Table 1

Work Category	Volumes
All work outstanding at the beginning of the period	1,606
Cases received in the period	5,400
Cases completed in the period	4,013
Cases re-categorised during the period	433
All work outstanding at the end of the period	**2,560**
Number of outstanding cases awaiting third party information	1,623
Number of workable items	937
Total	**2,560**
Cases completed within standard LGPS targets	**3,870**

Capita is pleased to report that of the **4013** cases completed in the period, **3870** were completed within target which represents overall SLA compliance of **96.44%**.

CAPITA

Performance Breakdown

In order to provide a greater understanding of the key transactions completed in the period, the following table sets out our performance against those transactions showing the starting and finishing position and the performance level achieved against each Case Type in the period:

Table 2

Case Type	Start	Received	Completed	Terminated	Carried forward	Completed in target	SLA %age
Change of details	41	145	145	14	27	140	96.55%
Enquiries	98	271	236	24	109	227	96.19%
Request for Estimate of Benefits	69	180	151	19	79	141	93.38%
Leavers	509	173	104	17	561	89	85.58%
New Starters	34	310	85	17	242	85	100.00%
Retirements	98	88	75	12	99	68	90.67%
Transfers In	51	7	3	1	54	3	100.00%
Transfers Out	14	9	10	0	13	8	80.00%
Bereavements	103	56	50	0	109	44	88.00%
Other	589	4161	3154	329	1267	3065	97.18%
Total	**1606**	**5400**	**4013**	**433**	**2560**	**3870**	**96.44%**

Whilst overall compliance is pleasing, we will focus our attention on those categories that are below 90% with a view to achieving this as a minimum standard in future.

A schedule of the SLA targets that form the basis of this compliance analysis is shown at **Appendix A.**

CAPITA

Work in Progress Position

The following table provides a breakdown of the age profile of the cases that can be progressed by Capita and those cases that require third party information before further action can be taken as summarised in **Table 1**.

Table 3

<3 Months		>3 Months		>6 Months		>12 Months		>18 Months		>24 Months	
Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party
866	508	20	208	41	251	4	490	5	110	1	56

A complete breakdown of all outstanding casework, split between workable items and non-workable items is shown as **Appendix 2**

Actions Required:

- Although it is not reflected in the numbers shown above, due to the timing of the report, work has started on reviewing the outstanding work position. Starting with the oldest cases first, we will have reviewed all cases over 18 months old with a view to completing that review by the end of this month. We fully anticipate that the volumes reported to the Council in the August performance report will show a noticeable improvement in the age profile with only exceptional cases outstanding over 18 months.

- As a separate exercise, we also intend to conduct a review of all leaver cases that are shown as awaiting third party information. We anticipate that many of these are awaiting a response from the member regarding the option to take a refund of contributions, transfer out or remain as a deferred pension. Once the analysis is complete, our recommendation is to show these records as deferred liabilities since the member has not exercised their option to take an alternative benefit.

CAPITA

Administration Update

Mortality Screening:

The work to review the matches of “highly likely” bereavement cases on the NFI database has been transferred to the centralised payroll support function in Capita’s Darlington Shared Service function.

NFI data is made available via a web portal in February each year. This member data is downloaded and investigated against individual member records. Updates are posted via the portal to the NFI database on a monthly basis confirming the status of each case.

The Payroll Support team has reviewed 30 bereavement cases marked as deceased on the NFI database and compared these to the status of the records on the pension administration system, HartLink.

Notification of death had already been received in 28 of the 30 cases and the administration team have contacted next of kin and / or legal representatives to progress the cases through to completion.

Our investigations have highlighted 2 cases where we have not previously been notified of the death. We are currently in the process of trying to establish contact with any next of kin to determine any entitlement to further benefits and / or arrange recovery of any overpaid pension.

Currently, the Pension team has authority to write off pension overpayments up to £50. In circumstances where the amount is greater than £50, the cases are referred to the Council on an individual basis for a decision.

Admitted Bodies:

Capita provided an updated Admitted Bodies report to the Pension Fund Committee on 18 July 2017.

It was noted that a number of the employers have failed to provide details of their bonds or guarantees that are required under the current process. Capita Finance reported that they are currently working with the Scheme Actuary to establish if an alternative solution can be reached that would overcome the current difficulties in attaining these guarantees from employers when the arrangement could involve as few as 1 employee.

In the meantime, Capita continues to chase employers for any missing information until an alternative process is agreed.

At this point, Capita is not aware of any plans to admit any new bodies into the Fund.

Additional Current Projects:

Service Improvement Plan

Capita has devised and submitted a Service Improvement Plan designed to address the issues that have been highlighted in the administration of the Pension Fund.

Key deadlines have been proposed for the delivery of the elements of this plan and these will be monitored separately within Capita with independent oversight from our Group Business Assurance function reporting directly into the Head of Public Sector Pensions.

CAPITA

GMP Reconciliation

Following the abolition of contracting out for DB schemes, each scheme is required to undertake a reconciliation of GMP records with HMRC before they close down their records in December 2018. CEB is currently in the process of completing this reconciliation and will report progress at to the Council and the Pension Board at future meetings.

Scheme Calendar Overview

Focus throughout July 2017 has been on analyzing and testing Annual End of Year data returned from employers in preparation for the calculation preparation and distribution of the Annual Benefit Statements by 31 August 2017.

Annual Benefit Statements have been calculated and submitted to the printers. At the time of producing this report, it is fully anticipated that these will be printed and issued by the due date.

