

MEETING

PENSION FUND COMMITTEE

DATE AND TIME

THURSDAY 18TH MARCH, 2021

AT 8.00 PM

MEETING LINK TO VIRTUAL MEETING: <http://bit.ly/38oVrJs>

TO: MEMBERS OF PENSION FUND COMMITTEE (Quorum 3)

Chairman: Councillor Mark Shooter

Vice Chairman: Councillor Elliot Simberg

Councillors

Anthony Finn

Arjun Mittra

Kathy Levine

Peter Zinkin

Anne Hutton

Substitute Members

Melvin Cohen

Ross Houston

Stephen Sowerby

Reema Patel

Eva Greenspan

Alison Moore

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted on Monday 13 March 2021 by 10AM -

Requests must be submitted to Paul.Frost@barnet.gov.uk

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

Andrew Charlwood – Head of Governance

Governance Services contact: Paul Frost

Media Relations Contact: Tristan Garrick 020 8359 2454

ASSURANCE GROUP

ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes	5 - 10
2.	Absence of Members	-
3.	Disclosable Pecuniary interests and Non Pecuniary interests	-
4.	Public Question and Comments (if any)	-
5.	Report of the Monitoring Officer (if any)	-
6.	Members' Items (if any)	-
7.	Investment Strategy and Manager Appointments	11 - 18
8.	Any item(s) that the Chairman decides is urgent	-

Decisions of the Pension Fund Committee

24 February 2021

AGENDA ITEM 1

Mark Shooter (Chairman)
Elliot Simberg (Vice-Chairman)

Anthony Finn
Peter Zinkin

Anne Hutton
Kathy Levine

Arjun Mittra

Also in Attendance
James Kennedy – Middlesex University
Nick Jellema – Hymans
Yoel Deal – Hymans
Yunus Gajra – West Yorkshire Pension Fund

1. **MINUTES (Agenda Item 1):**

Following the correction of some minor typographical errors the Pension Fund Committee:

Resolved:

That the Minutes of the meeting held on 24 October be approved.

2. **ABSENCE OF MEMBERS (Agenda Item 2):**

None.

3. **DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS (Agenda Item 3):**

Councillor Antony Finn and Councillor Mark Shooter made a Non-Pecuniary declaration and stated that they were a Member of the Barnet Pension Fund. Councillor Finn and Councillor Shooter therefore took part in the consideration and voting process in all listed agenda items.

Councillor Peter Zinkin, Councillor Arjun Mitra and Councillor Mark Shooter declared a non-pecuniary Interest by virtue that they have shareholdings in companies that the fund had invested in.

4. **PUBLIC QUESTION AND COMMENTS (IF ANY) (Agenda Item 4):**

None.

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

None.

6. MEMBERS' ITEMS (IF ANY) (Agenda Item 6):

None.

7. ORDER OF BUSINESS

The Chairman noted that the order of business would be amended and therefore moved items 8 and 10 to the end of the agenda because of the exempt information contained in the reports.

8. ADMINISTRATION REPORT (Agenda Item 7):

The Committee considered the report that provided the Pension Fund Committee with an update on the transition of the administration to West Yorkshire Pension Fund (WYPF), the current performance including the reissuing of Annual Benefit Statement (ABS), Remediation Plan and GMP reconciliation

Mr Gagra from WYPF was in attendance and was therefore invited to give a brief presentation on the transition of the administration service and current service levels. The Chairman thanked him for the update provided.

The Chairman congratulated the Council's Pensions team for all their hard work and requested that this be minuted.

Having considered the report the Committee:

Resolved:

The Pension Fund Committee to note the current performance levels and the update on Annual Benefit Statements.

9. LOCAL PENSION BOARD UPDATE (Agenda Item 9):

Mr Paul Frost from the Governance Service introduced the report. The Pensions Fund Committee was requested to note the contents of the report and consider the recommendations.

Having considered the report the Committee:

Resolved:

1. The Pension Fund Committee noted appendix A, B and
2. The Pension Fund Committee noted that the report shall be reported to the next meeting of Full Council
3. That the Pension Fund Committee approved the Local Pension's Board annual budget as set out in appendix A.

10. RE-PROCUREMENT OF INVESTMENT CONSULTANCY SERVICES TO THE BARNET PENSION (Agenda Item 11):

The report was introduced by the Mr Nigel Keogh. He Informed the Committee that the procurement of Investment Consultancy services to the Barnet Pension Fund had been concluded and therefore he requested that Members consider and note the report.

