



Local Pension Board

18 July 2019

Title	Decisions made by the Pension Fund Committee
Report of	Director of Finance
Wards	n/a
Status	Public
Urgent	No
Key	No
Enclosures	None
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Summary

Part of the role of the Local Pension Board is to ensure the effective and efficient governance of the Pension Fund. This role is not clearly defined but is deemed to include considering whether the decision-making processes of the Pension Fund Committee are reasonable or appropriate i.e. soundly based, consider relevant information, are consistent with the objectives and policies of the Fund and are taken after considering appropriate advice. The paper considers recent decisions by the Pension Fund Committee and summarises the rationale, the processes followed and the link with policy documents and regulations.

Officers Recommendations

That the Local Pension Board notes the procedures applied by the Pension Fund Committee when reaching decisions at recent meetings and considers any issues associated with those procedures and decisions. The outcome of these discussions to be reported back to the Pension Fund Committee.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Local Pension 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 and in ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.
- 1.2 Part of the Local Pension Board's role is to review the decision-making processes and ensure that these are soundly based, meet regulatory requirements and consider advice received as appropriate. While it is not appropriate for the Board to seek to replace its own judgments for those of the Pension Fund Committee, it is appropriate to review whether decisions have followed an appropriate process.
- 1.3 Since the last Local Pension Board meeting there has been one meeting of the Pension Fund Committee. The paper will highlight decisions made at these meetings.

Meeting 30 May 2019

- 1.4 The meeting was attended by Mr Jellema and My Deal of Hymans Robertson (investment Advisor), The Director of Finance, Ms Anisa Darr (and officers from Governance and Finance. The meeting was followed by 40 minutes of training covering the measurement of performance of unlisted investments.
- 1.5 Each of the agenda items for which a paper was presented is discussed below.

Investment Strategy Update

- 1.6 The meeting discussed the ongoing changes in the investment strategy aimed at replacing the current exposures to diversified growth funds with investments in property, private equity and emerging market listed equities. Hyman's presented a paper recommending an investment of £30 million in the Partners 2019 private debt fund (Barnet is currently invested in Partners 2015 and 2017 funds) to address an underweighting in that asset class and a delay in the launch of the London CIV's private debt fund. The Committee agreed:

To acquire holdings valued at £27 million in the Aberdeen Standard Long Lease Property Fund (this had been discussed and delegated at the previous meeting).

To defer the planned investment in the London CIV's emerging market fund following the resignation of the team who would have managed this investment.

To invest £30 million with Partners Group MAC 2019 Fund

To meet with potential private equity managers on 25 June.

Pension Fund Expenses

- 1.7 A report was tabled detailing the expenses incurred by the pension fund in the year to March 2019 including Barnet's share of expenses incurred within pooled fund. It had been agreed that such reports will be produced twice a year. Members queried individual costs. Going forward, in line with an internal audit recommendation, comparisons will be made with budget as well as prior year costs. The Committee noted the report.

Admitted Bodies and Bond Status Update

- 1.8 Officers reported on the outstanding admission agreements and bonds. Progress from the last report was less than had been intended but subsequently had improved following discussions with the administrator and legal advisors to speed up the process.

Data Quality

- 1.9 The Pension Fund Committee was presented with a report similar to that seen at the April Local Pension Board. The number of critical errors had further reduced from 953 as at 1st April to 775 as at 11th April, the latter being a 90% reduction compared with the position as at December 2018. The emphasis had now shifted to loading the March 2019 payroll data on to the administration system and it was expected that this would fix some of the remaining March 2018 critical errors. An update report on this issue is included on the agenda.

Update from the Regulator

- 1.10 The Director of Finance discussed the warning notice issued by the Pension Regulator that they were considering issuing an improvement notice setting out the areas for which the Regulator required improvement in processes and controls by 31 August 2019. This correspondence with the Regulator is included on the Board's agenda. The Committee asked for an update at their July meeting.

Investment Performance

- 1.11 Mr Jellema and My Deal of Hymans Robertson reviewed the fund's performance for the quarter to 31st March 2019. There were no changes in their rating of fund managers. The fund has returned 5.8% in the quarter, 5.1% in the year and 7.9% p.a. in the three years. Hymans were content with the strategy and the performance of the appointed managers and the timetable to sell the remaining holdings in diversified growth funds. The Committee noted the report.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Local Pension Board may wish to review Pension Fund Committee decision making procedures as part of its role in assisting the administering authority on ensuring good governance.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 N/A. The paper does not propose particular options.

4. POST DECISION IMPLEMENTATION

- 4.1 Recommendations from the Board will be communicated to the next Pension Fund Committee meeting.

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 by assisting in maintaining the integrity of the Pension Fund through 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 LGPS Regulations 2013 require 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.

5.5 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 Good governance is essential to ensuring that risks are identified and managed.

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 Equality 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 **Corporate Parenting**

5.7.1 Not applicable in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 The paper is part of the process of co-ordinating the activities of the Pension Fund Committee and Local Pension Board.

5.9 **Insight**

5.9.1 N/A.

6. BACKGROUND PAPERS

- 6.1 Papers and minutes of the Pension Fund Committee Meeting held on 30 May 2019.

<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=9917&Ver=4>
