

**MEETING**

**LOCAL PENSION BOARD**

**DATE AND TIME**

**WEDNESDAY 29TH NOVEMBER, 2017**

**AT 7.00 PM**

**VENUE**

**HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ**

**TO: MEMBERS OF LOCAL PENSION BOARD (Quorum 3)**

Chairman: Geoffrey Alderman

Vice Chairman: Tom Evans

Stephen Ross

Salar Rida

Councillor Daniel Thomas

**Substitute Members**

Councillor Sury Khatri

Hem Savla

Vacancy

**You are requested to attend the above meeting for which an agenda is attached.  
Andrew Charlwood – Head of Governance**

Governance Service contact: Paul Frost - 0208 359 2205

Media Relations contact: Sue Cocker 020 8359 7039

In line with the Constitution's Public Participation and Engagement Rules, requests to submit public questions or comments must be submitted by 10AM on the third working day before the date of the committee meeting. Therefore, the deadline for this meeting is 24 October at 10AM. Requests must be submitted to [paul.frost@barnet.gov.uk](mailto:paul.frost@barnet.gov.uk)

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**ASSURANCE GROUP**

## ORDER OF BUSINESS

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4.	Public Question and Comments (if any)	
5.	Report of the Monitoring Officer (if any)	
6.	Members' Items (if any)	
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13.	Any other item(s) the Chairman decides are urgent	

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## Decisions of the Local Pension Board

11 September 2017

Board Members Present:-

AGENDA ITEM 1

Professor Geoffrey Alderman  
Alderman (Vice-Chairman)

Stephen Ross  
Rida

Councillor Sury Khatri (In place of Councillor  
Daniel Thomas)

### 1. APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN

The Governance Officer in attendance opened the meeting and welcomed Board Members and Officers. He outlined the appointments that were required and requested nominations for Chairman. Mr Stephen Ross proposed Professor Geoffrey Alderman, Mr Salar Rida seconded the nomination which was agreed by the Board.

Having taken the Chair, the newly appointed Chairman stated that Mr Tom Evans had expressed an interest in becoming the Vice-Chairman. Therefore he proposed Mr Tom Evans, this was seconded by Mr Salar Rida

#### Resolved:

- That Professor Geoffrey Alderman be elected Chairman of the Local Pension Board
- That Mr Tom Evans be appointed as Vice-Chairman of the Local Pension Board

### 2. MINUTES OF LAST MEETING

The minutes of the meeting that took place on 25 April was signed as an accurate record.

### 3. TERMS OF REFERENCE FOR THE LONDON BOROUGH OF BARNET PENSION BOARD

Prior to the Board noting its Terms of Reference Mr Ross stated that the London Borough of Barnet's Terms of Reference were inconsistent with other London Boroughs particularly in reference to the Independent Member which was highlighted in section 5.2 & 10.1. This view was supported by the Board.

#### Resolved:

That the Local Pensions Board requested that the Terms of Reference be reviewed, with reference especially to the current restrictions imposed upon the Independent Member.

### 4. DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS

The Chairman stated that Members of the Board did not have to make declarations which are recorded within their register of interest form.

There were no declarations of interest made. The Chairman requested that all Board Members review their published register of interest form. He added that if amendments are required to be made then this can be done via the Governance Service.

**5. ABSENCE OF MEMBERS**

An apology of absence was received from Councillor Thomas who was substituted by Councillor Sury Khatri.

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

None

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

None

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

None

**9. COMPLIANCE WITH STATEMENTS AND POLICES**

The Head of Treasury & Pensions introduced the report and outlined that the regulations contained within the report were best practice to maintain, publish and comply with relevant statement and policy documents.

The Board was of the view that the compliance statement should include a log of breaches which should be reported to the Local Pensions Board.

Following the consideration of the report the Local Pensions Board:

Resolved:

- That the Local Pension Board noted the report and the work ongoing to improve the Fund's governance arrangements.
- That the Local Pension Board be added to the Governance Compliance Statement as highlighted on page 77 of the report

**10. ISSUE OF REGULATORY INTERVENTION**

The Head of Resources introduced the report. She informed the Local Pension Board of the issue of a regulatory intervention report by the Pensions Regulator to the London Borough of Barnet Pension Fund. The Board noted that the Director of Resources and the Assistant Director of Finance, CSG had visited the Pensions Regulator.

The Board noted the intervention that related to a fine that was levied due to non-completion of the 2016 Scheme Annual Return. The report highlighted the failures that

led to the fine being issued and the actions that have been and are being taken in response.