Activities that are outside of the member services are managed by a separate team to allow the administration team to focus on responding to member queries and transactions. The activities scheduled for the next 3 months are shown in the table below:

Forward View (August to October 2017)

Type of Work	Activity	Required by	Issue date or completed
Event	Child Review Report for 2017	31/8/17	
Event	Issue active member annual benefit statements	31/8/17	
Event	Issue overseas pensioners life declarations	31/8/17	
Request	Summer Accounts data to Hymans	31/8/17	
Request	Submit GAD Cost Cap Valuation data	31/8/17	
Request	Liaise with GAD on Cost Cap Valuation outputs	30/9/17	
SIP	Common Data Analysis	30/9/17	
Event	Issue Pension Saving Statements to those who exceed Annual Allowance	6/10/17	
Event	Issue remaining Pension Saving Statements	31/10/17	
SIP	Devise Conditional Data tests to LBOB	31/10/17	
Event	Issue Annual Scheme Return to tPR	31/10/17	
SIP	Analyse results of data loaded to Hymans Portal (the Brain)	31/10/17	

CAPITA

Complaints

Whilst Capita strives to deliver an excellent service in all aspects of the administration of the Fund, on occasion, members and employers may express dissatisfaction over the service that they receive.

In such circumstances, a complaint case is formally recorded on our workflow system and referred to our independent Customer Relations Team for investigation. The Customer Relations Team conduct a thorough review of the circumstances of each individual case in order to classify if the complaint against Capita is justified or not. For example, the member may be complaining around a certain process or decision that is totally reasonable and in line with the rules of the scheme. In these circumstances, the complaint would be classified as unjustified.

The Customer Relations Team also conducts a through Root Cause Analysis (RCA) of each case to identify any underlying trends in the administration relating to People, Process and Systems that need to be improved. This information is fed back to the individual management teams to address. At the same time, details of all complaints and RCA are reported separately to CEB's Risk and Compliance Committee for consideration at Executive level, which ultimately feeds into Capita Group's Board.

Since January 2016, there have been 17 complaint cases, of which 8 were found to be justified. Whilst there are no alarming trends, the main themes of the justified complaints relate to delays in providing information and issues regarding continued eligibility to pensions in payment where members/beneficiaries have been asked to provide proof of existence. In response to this, this work has been moved to our specialist shared service function.

At this time, there are 4 open complaints under investigation. The details are shown in the table below:

Member Ref.	Date Received	Details	Justified	Resolution
Member A	7/6/17	Child's pension suspended while awaiting confirmation of continued entitlement. Response required technical advice leading to further delays. Complaint regarding the process and subsequent delays raised by father. Further delay caused while seeking clarification of any potential DPA breach by disclosing specific details to the father	tbc	It has been agreed that generic details regarding the process can be disclosed to the father but since the payee is over 18 specific details cannot be shared.
Member B	18/7/17	Member did not receive an Annual Benefit Statement for 2015/16 due to an issue with their pension record.	Y	Member record has been corrected and a manual ABS has been calculated and is in the process of being checked and issued
Member C	24/7/17	Guidance provided by the Pension team to HR regarding the pension strain costs and the terms of retirement were conflicting. Further technical advice was sought which clarified that strain costs fell to the employer not the employee. The employer has complained that the information provided was incorrect.	Y	A full investigation identified a training need in the Pension team which has been addressed. A clarification note setting out the accurate position is being prepared to be issued to the employer and the member
Member D	27/7/17	Member left the scheme in 1993 and retired on the grounds of Ill-health in 2015. Member has complained that she has received advice that confirms that she can reverse that decision and revert back to deferred status. She has been advised that this is not possible and is now complaining that she was not given enough information to make an informed decision at the time she retired.	tbc	Still under investigation

CAPITA

Appendix A

Standard LGPS SLA Measures

Case Type	Measurement
Change of Personal Details	Process change to member details within 10 days of receipt of request
General Enquiries	Provide response to member or beneficiary within 10 days of receipt of correspondence
Request for Estimate of Benefits	Issue benefit quotation within 10 days of receipt of request
Leavers on Termination / Opting Out	Provide statement of Preserved Benefits within 20 days of notification of exit
	Process payment of refund of contributions within 10 days of receipt of notification
	Process payment of transfer value within 10 days of receipt of all relevant documentation
New Starters	Creation of system record within 4 days of receipt of notification
Retirements	Issue retirement quote to members 7 months prior to their normal retirement date
	Issue retirement quote within 10 days of receipt of request
	Process payment of pension lump sum on normal retirement date of within 10 days of receipt of preferred options where appropriate

Transfers In	Issue request for transfer details to previous scheme within 5 days of receipt of new starter details
	Issue request for payment of transfer value within 10 days of receipt of member's confirmation to proceed
	Update member record with details of transfer in within 7 days of receipt of transfer value payment
Transfers out	Provide details of deferred pension and transfer value within 20 days of receipt of request from new scheme
	Process payment of transfer value within 10 days of receipt of member's confirmation to proceed
Bereavements	Issue initial correspondence to beneficiary following notification of death within 5 days
	Issue details of benefits payable on death within 5 days of receipt of completed documentation
	Process payment of death lump sum within 5 days of receipt of documentation
Miscellaneous (or Other)	Issue appropriate documentation / response to requests for information within 10 days of receipt of request

- Any reference to “day” (or “days”) should be interpreted as Working Day which means a day Monday to Friday excluding English Bank and public holidays.