Having considered the report the Committee:

Resolved:

The Committee noted the intention to reappoint Hymans Robertson as the provider of Investment Consultancy services to the Barnet Pension Fund.

11. RESPONSIBLE INVESTING & CLIMATE CHANGE (Agenda Item 12):

Mr George Bruce gave an overview of the report before the Committee.

Having considered the report the Committee:

Resolved:

That the Pension Fund Committee:

1. Approved the revised Responsible Investment section of the Investment Strategy Statements, and
2. Noted the work that officers and investment advisors will undertake in preparation for the anticipated requirement to comply with the framework established by the Taskforce on Climate-related Financial Disclosures

12. TRANSITION AND REMEDIATION COSTS 11 FEB 2021 (Agenda Item 13):

Mr George Bruce gave an overview of the report. He stated that the report considers administration costs incurred during the change of administrator and as a consequence of poor administration processes.

The Chairman welcomed Mr James Kennedy from Middlesex University to the meeting. Mr Kennedy questioned Officers on the costs incurred to the Pension Fund and employers. It was confirmed that there would be no costs to employers.

Members had the opportunity to consider the report and ask questions to Officers.

Having considered the report the Committee:

Resolved:

That the Pension Fund Committee noted the report.

13. PENSIONS FUND COMMITTEE WORK PROGRAMME (Agenda Item 14):

Resolved:

That the Pension Fund Committee noted the report.

14. INVESTMENT STRATEGY (Agenda Item 8):

Mr George Bruce gave an overview of the report before the Committee. He requested that Members consider the opportunities highlighted to increase both sustainability and pooling within the Pension Fund's investments.

During the discussion on the item, Councillor Peter Zinkin proposed the following motion. *That Officers are requested to prepare a note on the impact on the above changes on the fund's exposure to carbon emissions and fossil fuel reserves*. This was seconded by Councillor Elliot Simberg.

The Committee further noted that Appendix E part 2 was not available and therefore recommendation (g) was withdrawn.

During the exempt session the committee requested that Hymans be instructed to carry out some research on favourable opportunities within the property market in the current climate. This was proposed by Councillor Finn and seconded by Councillor Anne Hutton.

The Chairman requested that the report's recommendations be voted on along with the two points above.

Having considered the report the Committee:

Resolved:

That the Pension Fund Committee agree to:

- a) Invest 5% of the Fund into the LCIV Sustainable Exclusion Equities Fund.
- b) Invest 25% of the fund in the LGIM Future Worlds Index.
- c) Reduce the allocation to LGIM RAFI equities from 20% to 10% of the Fund.
- d) To dispose of the entire holding in LGIM Market Capitalised Index Funds.
- e) To transact the above changes over a two-year period but to authorise the Finance Director (in consultation with Chairman and Investment Advisor) to amend the implementation period.
- f) Invest US dollar equivalent of £40 million in Adams Street Global Secondary Fund 7.
- g) Investments ~~(f) and (g)~~ to be funded firstly by using available cash resources and secondly by realisations from existing investments in diversified growth funds
- h) That the Pension Fund Committee *requested that Officers prepare a note on the impact on the above changes on exposure to carbon emissions and fossil fuel reserves.*
- i) That the Pension Fund Committee requested that Hymans be instructed to carry out some research on the property market in the current climate.
- j) That the Exempt information be noted.

15. PERFORMANCE FOR THE QUARTER TO 31 DECEMBER 2020 (Agenda Item 10):

The Committee considered the report which summarised the Pension Fund investment managers for the quarter to 31 December 2020. The Council's Investment Consultants from Hyman Roberts were in attendance to introduce their analysis of the performance period.

Having considered the report the Committee:

Resolved:


- That the Pension Fund Committee noted the performance of the Pension Fund for the quarter to 31 December 2020.
- The Pension Fund Committee noted the exempt information.

16. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT (Agenda Item 15):

None.

The meeting finished at 20:45

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	<h1 style="text-align: center;">Pension Fund Committee</h1> <h2 style="text-align: center;">18 March 2021</h2>
Title	Investment Strategy and Manager Appointments
Report of	Director of Finance
Wards	N/A
Status	Public except for exempt Appendices.
Urgent	No
Key	No
Enclosures	<p>Appendices (all exempt):–</p> <p>(A) Hymans Private Debt Allocation (B) Suitability Note –LCIV Private Debt (to follow)</p> <p>Exempt enclosures - Not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information)).</p>
Officer Contact Details	<p>George Bruce, Head of Treasury, george.bruce@barnet.gov.uk - 0208 359 7126</p>

Summary

A recommendation to invest with London CIV's private debt fund was held over from the February meeting as Hymans Robertson's review of the fund was not finalised. Periodic new commitments are required to maintain the Committee's existing allocation to private debt. Using the London CIV for private debt is in accordance with our pooling obligations.