The Local Pension Board outlined its concerns in relation to this report and the association to the statutory responsibility of the Council. The Board noted the measures which have been put in place as outlined in appendix A, however their concerns were noted.

Following the consideration the Local Pensions Board:

**Resolved**

- That the Local Pension Board noted with great concern the issue of a regulatory intervention report by the Pensions Regulator in relation to the London Borough of Barnet Superannuation Fund and the actions being taken in response.
- That Local Pension Board requested that it be kept well informed of any development in relation to this item
- In addition to the above the Chairman requested that Board Members keep their contact details up to date in order to receive appropriate communications at all times.

**11. PENSION ADMINISTRATION REPORT**

The Head of Public Sector Pensions from Capita introduced the report. He stated that the local Pension Board had a continued role in ensuring the effective and efficient governance and administration of the Pension Fund.

The Local Barnet Pension Board was presented with the reports appendices which Board Members considered.

The Assistant Chief Executive noted that the Council were working with Capita to deliver a service improvement plan. He added that this will be report to the next meeting.

Following the consideration the Local Pensions Board:

**Resolved**

- That the Local Pensions Board considered and noted the report and performance of Capita in relation to the provision of pension fund administration services as reported in Appendix A.
- That the Local Pensions Board agreed to adopt the proposed Fund Administration Strategy as highlighted within Appendix B and to consult with employers for 1 month to consider comments and feedback before agreeing to the final version
- That the Local Pensions Board noted the Fund Risk Register as contained with Appendix C and the Annual Schedule of Events as captured within Appendix D

**12. COMMITTEE WORK PROGRAMME**

Prior to the Local Pensions Board considering its work programme the Board raised the question of the frequency of meetings. Following the consideration of this and noting the

items which had been considered the Board agreed that at present it was prudent to retain the circle and frequency of meetings.

The Board was also of the view that the external audit report be added to the Work Programme.

**13. ANY OTHER ITEM(S) THE CHAIRMAN DECIDES ARE URGENT**

The Chairman outlined his concerns in relation to the Board Members being indemnified, in light of the legal argument that as the Board was not a committee of the Council, the Council's current indemnities did not extend to Board members He therefore requested that the Governance Service look into this matter urgently and that an update be provided to the Local Pension Board Members.

The meeting finished at 8:15pm



	<p style="text-align: center;"><b>Local Pension Board</b></p> <p style="text-align: center;"><b>29th November 2017</b></p>
<p style="text-align: center;"><b>Title</b></p>	<p style="text-align: center;"><b>Pension Administration Report</b></p>
<p style="text-align: center;"><b>Report of</b></p>	<p style="text-align: center;"><b>Head of Public Sector Pensions, Capita</b></p>
<p style="text-align: center;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: center;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: center;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: center;"><b>Key</b></p>	<p>N/A</p>
<p style="text-align: center;"><b>Enclosures</b></p>	<p>Appendix A – Report to the Pension Board                  Appendix B – Fund Administration Strategy                  Appendix C – Administration and Governance Risk Register                  Appendix D - Pension Service Rectification Programme</p>
<p style="text-align: center;"><b>Officer Contact Details</b></p>	<p>Paul James                  Head of Public Sector Pensions, Capita  <a href="mailto:paul.james@capita.co.uk">paul.james@capita.co.uk</a>                  07801 136639</p>

<h2>Summary</h2>
<p>The Local Pension Board has a role in ensuring the effective and efficient governance and administration of the Pension Fund. The appended report provides the Board with a summary of the performance of the administration function provided by Capita Employee Benefits during the period 1st August to 31st October 2017.</p>

## **Recommendations**

- 1. That the Local Pension Board are requested to scrutinise and consider the performance of Capita in relation to the provision of pension fund administration services as reported in Appendix A, including oversight of the Service Improvement Plan**
- 2. That the Local Pension Board are requested to comment and feedback regarding the proposed Fund Administration Strategy,(Appendix B) and approve that Capita begin consultation with employers for 1 month to consider comments and feedback before agreeing to the final version.**
- 3. That the Local Pension Board review the Fund Risk Register (Appendix C) and identify any new emerging risks and mitigating actions**
- 4. That the Local Pension Board notes Appendix D - Pension Service Rectification Programme**

### **1. WHY THIS REPORT IS NEEDED**

- 1.1 Administration of the London Borough of Barnet Pension Fund is undertaken by Capita Employee Benefits (CEB). The Local Pension Board has a role in ensuring the effective and efficient governance and administration of the Pension Fund. At the last meeting, the Board reviewed and commented on a revised reporting format that detailed the performance of the administration function provided by CEB. This report (Appendix A) provides the Board with a summary of the performance of the administration function for the period 1st August to 31st October 2017.
- 1.2 In future, this report will be presented at each meeting of the Local Pension Board. Board members' comments on the content of the report and any additional information that they would like to see presented in future reports would be welcomed.