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Appendix 2

Aged Breakdown of Outstanding Cases

Case Type	<3 Months		>3 Months		>6 Months		>12 Months		>18 Months		>24 Months	
	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party
Change of details	23	0	0	0	1	0	0	3	0	0	0	0
Enquiries	41	12	0	15	0	6	0	3	0	0	0	0
Request for Estimate of Benefits	19	24	1	15	1	7	0	11	0	1	0	0
Leavers	15	68	1	44	0	121	1	249	0	44	0	18
New Starters	23	187	0	0	0	6	0	25	0	1	0	0
Retirements	9	35	1	15	0	13	0	16	0	6	0	4
Transfers In	2	4	0	4	2	6	2	15	2	10	0	7
Transfers Out	0	5	0	6	0	1	0	0	0	1	0	0
Bereavements	9	19	2	21	1	21	0	16	0	5	1	14
Other	725	154	15	88	36	70	1	152	3	42	0	13
Total	**866**	**508**	**20**	**208**	**41**	**251**	**4**	**490**	**5**	**110**	**1**	**56**

CAPITA

Appendix 3

Glossary of Terms

Term	Description
Case	Any enquiry, request or transaction that requires action from Capita that is logged onto Capita's workflow system and measured against specific performance targets, as set out in Appendix 1.
Complaint	Any expression of dissatisfaction with any service provided by Capita or a member of its staff or any third party whether made in writing or verbally
Fund Administration Strategy	A formal statement from the Scheme Manager setting out the roles and responsibilities of all stakeholders in relation to the administration of the Pension Fund and the standard of performance that all stakeholders should expect.
GAD	Government Actuary's Department – responsible for providing actuarial advice to public sector clients
Operational Governance	A record of the procedural and systematic controls operated in the administration of the Fund to ensure compliance with all regulatory and client specific requirements
Pension Fund Risk Register	A formal register of all known and emerging risks and mitigating actions that the Scheme Manager will monitor and review on an ongoing basis to evidence effective governance
Scheme Calendar	A record of all cyclical activities that occur over a scheme year, some of which that relate to regulatory compliance that are managed outside of member services.
Service Level Agreement	An agreed schedule of performance measures that sets out the targets for completing specific transactions within defined timescales that are built into and reported through Capita's operational MI
Third Party	Any individual, organisation or representative which Capita may rely on to provide information or documentation to complete an administrative process.

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Appendix 4

“Other” Category

Appendix 2 above provides a breakdown of the categories of outstanding work. The nature of enquiries handled by the pension administration team can be varied and, consequently, the number of categories of work can be extensive.

Appendix 2 includes the case type “Other” which represents a number of miscellaneous categories of work that are undertaken in the administration of the Fund. Typical examples of the types of work that are captured under this category are:

HMRC tax code changes

HMRC enquiries

GMP notifications

GMP enquiries

Child pension reviews

Continued eligibility queries

New entrants

Pension abatement

DWP enquiries

Change in working hours

Maternity leave

Nomination enquiries

Change in nomination details

Processing original certificates

BACS rejects

Payment reissues

NFI processing

Pensionable service updates

Power of Attorney / Court order deductions

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ADMINISTRATION STRATEGY

PURPOSE OF STRATEGY

1. This Strategy sets out the administration protocols that have been agreed between Capita and the London Borough of Barnet (LBB) as administering authority to the London Borough of Barnet Pension Fund. The protocols aim to ensure the smooth running of the London Borough of Barnet Local Government Pension Scheme (LGPS) (the Scheme) and must be followed at all times.

2. This Strategy is the agreement between London Borough of Barnet and employers participating in the Scheme about the levels of performance and associated matters. It does not override any existing commercial contracts or contractual performance indicators which exist between LBB and Capita.

3. Performance levels are set out in this document for the Administering Authority, employers participating in the Scheme, Capita and where applicable third party contractors. These will be reviewed from time to time and only changed with agreement of the London Borough of Barnet.

REGULATORY BACKGROUND

4. The Strategy set out in this document is concerned with routine yet important responsibilities. These cannot, however, override any provision or requirement in the Local Government Pension Scheme Regulations (as set out in Appendix A) or in any other relevant legislation.

REVIEW OF THE STRATEGY

5. Capita own this strategy and a review will take place every twelve months. Any changes to the strategy will be reviewed and agreed by London Borough of Barnet and identified to Employers. Employers may submit suggestions to improve any aspect of this Strategy at any time.

ADMINISTRATION AND PERFORMANCE

6. London Borough of Barnet will administer the Pension Fund in accordance with the LGPS Regulations (and any overriding legislation including employer discretions) and issue a statutory notification to members. In doing so, the Pension Fund will support Employers by:

- Providing information, advice and assistance on the Scheme and its administration
- Distributing regular technical information
- Distributing regular employer updates
- Arranging a Pension Fund – Employer forum
- Arranging six monthly Employer forum meetings
- Providing online access to relevant management information and data on their employees
- Issuing forms, newsletters, booklets and such other materials as are necessary in the administration of the Scheme

7. London Borough of Barnet as the Administering Authority will support members by:

- Producing benefit statements for members each year in line with the LGPS Regulations that meet the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 2013, provided the relevant information is received from their employer in line with this Strategy
- Setting up online access to allow member self service

8. Employers should note that London Borough of Barnet is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. That responsibility rests solely with the employer. Any over payment made by the London Borough of Barnet Pension Fund resulting from inaccurate information supplied by the employer shall be recovered by the Fund from the employer.

9. Employer should note that it is their responsibility to ensure that the correct procedures are followed and that any contractor which is admitted as a result of a TUPE transfer is aware of their responsibilities and costs in relation to staff. Further details can be found in the Employer Guide.

ADDITIONAL NOTES

Data Protection

Under the Data Protection Act 1998, LBB will protect from any improper disclosure any information held about a member. Information held will only be used by the Council for the operation of the Scheme. The employer must protect from improper disclosure any information from a member contained (where applicable) on any item sent from London Borough of Barnet. It will also only use information supplied or made available by the London Borough of Barnet Pension Fund for the operation of the Local Government Pension Scheme.

Internal Dispute Procedure

10. The employer must identify a 'nominated person' for any instances where an Internal Dispute Resolution Procedure (IDRP) application is submitted against the employer and meet the associated costs.

Fines

11. In the event that London Borough of Barnet is fined by the Pensions Regulator, this will be passed on to the relevant employer where that employer's action or inaction (e.g. the failure to notify a retirement within the time limits), caused the fine.

