

MEETING**PENSION FUND COMMITTEE****DATE AND TIME****TUESDAY 21ST JULY, 2015****AT 7.00 PM****VENUE****HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4AX**

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
10.	LOCAL PENSION BOARD REPORT	1 - 12
11.	REVIEW OF THE INVESTMENT STRATEGY AND WORK PLAN	13 - 16
15.	REVIEW OF THE INVESTMENT STRATEGY AND WORK PLAN	17 - 44

Faith Mwende

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Pension Fund Committee

21 July 2015

Title	Pension Board Budget 2015-16
Report of	Chief Finance Officer
Wards	Not Applicable
Status	Public
Enclosures	Appendix 1 – Proposed Pension Board budget Appendix 2 – Draft Pension Board work plan (to follow)
Officer Contact Details	Ruth Hodson, Head of Finance ruth.hodson@barnet.gov.uk 020 8359 7106 Faitth Mwende, Governance Officer faith.mwende@barnet.gov.uk 020 8359 2761

Summary

The Public Sector Act 2013 requires the establishment of Pension Boards to assist local authorities with the effective management of local pension funds. As the expenses of the Board are to be met by the Barnet Pension Fund the Board's workplan and the budget will be submitted to the Barnet Pension Fund Committee for approval annually. The Board will be required to operate within the approved budget and approved budget purposes. It is envisaged that the Board will review aspects of the pension fund over time rather than react to the regular monitoring cycle of the pension committee

Recommendations

1. That Pension Fund Committee note the proposed workplan and approve the proposed Pension Board budget for 2015-16

1. WHY THIS REPORT IS NEEDED

- 1.1 The Department for Communities and Local Government have been consulting on the implementation of Pension Boards, as required by the Public Sector Pensions Act 2013. The final Regulations were laid before Parliament and the final version of the guidance issued on 4th February 2015 (Appendix 1).
- 1.2 The Act and the regulations provide that the “scheme manager” will be responsible for administering, investing and managing the pension fund and may delegate these responsibilities to a Committee, an officer or an investment manager (as appropriate). In the case of the London Borough of Barnet (LBB) the Pension Fund Committee is the scheme manager and it is proposed that the Committee will continue to discharge these functions.
- 1.3 The Act states that the scheme regulations will provide for the establishment of the Pension Board which will be responsible for assisting the scheme manager (in LBB’s case, the Pension Fund Committee) in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme. Whilst the guidance has provided some further suggestions about what the Board will do, specific local functions have primarily been left up to the local authority’s determination. It is however clear that, while the Board can make recommendations to the Pension Fund Committee, it will be up to the Committee whether to take action in relation to the recommendations. The Board will not be a decision making body, but will contribute to the governance of the pension scheme by providing advice and scrutiny.
- 1.4 The Pension Board must be established by 1 April 2015 and the Pension Board must meet within the first four months of the 2015/16 financial year.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Public Sector Act 2013 requires the establishment of Pension Boards to assist local authorities with the effective management of local pension funds. As the expenses of the Board are to be met by the Barnet Pension Fund the Board’s workplan and budget will be submitted to the Barnet Pension Fund Committee for approval annually.

- 2.1 **ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**The alternative option was to discharge the Local Pension Board function through the Pension Fund Committee. As this required written approval from the Secretary of State to appoint the existing Committee as the Local Pension Board this option was not recommended.

3. POST DECISION IMPLEMENTATION

- 4.1 In accordance with the regulations, the first meeting of the Pension Board will be held on 29th July 2015
- 4.2 Pension Board will operate within the budget approved by Pension Fund Committee .

4. IMPLICATIONS OF DECISION

4.1 Corporate Priorities and Performance

- 5.1.1 The Local Pension Board will support the delivery of the Council's corporate priorities as expressed through the Corporate Plan by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the Fund.

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

- 4.2.1 All costs of implementing and running the Local Pension Board will be funded from the Barnet Pension Fund.
- 4.2.2 The Board will agree its workplan annually and the budget required to deliver it. As the expenses of the Board are to be met by the Barnet Pension Fund the Board's workplan and budget will be submitted to the Barnet Pension Fund Committee for approval annually. The Board will be required to operate within the approved budget and approved budget purposes. It is envisaged that the Board will review aspects of the pension fund over time rather than react to the regular monitoring cycle of the pension committee.
- 4.2.3 All Pension Board costs will be met from within the pension fund. The main costs will be set up cost of Board member training, governance support and Pension Board member attendance allowances.