### **2. REASONS FOR RECOMMENDATIONS**

- 2.1 To ensure that the Local Pension Board is able to fulfil its role in ensuring the effective and efficient administration of the London Borough of Barnet Pension Fund.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

3.1 N/A

#### **4. POST DECISION IMPLEMENTATION**

4.1 It is proposed that in future the Local Pension Board receives a report on the administration of the LB Barnet Pension Fund at each meeting.

4.2 It is further proposed that the Risk Register is a standing agenda item and is reviewed at all future meetings. .

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

5.1.1 This report enables the Board to monitor the performance of the administration of the Pension Fund to ensure that employers' and members' interests are protected.

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

5.2.1 This report enables the Board to assess the performance and thus value for money delivered by CEB as administrator of the London Borough of Barnet Pension Fund.

##### **5.3 Social Value**

5.3.1 Contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

##### **5.4 Legal and Constitutional References**

5.4.1 The Council's Constitution – Article 7 - outlines the terms of reference of the Local Pension Board which include ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.

##### **5.5 Risk Management**

5.5.1 If the Pension Fund is not accurately and efficiently administered, contributions may not be correctly collected from employers in a timely manner and fund members may not receive the benefits to which they are entitled. This may lead to negative financial impacts for members and employers, sanctions applied by the Pensions Regulator and could result in reputation damage to the Council. Robust oversight of the administration function by the Local Pension Board helps to mitigate these risks.

##### **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equalities 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.

