

Minutes of the Pension Fund Committee

4 July 2023

Members Present:-

Councillor Simon Radford (Chair)
Councillor Anne Hutton (Vice-Chair)

Councillor Andreas Ioannidis Councillor Elliot Simberg
Councillor Mark Shooter Woodcock-Velleman

Apologies for Absence

1. MINUTES

RESOLVED that the minutes of the meeting held on 22nd March 2023 be agreed as a correct record.

2. ABSENCE OF MEMBERS

There were none. Cllr Shooter arrived during item 10.

3. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS

Councillor Radford declared a non-pecuniary interest by virtue of the fact that in his employment, sales colleague receive money from investment managers.

4. PUBLIC QUESTION AND COMMENTS (IF ANY)

There were none.

5. REPORT OF THE MONITORING OFFICER (IF ANY)

There was none.

6. MEMBERS' ITEMS (IF ANY)

There were none.

7. QUARTERLY INVESTMENT REPORT TO 30 JUNE 2023

The Head of Pensions and Treasury presented the report and noted that it provided an update on investment valuations, transactions and performance to 31 March 2023 and an update on asset values to 31 May 2023. Over the last 12 months, the fund's investments had reduced in value by around 3%.

It was explained that whilst assets had reduced, liabilities had also decreased, resulting in there being a funding surplus based on the actuary's long-term assumptions for investment returns and inflation. However, it was noted that whilst this was a positive position it could quickly unwind and so Officers had considered what action could be taken to consolidate this position – this was discussed further under item 9.

It was noted that Hymans had made some enhancements to the report recognising different benchmarks were applied to different managers (e.g some benchmarks were market-related and others were set relative to cash rates).

Hymans had highlighted five funds that require closer attention though still performing well.

In response to questions raised on Adam Street funds, it was noted that they were still building up and would continue to do so over several years before returning capital. Target allocation towards Adam Street is 5% of the fund.

The Chair enquired whether the 'unrated' funds would be rated at some point. The Hymans representative noted that London CIV were not formally rated by Hymans. Hymans provided an assurance note rather than supplying a formal rating.

Some other funds were unrated, such as Allianz Trade Finance Fund and would be rated in due course.

RESOLVED that:

The Pension Fund Committee noted the investment activities and performance of the Pension Fund to 31 May 2023.

8. POOLING UPDATE

The Head of Pensions and Treasury presented his report which provided the Committee with an overview of Barnet's Pooling activities. It was explained that in November 2015 the government published guidance for LGPS Funds to pool their assets with the objective of improving governance and cost efficiency. It was noted that London CIV is the Council's Pooling vehicle and key strategic partner. The paper provided an update on Barnet's activity with London CIV and pooling.

It was noted in the discussion that London CIV has a 2040 NetZero target and would therefore need to be reconciled with Barnet's ambition to be a NetZero Pension Fund earlier if in accordance with our broader fiduciary duty. The Head of Pensions and Treasury recommended engaging closely with London CIV whilst keeping 2030 as an anchor point to decision making.

The Head of Pensions and Treasury added that the government is keen for pooling to happen more quickly and a consultation would be launched within the next two months around this.

The Chair recommended that committee Members attend LGPS events and share information with the committee.

RESOLVED that:

the Pension Fund Committee noted the importance of pooling and the update provided by Officers.

9. INVESTMENT STRATEGY REPORT

The Head of Pensions and Treasury presented his report providing a summary of the investment transactions made from February 2023 to May 2023, and including an overview of the planned investment transactions in 2023.

The Head of Pensions and Treasury talked through the rationale for seeking to consolidate the Fund's surplus position - in order to consolidate the Fund's surplus position, the Committee was asked to agree to the recommendation to switch the Fund's Strategic Allocation from 50% growth assets / 50% income assets to 30% growth assets / 70% income assets.

The Chair explained that the proposals had been discussed with the Chief Finance Officer and Committee Members (including Cllr Shooter who was not in attendance for this item but who was overall supportive of the proposal based on prior discussions).

The Head of Pensions and Treasury stated that if agreed this would be implemented as soon as possible after the meeting.

In response to questions asked by the Committee, it was explained that switching the Fund's Strategic Allocation would continue to be evaluated and should there be any significant changes in the market conditions, a review would be undertaken.

Resolved that:

- a) In order to consolidate the Fund's surplus position the Committee agreed to the recommendation to switch the Fund's Strategic Allocation from 50% growth assets / 50% income assets to 30% growth assets / 70% income assets.**
- b) other investment transactions that have occurred so far in 2023, and the further planned transactions for 2023 were noted.**

10. ADMINISTRATION AND DATA REPORT

The Pensions Manager presented his report on administration performance by West Yorkshire Pension Fund (WYPF), with an update on the data improvement plan and historical leaver exercise.

The report also detailed the work undertaken by the LBB Pensions Team in trying to determine the cause of the £50m data experience issue detailed in the 2022 valuation report.