Charges to the employer

12. The administrative costs of running the Pension Fund are charged by LBB directly to the Fund. The Actuary takes these costs into account in assessing the employer contribution rate.

13. London Borough of Barnet will under certain circumstances consider giving written notice to employing authorities under regulation 70(2) on account of the authority's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established within this document. The written notice may include charges imposed by the Council for chasing employing authorities for outstanding information as detailed within the document.

14. If the London Borough of Barnet Pension Fund undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work e.g.

- Non receipt of new entrant documentation requiring the London Borough of Barnet Pension Fund to set up temporary data and/or complete documentation on behalf of the employer
- Non receipt of leaver details requiring the London Borough of Barnet Pension Fund to interrogate payroll or other systems on the employers behalf

- Chasing outstanding information following one reminder
- IAS19 / FRS17 valuations
- Actuarial and / or legal advice (e.g. TUPE transfer)
- Technical advice, (where re-charging is deemed appropriate because the advice is not of general benefit to the Fund overall)

Indicative charges have been set out in the Matrix.

Please note, the Employer is responsible for any work carried out on its behalf by another section of their organisation or by a contractor appointed by that organisation (e.g. Pay or Human Resource sections).

Written by: Capita, on behalf of the Administering Authority and will be subject to review on an annual basis.

Created: July 2017

Reviewed:

Task	Employer	Administering Authority or third party contractor (e.g. Fund Actuary)
Actuarial Valuation Data (Provision of Data to Actuary and follow-ups)	The employer (or their payroll contractor / agency for whom the employer is responsible) shall provide Capita with year-end information as at 31 March each year in the notified format no later than **30 April** or the next working day. The information should distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.	Capita will respond to queries about information provided within timescales set out and agreed with London Borough of Barnet. The Rates and Adjustment Certificate which forms part of the Valuation report must be published by the Council by **31 March of the year following a valuation**. The cost of any employer specific questions or modelling which incurs a charge to the Fund by the Actuary will be chargeable to the employer.

Additional Voluntary Contributions	Pay additional voluntary contributions to the AVC provider within **one week of deduction.** Under the Pensions Act 1995 the Pensions Regulator may be notified if contributions are not received before the **19th of the month** following that in which they were deducted. The employer will submit the schedule of AVCs in an agreed format directly to the AVC Provider ahead of the actual remittance.	Upon request of a new AVC application Capita will send a copy of the members application form is forwarded to the AVC provider **within 10 working days**, to enable them to set the member up in advance of the deductions being sent and to ensure that the deductions are allocated to the correct fund as elected by the member.
Ad-hoc requests and Data Queries		Capita will respond within **15 working days** of the request. Enquiries which require input from the Actuary but require little or no research or calculations will take an additional **3 working days.** Enquiries which require input from the Actuary and require more significant research or calculations will take an additional **5 working days.**
Annual Benefit Statements	The employer (or their payroll contractor / agency for whom the employer is responsible) shall provide Capita with year-end information as at 31 March each year in the notified format no later than **30 April** or the next working day. The information should distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.	Capita will make a members ABS available on line or as hard copy by **31st August** each year provided clean data has been provided by the employer by **30th April,** unless agreed otherwise. For those employers who do not provide data by **31 May** or have queries in relation to the data, statements will be issued on an alternative date but it cannot be guaranteed that they will be issued by the statutory deadline.
Bond Assessment (Provision of Data to Actuary or Pension Fund)	Pensions services will need the name of new employer, contact details, contract details and details of transferring employees in a specified format as set out below: • Name • National Insurance Number • Date of Birth	Capita will provide data to the Fund Actuary within **15 working days** of all necessary information or within timescales set out and agreed with the London Borough of Barnet. Once the Actuary has agreed clean data, they will calculate the contribution rate within **10 working** days. Capita will distribute the report within **one week** of receipt. **Employers should note that there will be a charge from the Actuary**

	• Gender • Full time pay at date of transfer • Part time hours at date of transfer • Date of transfer • Period of the contract • Whether the new employer will be 'open' or 'closed' to new entrants • Whether there will be a guarantor in place for the new employer • The funding basis on admission	**for the work.** Any costs incurred by the Pension Fund in respect of this work will be chargeable to the Employer commissioning the work.
Bulk Transfer (Provision of Data to Actuary or Receiving Scheme)	Form to be provided within **10 working days** of employee providing their notice of leaving but by no later than the end of the month in which they left.	Capita will provide the data to the Actuary within **15 working days** of receipt. For a LGPS to LGPS transfer the calculations will be provided by the Actuary within **10 working days** from receiving clean data. For a bulk transfer to a broadly comparable scheme the time will vary. However **employers should note that there will be a charge from the Actuary for the work on a time cost basis.** The negotiations between the two Actuaries will take at least 5-6 months Any costs incurred by the Pension Fund in respect of this work will be chargeable to the Employer commissioning the work.
Cessation Valuation for admission of any Employer of the Scheme	Form to be provided within **10 working days** of employee providing their notice of leaving but by no later than the end of the month in which they left.	Capita will provide data to the Fund Actuary within **15 working days** of all necessary information or within timescales set out and agreed with the Council. Once the Actuary has agreed clean data, they will calculate the contribution rate within **20 working** days. Capita will distribute the report within **one week** of receipt. Any costs incurred by the Pension Fund in respect of this work will be chargeable to the Employer commissioning the work.
Change in member details	Form to be provided within **10 working days** of event but by no later than the end of the month in which the change occurs.	Capita will update the Hartlink member record to reflect the change within **10 working days** of receipt of the change form.
Death Benefits	Notification must be provided to Capita within **3 working days** of the death of the member.	Capita will pay lump sums within **10 working days** of receipt of all necessary paperwork to be able to produce the calculation (this includes Grant of Probate or Letters of Administration). In exceptional circumstances (e.g. hardship cases) this will be brought forward by exception as agreed with LBOB.
Deferred Benefits upon Leaving	Form to be provided within **10 working days** of employee providing their notice of leaving but by no later than the end of the month in which they left.	Capita will issue a letter informing member of their deferred pension rights within **20 working days** of receipt of all necessary information required to produce calculation