## 5.7 **Consultation and Engagement**

5.7.1 Not required.

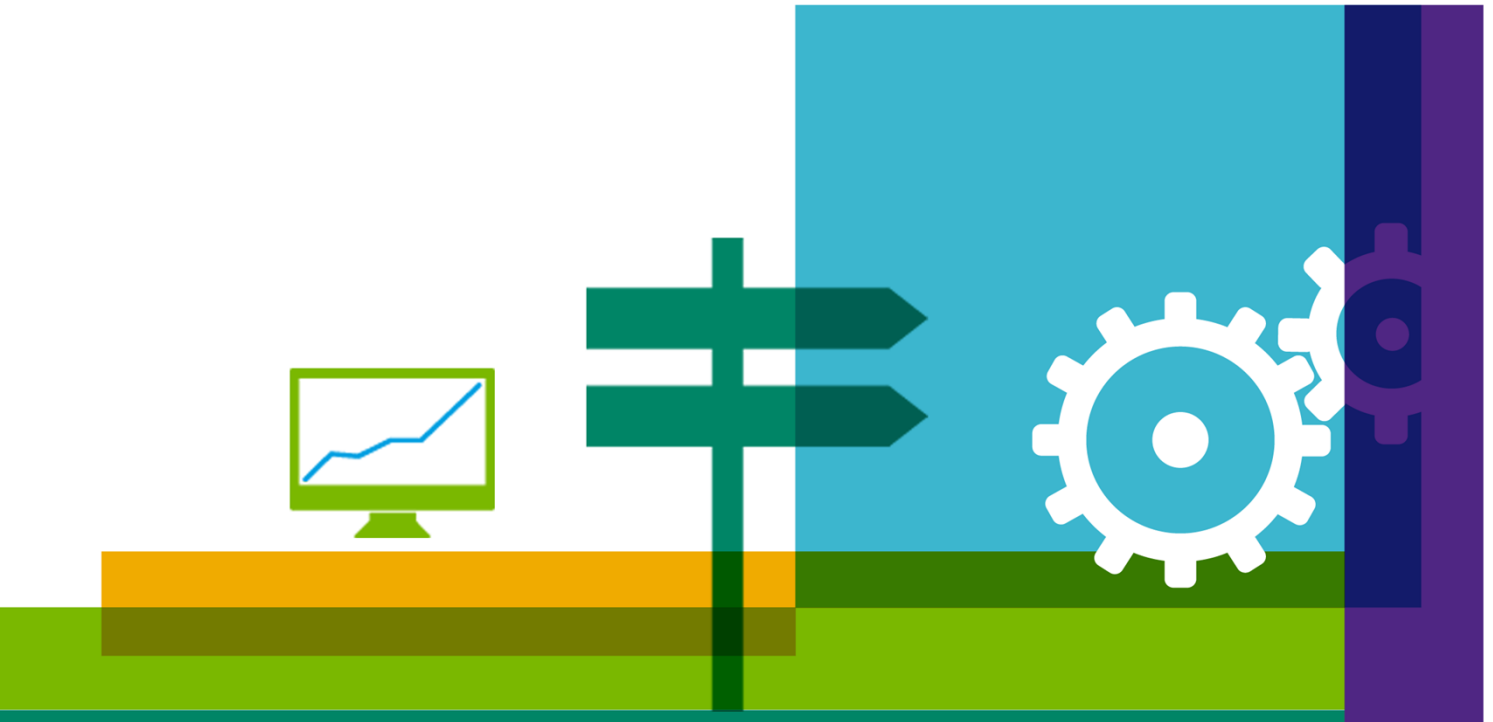
## 5.8 **Insight**

5.8.1 Not used - external report.

## 6. **BACKGROUND PAPERS**

6.1 None

# CAPITA



## **Report to the Local Pension Board 1st August 2017 – 31st October 2017**

London Borough of Barnet Pension Fund

4th November 2017

## Executive Summary

Capita Employee Benefits is pleased to report to the Local Pension Board of the London Borough of Barnet Pension Fund for the period August to October 2017 inclusive.

During an extremely challenging period, we have been able to achieve an overall performance level of 94.29% against the newly adopted performance targets.

Since the last Local Pension Board, and in response to concerns raised by London Borough of Barnet officers, a Service Improvement Plan (SIP) has been established. The plan seeks to address issues with scheme administration in relation to timeliness, quality and accuracy of data, information and customer experience.

In addition to the focus on the Annual Benefit Statement exercise, Capita has been able to progress all items on the Scheme Calendar in accordance with the deadlines. Similarly, all activities on the Service Improvement Plan are progressing in accordance with the agreed deadlines too.

In order to bring increased transparency to the service, separate meetings have been set up with the Council and the Union to discuss and resolve the administration of the Fund and any associated issues.

Prepared by:

**Paul James**

**Head of Public Sector Pensions**

Tel. number 07801 136639

Email [Paul.James@capita.co.uk](mailto:Paul.James@capita.co.uk)

11b Lingfield Point

Darlington

DL19FS

[www.capita.co.uk](http://www.capita.co.uk)

## Performance Summary

### Performance Statistics for period 1<sup>st</sup> August to 31<sup>st</sup> October 2017.

This report has been designed to provide a summary of the performance of the administration of the London Borough of Barnet Pension Fund for the period specified above.

The table below outlines a summary of the transactions in the period:

**Table 1**

<b>Table 1: Overall Summary</b>	
<b>Case Group / Category</b>	<b>Volumes</b>
<i>All work outstanding at the beginning of the period</i>	<b>2517</b>
<i>Cases received in the period</i>	<b>3341</b>
<i>Cases completed in the period</i>	<b>2662</b>
<i>Cases re-categorised during the period</i>	<b>544</b>
<b><i>All work outstanding at the end of the period</i></b>	<b>2652</b>
<i>Number of outstanding cases awaiting 3rd party information</i>	<b>1736</b>
<i>Number of workable items</i>	<b>916</b>
<b>Total</b>	<b>2652</b>
<i>Cases completed within standard LGPS targets</i>	<b>2510</b>

Capita is pleased to report that of the **2662** cases completed in the period, **2510** were completed within target which represents overall SLA compliance of **94.29%**.

This represents a slight dip in performance compared to the previous quarter (96.44%), which is not uncommon in this period considering the increase in enquiries generated following the distribution of the annual benefit statements in August.

During September, we experienced a 50% increase in telephone enquiries compared to usual call volumes. These calls do not, necessarily, relate to details included on the benefit statements but the receipt of pension related information often prompts a secondary enquiry from a member and it is our experience across all schemes that this leads to an increase in work volumes in September. The recent restructuring of the team will help us deal with expected increases in work more effectively moving forward.

It has also been noted that, since the majority of these enquiries are handled on a “one and done” basis, this increased workload is not necessarily reflected in the statistics quoted above. In order to provide a wider appreciation of the demand of the service, future reports will include reference to call volumes and call handling performance.