4.3 Legal and Constitutional References

- 4.3.1 The Public Service Pensions Act 2013 and the Local Government Pension Scheme (Amendment)(Governance) Regulations 2015 require the Council to establish a Pension Board by 1 April 2015. The proposed terms of reference comply with the requirements of the legislation and due regard has been paid to the guidance.
- 4.3.2 Report to General Functions Committee meeting on 23 March included that the expenses of the board are to be met by the Barnet Pension Fund and the

board's budget will be submitted to the Barnet Pension Fund Committee for approval annually. A recommendation to amend the Constitution to ensure this responsibility is incorporated in the Committee's terms of reference is due to be considered by Council on 28 July 2015.

4.4 Risk Management

4.4.1 If required actions to establish the Pension Board is not agreed or within the time constraints set out in this report the council could be at risk of Judicial Review or intervention by the Regulator.

4.5 Equalities and Diversity

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

4.6 Consultation and Engagement

4.6.1 Not applicable

5. BACKGROUND PAPERS

5.1 None

Appendix 1

Pension Board Budget 2015 -16

Set up costs	£	£
Newspaper Advertising	1,021.38	
Retired Deferred Member Mailshot	12,900.00	
		13,921.38
Attendance and Training		
Board Member Attendance Fees	2,286.00	
Board Member Training attendance Fees	2,286.00	
Board Member Training	6,500.00	
		11,072.00
Board administration		
Board support and overheads recharge		25,000.00
Total		<u><u>49,993.38</u></u>

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**London Borough of Barnet
Local Pensions Board Forward
Work Plan - 2015-16**

Contact: Faith Mwende

Subject	Decision requested	Report Of	Contributing Officer(s)
<p>29 July 2015</p> <p>Approval and Adoption of the Terms of Reference</p>	<p>The Public Service Pensions Act 2013 requires the establishment of Pension Boards to assist local authorities with the effective management of local pension funds. The Department for Communities and Local Government (DCLG) has issued regulations concerning the implementation of Pension Boards.</p> <p>On the 23rd of March 2015, the General Functions Committee accordingly agreed the establishment of the Local Pension Board, the composition and the proposed Terms of Reference. This report provides an update, following endorsement from Full Council and set out the final terms of reference for the Board.</p>	<p>Head of Governance</p>	

Subject	Decision requested	Report Of	Contributing Officer(s)
<p>Board Knowledge, Understanding and Training</p>	<p>The Public Services Pension Act 2013, the Local Government Pension Scheme (LGPS) Scheme (Amendment) (Governance) Regulations 2015, The Pension Regulator (TPR) Code of Practice and The Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales, 2015 require that every individual who is a member of a Local Pension Board must have a certain level of knowledge and understanding about the scheme regulations and policies, including those relating to funding and investment matters, in order to fulfil their role.</p> <p>In order to assist Pension Board Members to meet these requirements, officers will provide a questionnaire for Members to rate their knowledge on specific scheme topics. Information from the questionnaires will inform the development of personalised training plans for Members.</p>	<p>Head of Governance</p>	

Subject	Decision requested	Report Of	Contributing Officer(s)
Local Pension Board Constitutional Framework	<p>The Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales, 2015, details documents which the Local Pension Board may include in its wider constitution. The policies and guidance in this report, alongside the terms of reference contained in the Council Constitution, provide the constitutional framework for the Local Pension Board.</p>	Head of Governance	

Subject	Decision requested	Report Of	Contributing Officer(s)
<p>Key Policy Documents of the Barnet Pension Fund</p>	<p>The role of the Local Pension Board includes ensuring that the Pension Fund's strategy and policy documents are in place and have been maintained in accordance with the LGPS Regulations.</p> <p>These strategy and policy documents are the:</p> <ul style="list-style-type: none"> • Communications Policy Statement; • Funding Strategy Statement; • Governance Compliance Statement; • Statement of Investment Principles; • Pension Fund Annual Report and Accounts. <p>This report encloses the above documents for the Board's consideration.</p>	<p>Head of Governance</p>	
<p>Barnet Council Pension Fund Performance for Quarter January to March 2015</p>	<p>This report encloses the report on Barnet Council Pension Fund Performance for Quarter January to March 2015 that was considered by Pension Fund Committee, 21 July 2015</p>	<p>Head of Governance</p>	