It was reported that the West Yorkshire Pension Fund remained in a good position and that there was continued work to monitor their performance. Good progress had been made on the annual benefit statements and they were currently on target.

A Member Newsletter would be issued over the next few days.

Data scores had increased due to WYPF carrying out major updates.

The Pensions Manager reported that investigations carried out by Barnet officers on the £50million data experience item had not come up with a result. No systemic issues had been identified. A proposal would be made to hold further investigations via a third-party provider. Details on the costs of doing this would be presented to the committee at the meeting in November 2023. The cost-benefit of carrying this out would need to be considered.

Resolved that:

- i) the Pension Fund Committee noted the current performance levels and updates on the data improvement plan and historical leaver exercise.**
- ii) the Pension Fund Committee noted the actions already taken by the LBB Pensions Team to determine the cause of the £50m data experience issue and the further measures being taken.**

Cllr Shooter joined the meeting.

11. KNOWLEDGE AND UNDERSTANDING

The Pensions Manager presented his report which summarised the actions that will be taken by the LBB Pensions Team to keep records of Committee Members' and Local Pension Board Members' training.

The Chair noted that some events attended by Committee members contained professional development points. He recommended that they update the Pensions Manager when they attend these.

Resolved that:

- 1) the contents of this report were noted.**
- 2) the recommendation of the LBB Pensions Team that Committee members complete the LOLA training by 31 October 2023 was noted.**

12. DRAFT ANNUAL ACCOUNTS

The Chair reported that since publication of the report additional items had been added to the timetable and that these were unexpected. An update from BDO on these would be presented to the Governance, Audit, Risk Management and Standards Committee to be held on the 25 July 2023.

Additional to the timetable of the 21/22 accounts: an interim visit is scheduled for March or April 2024 with final target for sign off August 2024.

Additional to the timetable of the 22/23 accounts: an interim visit November/December 2024 with final sign off January 2025.

It was noted that the delays were happening nationally, but there was concern as there was a discrepancy between the new dates and the previous timetable. At the previous meeting of the Pension Fund Committee on the 22 March 2023, when BDO had been present, assurance had been given by them that the accounts would be signed off by the end of March 2023 and this had not happened.

Resolved that:

the update on the 2020/21 audit, and the plan for the 2021/22 audit was noted, and it was noted that the committee could identify matters that it wished to bring to the attention of the auditor.

13. ADMISSIONS, CESSATIONS AND BONDS UPDATE

The Pensions Manager presented his report which provided a status update on the outstanding admissions, cessations and bond agreements/renewals.

The Pensions Manager reported that the LBB Pensions Team had been working with employers, West Yorkshire Pension Fund (WYPF), Hymans Robertson and HB Public Law to ensure the outstanding admissions and cessations were completed and that bond agreements were put in place.

It was noted that there had been no new admitted bodies to the Fund since the last update to the Committee. The LBB Pensions Team would be undertaking a review of the admissions, bonds and cessations process during the summer (2023), to make it more efficient. The Pensions Team would be providing an update on the review at the next Committee meeting.

The Pensions Manager reported that the cessations were progressing well.

Eight bond renewals were due to be completed very soon. Work was ongoing to simplify the process.

The Chair noted that items C and D of the report could be discussed in more detail in closed session. The committee agreed the decision could be made without the need for discussion in private session.

Resolved that:

- a) the progress on outstanding admissions, cessations and bond agreements/renewals were noted.**
- b) the admission into the Fund of Innovate (Blessed Dominic School), as detailed in paragraph 1.2 of the report was approved.**

- c) the update on Signature Education as detailed in paragraph 1.7 of the report was noted.
- d) the decision by the LBB Pensions Team in relation to the exit credit payment for OCS as detailed in Appendix D of the report, was approved.

14. RESPONSIBLE INVESTMENT

The Head of Pensions & Treasury presented his report and slides which provided an update on the framework developed to progress the NetZero Strategy. The framework sought to create a hypothetical 'Model NetZero' portfolio optimised on the priority of meeting a NetZero position by 2030 but also to generate a suitable risk-return profile.

The Head of Pensions and Treasury reported that the general response from broader stakeholders within the Pension Industry was that NetZero 2030 would not be easily achievable. The principles agreed by the committee and the Model Portfolio would support Barnet Council's aims to be a leading voice on NetZero and articulate its vision towards a NetZero 2030 position in a credible way.

The Chair thanked the Head of Pensions and Treasury for his work on this.

The Head of Pensions and Treasury reported that investment proposals would be brought to the committee over the next few cycles of meetings.

Resolved that:

The Committee noted the contents of the report and the progress made towards developing the Barnet NetZero strategy.

15. ANNUAL REVIEW OF PERFORMANCE OF ADVISORS

The committee discussed the item in closed session.

16. PENSION FUND COMMITTEE WORK PROGRAMME

The Pension Fund Committee noted the work programme.

17. MOTION TO EXCLUDE PRESS AND PUBLIC

A motion was moved to discuss item 15 in private session.

18. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT

There were none.

The meeting finished at Time Not Specified