Officers Recommendations

That the Pension Fund Committee agree to commit £60 million to the LCIV Private Debt Fund.

1. WHY THIS REPORT IS NEEDED

- 1.1 Acting in its capacity as Administering Authority to the Barnet Pension Fund, it is the responsibility of London Borough of Barnet to ensure that the Pension Fund complies with legislation and effectively manages the Fund's financial affairs.
- 1.2 The Pension Fund has an existing 11% target allocation to private debt. As at 31 December 2020 £98 million (7.3%) is currently invested with Partners Group and Alcentra European Direct Lending Fund. These funds have a limited life (around 8 years) and distribute Capital when the underlying investments are sold. As an example, the Partners 2015 fund has now distributed 70% of its initial capital. Thus to maintain an allocation requires regular new commitment, which is why we are invested in the 2015, 2017 and 2019 funds from Partners Group. To progress towards the target allocation, Hymans are recommending an additional commitment of £60 million (appendix A – Private Debt Allocation).
- 1.3 Hymans second paper "London CIV Private Debt sub-fund – Suitability Note" (appendix B) considers the suitability of the private debt fund being launched by the London CIV. As noted in the report, the Committee previously agreed (July 2019) to commit £30 million to the LCIV private debt fund. Unfortunately, the fund was never launched as only two boroughs were willing to commit. However, LCIV are now confident that there is sufficient demand to re-launch this fund. Hymans have determined that this fund is suitable for investing and therefore in light of the Committees wish that opportunities to pool are considered, it is recommended that the £60 million commitment is placed with the LCIV Private Debt Fund. Fee savings are available if a sufficient level of interest (circa €200 million) is achieved by the end of March, which is why this additional Committee meeting has been requested.
- 1.4 Hymans first paper (Appendix A – Private Debt Allocation) discussed recent rating changes for both Partners Group and Alcentra that moves these managers from Preferred to Positive (now one notch below Hyman's top preferred rating). We have not asked Hymans to review the capability of the LCIV's underlying managers, Pemberton and Churchill, rather to focus on the fund strategy and appointment process, for which LCIV was assisted by an external consultant, ISIO. We have not invited Pemberton or Cambridge to the meeting but have asked LCIV to attend.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The LGPS (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) review and if necessary, revise the investment strategy. The proposal recognises that the strategy has been enhanced in 2015, 2016 and 2017. Modelling presented to the Committee at the June 2018 meeting indicated that the current strategy, while expected to achieve the funding objective, can be enhanced.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The various alternatives are discussed in the paper and within the Hymans Robertson reports.

4. POST DECISION IMPLEMENTATION

- 4.1 Delegation is requested to the S151 officer to implement the agreed actions.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Committee supports the delivery of the Council's strategic objectives and priorities, as expressed through the 2019-2024 Corporate Plan, to be an efficient and effective Council through managing our finances and contracts robustly, by assisting in maintaining the integrity of the Pension Fund by monitoring the investments and administration of the Pension Fund.

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

- 5.2.1 There are no direct resources issues for the council however changes in the financial performance of the pension fund affects the pension fund deficit reflected in the Authority's accounts and the level of contributions payable by the Council and other employers.

5.3 Social Value

- 5.3.1 The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.
- 5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.
- 5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.
- 5.3.4 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 (Management and Investment of Funds) Regulations 2016 (Regulation 7(7)) requires the Committee to periodically (at least every three years) to review and if necessary, revise the investment strategy.

5.4.2 The Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee, (1) the approval of the Investment Strategy Statement and to act in accordance with its principles and (2) the appointment of investment managers. This paper considers alterations to the asset allocation set out in the ISS.

5.5 Risk Management

5.5.1 Risk management is central to the LGPS; which 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 Understanding the causes of sources and variabilities of scheme returns informs the management of investment and funding risk.

5.6 Equalities and Diversity

5.6.1 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. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to the public-sector equality duty.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not applicable.

5.9 Insight

5.9.1 Not applicable

6. BACKGROUND PAPERS

6.1 Investment Strategy, agenda item 8, Pension Fund Committee 24 February 2021.

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=10151&Ver=4>

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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