Subject	Decision requested	Report Of	Contributing Officer(s)
Meeting date TBC			
Review of Pension Fund Asset Allocation	London Borough of Barnet Pension Fund - Admitted Bodies update report	Chief Operating Officer (Director of Finance / Section 151 Officer)	
Barnet Council Pension Fund Performance - Quarterly report	This report encloses the report on Barnet Council Pension Fund Performance for the previous Quarter	Head of Governance	
Pensions Fund Committee Risk Register	To undertake an annual review of the Pension Fund Committee Risk Register	Head of Governance	

	AGENDA ITEM 11
	<h2>Pension Fund Committee</h2> <h3>21 July 2015</h3>
Title	Review of Pension Fund Asset Allocation
Report of	Chief Operating Officer
Wards	N/A
Date added to Forward Plan	N/A
Status	Public Report with Exempt Appendix – Not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended
Enclosures	Appendix 1 (exempt) – Hymans Robertson: 'Initial Review of Asset Allocation July 2015'
Officer Contact Details	Iain Millar iain.millar@barnet.gov.uk 0208 359 7126

<h3>Summary</h3>
The purpose of this report is to present the Pensions Fund Committee with the investment consultant's initial findings on the review of the pension fund investment plan and recommends formation of a subgroup to review the pension fund investment strategy

<h3>Recommendations</h3>
<ol style="list-style-type: none"> 1. That the Committee note the findings set out in the initial review report and agree to form an advisory body to review the pension fund investment strategy and report back to future meetings of the Pension Fund Committee.

1. WHY THIS REPORT IS NEEDED

- 1.1 The purpose of this report is to present the Pensions Fund Committee with the investment consultant's initial findings on the review of the pension fund investment plan and to recommend a workplan to review the pension fund investment strategy.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Pension Fund Committee's terms of reference include the appointment of pension fund investment advisers.
- 2.2 Following the reprocurement of the pension fund investment adviser, (Pension Fund Committee, 28 May 2015 COO DPR, 1 June 2015), on appointment Hymans Robertson were commissioned to produce a report for Pension Fund Committee to initiate a review of the pension fund investment strategy.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not Applicable

4. POST DECISION IMPLEMENTATION

- 4.1 An advisory body of the Pension Fund Committee supported by officers and investment advisor Hymans Robertson will consider options for rebalancing the current asset allocation and will present further recommendations and costed options to revise the Pension Fund investment strategy to future meetings of Pension Fund Committee in 2015-2016.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 To ensure that the pension fund is being invested prudently and to the best advantage in order to achieve the required funding level. This in return protects Barnet's liabilities and supports the Council's corporate priorities as expressed through the Corporate Plan.

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

- 5.2.1 The cost of the review of the pension fund investment strategy will be met from the pension fund. An update report will set out the proposed cost of any changes to be considered by the Committee.
- 5.2.2 There are no procurement, performance & value for money, staffing, IT, Property or Sustainability implications.

5.3 Legal and Constitutional References

- 5.3.1. This report is based on the provisions of Regulation 10 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 made under the powers conferred by section 7 and Schedule 3 of the Superannuation Act 1972.
- 5.3.2 Constitution – Part 15, Annex A, Responsibility for Functions Responsibility for Council Functions in relation to pensions delegated to the Pension Fund Committee through the Pension Fund Governance Compliance Statement. Paragraph 2.2.11 lists one of these functions as ‘To review and challenge at least quarterly the Pension Fund investment managers’ performance against the Statement of Investment Principles in general and investment performance benchmarks and targets in particular.

5.4 Risk Management

- 5.4.1 The current asset allocation will not maximise potential investment return. This can be addressed by restructuring the fund portfolio to reflect changes in market conditions and expectations of future returns.

5.5 Equalities and Diversity

- 5.5.1 Ensuring the long term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met.

The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups

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.

5.6 Consultation and Engagement

- 5.6.1 Not Applicable

6 BACKGROUND PAPERS

- 6.1 None

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AGENDA ITEM 15

Document is Restricted

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