

	<p><b>Local Pension Board</b> <b>11<sup>th</sup> September 2017</b></p>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Compliance with Statements and Polices</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p><b>Director of Resources</b></p>
<p style="text-align: right;"><b>Wards</b></p>	<p>n/a</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix 1 – Investment Strategy Statement Appendix 2 – Funding Strategy Statement Appendix 3 – Governance Compliance Statement Appendix 4 – Communication Policy Statement</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>George Bruce, Head of Treasury, CSG <a href="mailto:george.bruce@barnet.gov.uk">george.bruce@barnet.gov.uk</a> - 0208 359 7126</p>

<p><b>Summary</b></p>
<p>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.</p>

<p><b>Recommendations</b></p>
<p>That the Board notes the report and the work ongoing to improve the Fund’s governance arrangements.</p>

## 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 policies 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/ukxi/2016/946/pdfs/ukxi\\_20160946\\_en.pdf](http://www.legislation.gov.uk/ukxi/2016/946/pdfs/ukxi_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 14<sup>th</sup> 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](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.

## **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