Discretionary Powers	It is a mandatory requirement that each employer is responsible for exercising the discretionary powers given to them by the Regulations and publishing their policy in respect of these key discretions. Copies of the relevant employer policies must be lodged with the London Borough of Barnet Pension Fund **before admission.** **Employers must confirm that they have reviewed their discretions policy by 28th February each year and advise Capita of any changes required.**	Capita will ensure that all employers hold a current Discretions Policy document upon admission to the fund. Capita will remind the employer newsletter the need to review and update employers on Regulatory changes which affect the employer's discretions. Capita will write to all employers **(by 31st January)** to request confirmation that the Employers Discretions Policy has been reviewed and is correct. Capita will store electronically all policies received and will refer to them upon any request that involves an employer's discretion. If a policy is not held then the request will not be actioned. Once any amendments are received Capita will apply the changes with **immediate** effect following receipt. From April 2015, non-receipt of a published Discretions Policy could result in non-compliance to the employer from The Pensions Regulator.
Employer Data for Calculation of Contribution Rate Schedule and/or Pension Information Memorandum (PIM)	Pension Services will need the name of new employer, contact details, contract details and details of transferring employees in a specified format as set out below: • Name • National Insurance Number • Date of Birth • Gender • Full time pay at date of transfer • Part time hours at date of transfer • Date of transfer • Period of the contract • Whether the new employer will be 'open' or 'closed' to new entrants • Whether there will be a guarantor in place for the new employer • The funding basis on admission	Capita will provide data to the Fund Actuary within **15 working days** of all necessary information or within timescales set out and agreed with London Borough of Barnet. Once the Actuary has agreed clean data, they will calculate the contribution rate within **10 working** days. Capita will distribute the report within **one week** of receipt. **Employers should note that there will be a charge from the Actuary for the work.** Any costs incurred by the Pension Fund in respect of this work will be chargeable to the Employer commissioning the work.
Employer Decisions	Certain aspects of the Regulations require an employer decision. The employer is responsible for implementing such areas correctly, (e.g. deduction of contributions at the correct rate, notification to employee and within the correct timescales).	Capita will write to all employers within **10 working days** of the notification from Government to ensure that any changes to the contribution rates are communicated.
Employee Guide	The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 require the employer to ensure that all new employees eligible to join the LGPS receive a copy of the Employee Guide to the	If applicable, Capita will review the Fund's website on a regular basis to ensure information is accurate and fit for purpose.

	Scheme within **2 months** of becoming employed.	
IAS19 / FRS17 Reports (Provision of Data to Actuary and follow-ups)	The employer to confirm that they want a report by the date specified in the email request from Capita. At the same time the employer is to confirm if they do not wish for LBB to use the contribution amounts, as detailed in their monthly contribution return.	The Fund Actuary will provide reports within **20 working days** from the date of receipt of clean data. Capita will distribute all reports within **one week** of receipt. **Any costs incurred by the Pension Fund in respect of this work will be chargeable to the Employer commissioning the work**. All queries will be chargeable to the employer. Additional costs will be incurred relating to merged employers, valuation of unfunded benefits, creation of opening positions, new employer / full valuation, splits for LGPS and teachers liabilities and additional work.
Independent Medical Practitioner	The employer is responsible for determining and employing their own appropriately qualified independent medical practitioner and providing details of those practitioners to the London Borough of Barnet Pension Fund. This should be done **before admission** and within **10 working days** of a new IQMP being commissioned.	Capita will verify the employers nominated independent medical practitioners is appropriately qualified to deal with ill health retirement cases, as set out in the Regulations **within 10 working days** of notification. Capita will seek confirmation at the point of **an employer being admitted** to the Scheme and confirm the information **at the time** of an ill health retirement.
Individual Transfer in	The employer to direct an employee to the appropriate documentation upon **commencement** of their employment.	Update pension record and issue member with statutory notification with relevant details within **10 working days** of receipt of notification of payment from other pension scheme and confirmation that income has been allocated to the pension fund.
Individual Transfer Out	Form to be provided within **10 working days** of employee providing their notice of leaving but by no later than the end of the month in which they left.	Capita will make payment of the transfer value within **10 working days** of receipt of all necessary information
New Starter	Form to be provided within **10 working days** of employee joining but by no later than the end of the month in which they joined.	Capita will update the Hartlink member record created within **10 working days** of receipt of the new starter form. This allows member to access their Hartlink member record via the online portal, once they have registered.
Payment of Contributions	**All** member and employer contributions must be deducted at the correct rate and cleared in the Pension Fund's bank account by **19th of the month** (or the last working day before where the 19th is not a working day) following the month the contributions relate to. All employers must submit their bespoke advice form, preferably in an	

