

## Decisions of the Local Pension Board

14 February 2018

Members Present:-

Professor Geoffrey Alderman (Chairman)

Hem Savla (Vice-Chairman)

David Woodcock  
Stephen Ross

Salar Rida

Also in attendance:

Alice Leech

### 1. ABSENCE OF MEMBERS

Apologies for absence had been received from Councillor Daniel Thomas.

It was reported that the Vice-Chairman, Tom Evans, the employer representative from an admitted or scheduled body, had resigned his position as a Board Member on 10 February 2018. The Chairman sought nominations for the position of Vice-Chairman. Hem Savla was proposed as Vice-Chairman and this was duly seconded by Stephen Ross. The Board then **RESOLVED that Hem Savla be appointed as Vice-Chairman of the Barnet Local Pension Board.**

The Board were advised that there was now a vacancy for an employer representative from an admitted or scheduled body. Officers would commence recruitment to the vacancy shortly.

### 2. MINUTES OF LAST MEETING

**RESOLVED that the minutes of the meeting held on 29 November 2017 be approved as a correct record.**

#### **Matters Arising**

In relation to minute item 10 (Interaction with Pension Regulator) it was noted that training for Board Members had taken place on 10 January 2018. The Head of Governance reported that the training session had been focussed on the initial four elements of the CIPFA Local Pension Boards Technical Knowledge and Skills Framework – pensions legislation, pensions governance, pensions administration, and pensions accounting and auditing standards). A further session would be commissioned to cover the remaining four elements – pension services procurement and relationship management, investment performance and risk management, financial markets and product knowledge, and actuarial methods, standards and practices. In addition, Board Members had been sent details of the Competency Self-Assessment Matrix set out in the CIPFA Framework and it was noted that the Head of Treasury would contact Board Members during March to complete this matrix. Findings would then be used to identify skills gaps and inform individual training plans for Board Members.

**3. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS**

None.

**4. PUBLIC QUESTION AND COMMENTS (IF ANY)**

None.

**5. REPORT OF THE MONITORING OFFICER (IF ANY)**

None.

**6. MEMBERS' ITEMS (IF ANY)**

Stephen Ross presented his Members Item which requested that the Board receive a report on how the situation with Capita is being monitored and what contingency plan is in place. In addition, he requested that Capita's pension services be appropriately rated on the Council's risk register and managed accordingly. It was requested that this should include the management of reputational risk (e.g. via an effective communications strategy with beneficiaries).

The Assistant Chief Executive advised the Board that it was acknowledged that there were issues with pensions administration. A Service Improvement Plan in place and details of that Plan would continue to be reported to the Board regularly for scrutiny. In respect of having contingency plans in place should there be an issue with an external provider, the Board were advised that the Council already has plans in place and details of those arrangements would be reported to the Performance and Contract Management Committee on 27 February 2018. This would include details of contingency plans in place in respect of all the Council's contracted providers.

In response to a question, the Assistant Chief Executive advised the Board that the recently reported issues with Capita had changed the status of the risk associated with the services that they provided. Details of the updated risk would be included on the Council's Strategic Risk Register details and be reported to the Performance and Contract Management Committee.

In response to questions about the viability of external providers, the Assistant Chief Executive report that trigger points were continually monitored by the Commercial Team. Some of the triggers points include levels debt ratios and banking covenants. Triggers were usually monitored twice yearly, but had recently been reviewed in response in relation to the recent news about Capita. The Board were advised that the triggers which would require the Council to act had not been breached. A Board Member questioned whether income and dividend cover were triggers that were considered. The Assistant Chief Executive undertook to request that the Commercial Director include this in the report to the Performance and Contract Management Committee.

**RESOLVED that the Board be kept regularly advised of the situation relating to Capita and the potential impact on the Barnet Superannuation Scheme.**

## **7. LOCAL PENSION BOARD PERFORMANCE OVERVIEW**

The Assistant Chief Executive and HR Strategic Lead presented a report which provided an overview of the performance of Capita in respect of the administration of the London Borough of Barnet Superannuation Scheme. It was reported that there had been a deterioration of performance in six of the 10 case groups areas during the reporting period. Officers reported that there were issues with legacy data, communications and a lack of reporting of breaches to the Pensions Regulator all of which required redress via the Service Improvement Plan (Appendix C). In addition, the Board were requested to note the concerns highlighted in the Internal Audit Report (Appendix B) and the risks detailed in the Pensions Administration Risk Register (Appendix D).