	electronic format, in advance of their payment and a quarterly submission. PLEASE NOTE: The Fund's preference is that all payments are made by BACS. However any employer wishing to pay by cheque must ensure the cheque is received by the Pension Fund by the 14th of the month (or the last working day before where the 14th is not a working day). All cheques must be made payable to "London Borough of Barnet Pension Fund". The Fund reserves the right to charge employers for late payment, in line with the Administering Authority Discretions. The Administering Authority will charge employers interest as defined in regulation 71 on late payments, except in exceptional circumstances.	
Retirement Benefits	Due to the Regulations that govern the operation of the LGPS certain decisions on the nature of benefits to be taken have to be made prior to retirement. To enable this to happen, retirement notifications should be received by Capita at least **30 days prior to last day of employment.** When the forms are not provided prior to retirement, it should be forwarded no later than two days following notification.	Capita will pay lump sum within **10 working days** of receipt of all necessary paperwork to be able to make the payment. Retirement pension will be sent by Capita to pensioner payroll for the **next available pensioner payroll run.** If early retirement incurs a fund strain cost, any strain cost invoice will be raised by Capita within **10 working days** of the retirement being processed
Retirement Estimates	Estimated pensionable pay details should be sent to Capita within **5 working days** to enable Capita to provide the retirement estimate within their agreed timescales. Employers to ascertain whether a previous years pay may be more beneficial and provide such information if necessary. Any delays in receiving accurate data may be escalated to the Administering Authority, and the Pensions Regulator.	Capita will request pensionable pay details from employers upon request from members or employers. Capita will provide the retirement estimate within **10 working days** of receipt of accurate pensionable pay details from employers.
Statutory Requests (to include but not exhaustive of DCLG, Home Office and GAD)		Capita will respond within timescales set out and agreed with London Borough of Barnet.
Year End Information	The employer (or their payroll contractor / agency for whom the employer is responsible) shall provide Capita with year-end information as at 31 March each year in the notified format no later than **30 April** or the next working day. The information should distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary	Capita will request information and provide specification to employers not later than the **end of the first week in March.** A reminder will be sent out 10 working days before the due date of **30th April.** This information will be used for member Annual Benefit Statements.

contributions.

Appendix A

The principal Regulations underpinning this document are:

- The Local Government Pension Scheme Regulations 2013 (and any amendments thereto)
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and any amendments thereto)
- The Local Government Pension Scheme (Administration) Regulations 2007 (and any amendments thereto)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (and any amendments thereto)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2007 (and any amendments thereto)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (and any amendments thereto)
- The Local Government Pension Scheme Regulations 1997 (and any amendments thereto)
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (and any amendments thereto)
- The Local Government Pension Scheme (Miscellaneous) Regulations 2012
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (and any amendments thereto)

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	A	D	E	H	J	K	L	N	O	P	Q	R	S	T
1	Risk ID	Short Risk Title	Long Description	Nature of Risk	Controls and mitigations in place	Residual Risk			Target Risk			Further actions		Date risk identified
2						Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option	Actions	Delivery due date	

	A	D	E	H	J	K	L	N	O	P	Q	R	S	T
3	PB001	**Operational - disaster (Fire / flood etc)**	An event occurs that would impact the ability to deliver the pension service or aspects of the pension service	Business Continuity	Business continuity procedures in place for administrator DR plans in place and subject to testing by the Administrator i.e. in the event of power failure / data centre outage Business continuity procedures in place for scheme managers Contracts with all advisers and suppliers in place and stored on a central database	5	1	5	5	1	Tolerate	Formal BCP plan in place and details of latest test to be shared with Pension Board with issue resolution deadlines, as appropriate Formal DR plans in place and subject to annual testing. Details of latest test shared with Pension Board with issue resolution deadlines, as appropriate Formal BCP plan in place and details of latest test to be shared with Pension Board with issue resolution deadlines, as appropriate All contracts to be held centrally and all contractual obligations to be evidenced and reviewed	Q4 2017 Q4 2017 Q4 2017 Q4 2017	Aug-17

	A	D	E	H	J	K	L	N	O	P	Q	R	S	T
4	PB002	**Member data incomplete or inaccurate**	The pension service is dependent on the receipt and effective maintenance of member data. Incomplete and / or inaccurate data could lead to incorrect benefits and calculation results. The Pension Regulator requires all pension schemes to maintain accurate data	Information Governance	Annual report from administrator used as basis for rectification plan "Not known at this address" returns accurately identified and proactively followed up through tracing agency Scheme data regularly tested against actuarial data portal to check data quality with results feeding into data rectification plan	3	2	6	3	1	Treat	Initial Common data analysis to undertaken Q3 2017. Conditional Data tests to be completed in Q2 2018. Regular data validations against actuarial portal to be undertaken twice yearly with results fed into data rectification plan.	Q1 2018	Aug-17

	A	D	E	H	J	K	L	N	O	P	Q	R	S	T
5	PB003	**Administration process failure / maladministration**	The pension scheme is not administered in accordance with scheme rules and and overriding legislation and performance is not monitored to ensure delivery against these requirements	Statutory Duty	Formal agreement in place with administrator, including agreed SLA's Authority level clearly agreed and kept up to date, including clear definition of delegated authorities and individual approval authorities Scheme Event calendar in place to ensure legislative / regulatory deadlines are achieved i.e. ABS, Scheme Return, etc Staff training and formal plans in place to ensure processing in accordance with LGPS requirements Review independent	3	2	**6**	3	1	Treat	LA's to be agreed in Q3 2017 and formalised in contract change by end of 2017 Formal review in Q1 each year Scheme Events are captured and presented to quarterly governance meetings to ensure core oversight of activities Captured in Service Improvement Plan AAF01/06 to be provided annually Monthly reports submitted to LBOB and quarterly meetings scheduled ahead of Pension Board meetings with agreed actions Administration reports produced and presented to quarterly Pension Board	Q1 2018 Q1 2018 Q3 2017 Q1 2018 Q1 2018 Q3 2017 Q3 2017	Aug-17

	A	D	E	H	J	K	L	N	O	P	Q	R	S	T
6	PB004	**Excessive charges by suppliers**	The cost of running the Pension Fund exceeds agreed budget	Finance	Annual review of scheme budget, quarterly review of costs incurred against budget Periodic review of suppliers, with	2	1	2	2	1	Treat	Date to be agreed Date to be agreed	Q3 2017 Q1 2018	Aug-17
7	PB005	**Fraud / Fraudulent behaviour**	The systematic and procedural controls operated in the management of the Fund are inadequate	Finance	Conduct a monthly fraud monitoring process of incoming contribution payments against the formal schedule of contributions Check that the administrator operates robust anti fraud controls through effective segregation of duties and logical access	2	1	**2**	2	1	Treat	Administration reports produced and prAll contributions to be accounted for and paid in line with schedule of contributionsesented to quarterly Pension AAF01/06 to be provided annually and internal audit plan reviews by LBOB. Board meetings Accounts forecast against actuals checked and balanced	Q3 2017 Q1 2018 Q3 2017	Aug-17

	A	D	E	H	J	K	L	N	O	P	Q	R	S	T
8	PB006	**Employer failure to pay contributions to the Fund**	The Fund does not receive the correct amount of contributions from Employers to fund employee pension liabilities, leading to a deficit	Finance	Monthly reconciliation of contribution payments received by Finance and administration teams Ongoing dialogue with employer over willingness and ability to pay	2	1	~~2~~	2	1	Treat	All contributions received checked against schedule of contributions Finance to evidence efforts to recover unpaid contributions Scheme accounts as at 31 March Y1 to be signed off by auditors without qualification. Planning for next audit will start Q3/Q4	Q3 2017 Q4 2017 Q2 2018	Aug-17
9	PB007	**Failure of non-public sector employers**	The Fund is left with additional pension liabilities without guarantees of funding from employers	Finance	Scheme manager monitoring of employer covenant and business strength Work with actuaries to assess the suitability of the use	2	2	~~4~~	2	1	Treat	Statement from Scheme Finance on financial strength of major employers and the levels of guarantees that are in place. Guarantees are in place and still effective	Q4 2018 Q4 2018	Aug-17

	A	D	E	H	J	K	L	N	O	P	Q	R	S	T
10	PB008	**Failure to interpret Rules or legislation correctly**	The Board does not have the level of knowledge and relevant guidance to perform effectively	Compliance	Up to date and documented training log, showing completion of scheme specific and the Pension's Regulator's educational material Technical advice and updates formally noted and actions recorded as required	4	2	8	4	1	Treat	All relevant people have completed all educational training or are in the process of completing within agreed timescales Updates received from all appropriate bodies have been acted upon. Q4 each year.	Q4 2017 Q4 2017	Aug-17

	A	D	E	H	J	K	L	N	O	P	Q	R	S	T
11	PB009	**Appropriate personnel in place to perform in designated roles**	The Board does not comply with all statutory obligations and is unable to evidence appropriate governance	Compliance	Ensure that the personnel in key roles in relation to the administration of the Fund are suitably experienced and qualified to perform in their roles and have the approriate authorities to ensure the administration is executed effectively at all times	4	2	~~8~~	4	1	Treat	Review of roles and responsibilities of relevant individuals to ensure individuals hold appropriate authorities or there is clear escalation of issues requiring decisions. In particular, role of Pensions Manager.	Q3 2017	Aug-17
12	PB010	**Conflicts of interest**	Decisions made may be influenced by other factors and may be subject to challenge	Compliance	Pension Board awareness of legal responsibility All Pension Board members to declare any conflicts and potential conflicts	3	1	~~3~~	3	1	Treat	All pension board members have completed relevant educational material All conflict of interest documentation signed by all board members and recorded in conflict of interest register Any changes to be minuted at each meeting	Q4 2017 Q4 2017	Aug-17

Calendar of Events - 2017

January

Task	Planned Activity	Deadline
HMRC Tax Event Reporting	Run report for previous Tax Year on **1st Working day of the month.** Completed Return by **31st Jan**	31st Jan
Annual Valuation Data	Commence discussions with Fund Actuaries regarding annual valuation data submission.	10 working days from 1st of the month
Triennial Valuation (if appropriate	Commence discussions with Actuaries and Finance.	10 working days from 1st of the month
IAS19 Reports – LGPS (March exercise)	Employers to send Remittances no later than **19th January** IAS19 forms to be completed for each employer who has requested a report, with contribution data and pensionable pay following the 19th of the Month. Data required April to December. Provide data to Actuaries **by 5th February** for reports to be produced for March Year End	Within 5 working days of the 19th of the Month 31st January

February

Annual Benefit Statements	Establish Data Requirements following guidance from LGA to be included in ABS.	End of Feb
IAS19	Provide Employer data as at end of December	5th February

Calendar of Events - 2017

March

Pre Valuation Data	Pre Valuation Data to actuary re new employers	10 working days from 1st of the month
Employers End of Year data spreadsheet	Send employers the End of Year data template with guidance notes for completion. Chase employers last week in **March** setting out **deadlines** for	5 working days before the end of the month.
Pension Increase - LGPS	Process pension increases and provide details to Pensioners Run Pension Increase on Hartlink **5 working days from 1st of the month** Check Error and Warnings by **15 working days from run of report.**	Pension increase rate and individual increases to be shown on April payslips
Deferred Annual Benefit Statements	Confirm communications and statement template.	End of March

April

Annual Reconciliations – for Annual Report and Working Paper - LGPS	Lump Sums and Death Benefit Transfers in/out & Intrafund transfers ERC's (strain costs) Added years recharge Ill Health Costs Payroll Information from Hartlink Membership Data and movements Potential Transfers Out Contribution Statements	10th April 10th April 10th April 10th April TBC 17th April 22nd April 30th April 30th April

Calendar of Events - 2017

May

Annual Reconciliations – for annual report and working paper - LGPS	AVC Information Key Management Personnel	29th May 29th May
Pension Increase (2nd bite)	Run Pension Increase on Hartlink **5 working days from 1st of the month** Check Error and Warnings by **15 working days from run of report.** Pay additional Pension Increase on lump sum and Death Grants by **10 working days from 1st**	10 working days from 1st day in June
Deferred Annual Benefit Statements	Run deferred ABS on Hartlink. Produce Hard Copies	End of May
Provision of information for Accounts and Annual Report	Run relevant reports to obtain data from Hartlink. To ensure that the correct data is in the Annual Financial Statement and Accounts and work-	Within two days of request