Board Members recommended that Capita Employee Benefits (CEB) should:

- Produce a monthly employer compliance report;
- Articulate to employers the risks, potential penalties and consequences (including referrals to the Pensions Regulator) for failing to submit accurate information to CEB on time; and
- Encourage employer participation in the Employer Forum;

The Board noted that data cleansing was on-going and it was questioned whether this would be completed in time for the issuance of the 2018 Annual Benefits Statements. Officers reported that a plan was in place for the data cleanse and progress would be reported to the Board at the next meeting.

### **RESOLVED that:**

- 1. The Local Pension Board note the performance concerns in relation to Capita's administration of the Barnet Pension Fund as set out in the Local Pension Board Performance report and associated appendices.**
- 2. The Local Pension Board are requested to note the progress made against the Service Improvement Plan.**
- 3. The Local Pension Board receive a copy of the draft Communications Plan by the end of February.**
- 4. The Local Pension Board requests to receive a detailed project plan from Capita by the end of February in relation to the process that leads to the issuing of benefit statements to satisfy itself that sufficient resources and planning are in place to ensure the mistakes of 2016 are avoided**
- 5. The Local Pension Board note the risks identified on the Pensions Administration Risk Register.**
- 6. The Local Pension Board refer the Local Pension Board Performance and issues detailed in the preamble above to the next meeting of the Pension Fund Committee and request that the Board Chairman be given an opportunity to address the Committee on the issues raised.**

## **8. REVIEW OF FUNDING AND CONTRIBUTION SETTING PROCESSES**

The Head of Treasury introduced the report which set out details of the Barnet Pension Fund and the review of funding and contribution setting process.

Gemma Sefton, from Hymans Robertson, delivered a presentation on the 2016 triennial valuation which covered:

- Stakeholders
- Scrutiny of the Scheme
- Valuation Regulations
- Role of the Administering Authority
- Valuation Process and Requirements
- Funding Strategy Approach
- Results of the 2016 Valuation
- Setting Contribution Rates

The Board noted that the next valuation would be taking place in 2019.

A Board Member commented that the Investment Advisor would be reliant on the accuracy of the data from the Administering Authority in making whole fund valuations.

### **RESOLVED that:**

- 1. The funding and contribution setting process as set out in the report and the presentation from Hymans Robertson be noted.**
- 2. Capita Employee Benefits be requested to develop a data quality plan to ensure that accurate data is being used for the next valuation and for details of the plan to be reported to a future meeting of the Board.**

## **9. REVIEW OF PENSION SCHEME FUNDING RISKS**

The Head of Treasury presented a report which outlined the risk register relating to scheme funding and procedures in place to manage these risks.

The Board questioned whether the Council had assessed the potential liability if an admitted body failed and the admitted body had a funding deficit. The Head of Treasury reported that in addition to any bond or guarantor, that the previous employer, normally the Council, guarantees deficits in the event of a default and that information relating to these scenarios were made available at the valuation to the Actuary.

**RESOLVED that the Board note the Pension Fund Risks as set out in the report.**

## **10. CONSULTATION ON GOVERNANCE POLICY AND COMPLIANCE STATEMENT**

The Head of Treasury presented a report which detailed the London Borough of Barnet Pension Fund Governance and Compliance Statement.

The Board noted that guidance recommended that the Pension Fund Committee should have representation from participating Local Government Pension Scheme employers, admitted bodies and scheme members (including pensioner and deferred members). It was reported that, Barnet were currently non-compliant with the guidance. The Board

agreed that the Head of Governance should refer this issue to the Pension Fund Committee and, with their agreement, to the Constitution, Ethics and Probity Committee. Members would therefore be able to consider whether they wished to amend the membership of the Pension Fund Committee to include members to represent those stakeholder groups.

**RESOLVED that:**

- 1. The draft Governance Policy and Compliance Statement be agreed.**
- 2. The Local Pension Board refer the issue of the membership of the Pension Fund Committee, as detailed in the preamble above, to the Pension Fund Committee.**

The meeting finished at 8.52 pm