June

FRS17 – LGPS (July exercise)	Chase for a response from Scheme employers by 1st June Work with relevant stakeholders to populate FRS17 forms for each college/academy who has requested a report, with contribution data and pensionable pay following 19th of the month. Data required August to May. Provide data to Actuaries by 30th June for reports to be produced for July Year End.	 Within 5 working days of the 19th of the Month 30th June

Calendar of Events - 2017

July

SF3 Form Data Submission	Establish with Finance the data requirements for SF3 form data submission, as required by DCLG, as these are subject to change each year by end of July	DCLG's deadline in August
Annual Benefit Statements LGPS	Commence process for production by 31st August **1st working day of the month**.	31st August
Auditor Queries	Ascertain Audit Requirements from Finance. Auditor usually audits the accounts through July, August and September. Respond to Auditor Queries	5 working days from 1st of the month Within two days of request
Accounts and Annual Report	Responses to Audit and Finance for queries relating to Accounts and Annual Report	Within two days of request

August

Annual Benefit Statements LGPS	Liaise with Communications team and Printers to agree timeline for data to populate ABS	By 31st August
Valuation Queries	Any last queries from the Actuaries. Actuaries to sign off Clean data Early August.	Within two days of request
Auditor Queries	Respond to Auditor Queries	Within two days of
Accounts and Annual Report	Responses to Audit and Finance for queries relating to Accounts and Annual Report (continuation from July)	Within two days of request
SF3 Form Data submission	Provision of data for SF3, to ensure Finance can provide a response by the DCLG's deadline.	5 working days from the 1st day of the month.

September

Accounts and Annual Report	**Responses to Audit and Finance for queries relating to Accounts and Annual Report (continuation from July and August)**	**Within two days of request**

October

Annual Allowance	Bulk Annual Allowance update Check Annual Allowance details for members and notify them accordingly if exceeded.	6th October (with final deadline of 31 October)
Annual Scheme Return	Complete Annual Scheme Return and submit to tPR	With 6 weeks of receipt of Scheme Return request which is due to be received in September

London Borough of Barnet

Local Pensions Board - Work Programme

August 2017 – April 2018

Title of Report	Overview of decision	Report Of	Issue Type (Non key/Key/Urgent)
29 November 2017			
Annual report on Board activities, performance and budget.	Approve the annual report to the Pension Committee and agree a budget for 2017-18 and 2018-19.	Director for Recourses	Non key
Review of external auditors report on 2016-17 PF annual financial statements	Discuss the findings from the annual audit and the actions to be taken to address any weaknesses identified	Director for Recourses	Non key
Annual report – training policy and knowledge, understanding and skills	Agree 12 month training plan.	Director for Recourses	Non key
Risk Register Review (governance)	Review and discuss the mitigating actions and residual risks.	Director for Recourses	Non key
Summary of Pension Committee decisions and minutes	To review the decisions made by the Pension Committee against regulatory requirements and best practice.	Director for Recourses	Non key
Annual report on investment strategy, fund manager performance and pooling plans.	Annual report on the setting and implementation of investment strategy and compliance with the 2016 Investment Regulations.	Director for Recourses	Non key
Administration Review/Update	Note the report.	Director for Recourses	Non key

Subject	Decision requested	Report Of	Contributing Officer(s)
14 February 2018			
Agree Terms of Reference following review	Review and propose any desired changes to the Board's ToR.	Director for Recourses	Non key
Internal Audit – coverage and findings	Review the planned workload of the internal Audit team and findings from reports issued in the last 12 months.	Director for Recourses	Non key
Annual review of Governance Compliance Statement	Review the GCS for compliance with Regulations and best practice.	Director for Recourses	Non key
Risk Register review (Funding)	Review and discuss the mitigating actions and residual risks.	Director for Recourses	Non key
Summary of Pension Committee decisions and minutes	To review the decisions made by the Pension Committee against regulatory requirements and best practice.	Director for Recourses	Non key
Review of Funding Strategy Statement and long term funding plan plus GAD's section 13 report on the 2016 valuation.	To review the Committee's plan to ensure the PF is fully funded on a cost efficient basis in compliance with regulations.	Director for Recourses	Non key
Corporate Governance and Stewardship review	Review the schemes approach to corporate governance in light of regulations and best practice.	Director for Recourses	Non key
Review of Communication policy	Annual review of communication policy against the requirements of the 2013 Regulations.	Director for Recourses	Non key
Administration Review/Update	Note the report.	Director for Recourses	Non key

Subject	Decision requested	Report Of	Contributing Officer(s)
17 April 2018			
External Audit Plans for 2017-18 PF audit	To review and comment on the adequacy of external audits plans for the 2017-18 audit.	Director for Recourses	Non key
Summary of Pension Committee decisions and minutes	To review the decisions made by the Pension Committee against regulatory requirements and best practice.	Director for Recourses	Non key
Annual review of regulatory breaches	To discuss the regulatory breaches identified in the last 12 months, the reporting of breaches to TPR and to review the policy for reporting breaches.	Director for Recourses	Non key
Review of IDRP policy and summary of appeals and decisions.	To review the operation of the IDRP policy and actions taken in respect of appeals by scheme members	Director for Recourses	Non key
Review of Pension Fund policies and Statements	Note the report and the plan of action to review and enhance the various documents.	Director for Recourses	Non key
Annual review of compliance with TPR Code of Practice	To note improvements in compliance in the last 12 months and action plan to address any remaining gaps.	Director for Recourses	Non key
Risk Register review (Investments)	Review and discuss the mitigating actions and residual risks.	Director for Recourses	Non key
2018 – To be allocated			