## **Service Improvement Plan**

Capita has drawn up a detailed Service Rectification Plan to address specific concerns raised by the Council emphasising the need to bring:

- Increased transparency to the service
- Improved quality of service to members and employers
- Improved confidence in the service

The Pension team has made continued strong progress in delivery against planned activities

- Initial results of Common Data tests have been issued and follow up recommendations shared with the Council
- Recommended scope for Conditional Data tests shared and scheme data validated against the “Brain” portal
- High level Communication Strategy shared
- Continued monthly and quarterly reporting developed in line with Council requirements

Capita are committed to delivering on the agreed actions and additional management resource is helping the focus. In addition, regular meetings are being held with Union representatives to identify any issues and provide resolution and agree ongoing communication channels.

## **Union Meeting**

Together with the new LBB SRO, Capita representatives met with the Union to discuss the issues that they had raised.

Clarification was provided in relation to the following items:

*Pensionable Pay / Final Salary Data* – Capita were able to confirm that all salary and service information for retirement transaction was validated at the point of retirement through direct access to Capita payroll systems to ensure accurate pay data is used in the calculation of retirement settlements.

*CPI Revaluation included in CARE projections* – Capita explained that we had reviewed individual calculations and could confirm that CPI had been applied to CARE elements. We believe that this was due to a presentational issue and we will look to provide clearer information in a standard template moving forward

*Time taken to produce calculations* – Standard LGPS turnaround times were adopted at the last Local Pension Board. Performance against these targets will be reported on a monthly and quarterly basis moving forward.

It was agreed that future meetings would be worthwhile and these will be scheduled accordingly.



## Performance Breakdown

In order to provide a greater understanding of the key transactions completed in the period, the following table sets out our performance against those transactions showing the starting and finishing position and the performance level achieved against each Case Type in the period:

**Table 2**

Case Group	Start	Received	Completed	Terminated	Carried F/Ward	Completed Within Target	SLA %	RAG
<i>Change of details</i>	27	180	167	9	31	162	97.01%	GREEN
<i>Enquiries</i>	109	710	566	99	154	549	97.00%	GREEN
<i>Request for Estimate of Benefits</i>	80	220	156	30	114	148	94.87%	GREEN
<i>Leavers</i>	558	138	63	33	600	50	79.37%	RED
<i>New Starters</i>	211	103	83	9	222	71	85.54%	AMBER
<i>Retirements</i>	100	98	58	18	122	39	67.24%	RED
<i>Transfers In</i>	54	8	3	13	46	2	66.67%	RED
<i>Transfers Out</i>	13	21	8	1	25	7	87.50%	AMBER
<i>Bereavements</i>	109	55	46	5	113	38	82.61%	AMBER
<i>Other</i>	1256	1808	1512	327	1225	1444	95.50%	GREEN
<b>Total</b>	<b>2517</b>	<b>3341</b>	<b>2662</b>	<b>544</b>	<b>2652</b>	<b>2510</b>	<b>94.29%</b>	<b>AMBER</b>

Whilst overall compliance is pleasing, we will focus our attention on those categories that are below 90% with a view to achieving this as a minimum standard in future.

For the purposes of SLA reporting moving forward, we have introduced a RAG rating based on the following levels of compliance:

- Lower than 80% - **RED**
- Between 80% and 90% - **AMBER**
- Over 90% - **GREEN**

Ultimately, our aim is to improve overall SLA compliance to be over 95% at all times, hence we have shown this as **AMBER** for the purpose of this report.

Focus during the next quarter will be to move all red and amber categories closer to green status. Currently performance in these areas is being distorted by efforts to clear older casework. As these cases flush through the system they inevitably impact reported performance levels. We expect this to continue during the next quarter with demonstrable improvements becoming more visible thereafter.

A schedule of the SLA targets that form the basis of this compliance analysis is shown at **Appendix A**.

## Quality

Following a review of the content of the monthly and quarterly reports, it has been acknowledged that greater emphasis should be placed on the quality of the information provided to the members and other stakeholders.

It is clear from recent feedback that greater transparency over the accuracy of the information provided is required. This was further emphasised from the feedback recently received from the Union. It should be noted that the pension administration team rely on accurate information being provided to enable an effective administration service. In some instances incorrect pension benefits information has been provided to members as a result of inaccurate pensionable earnings information being provided by payroll service providers. In order to minimise such errors occurring the pensions team have now been given direct access to payroll databases (where the payroll is run by Capita) and additional checks have been put in place as described below.

Capita uses a specific workflow tool within our administration system to manage the allocation and measurement of work against the adopted SLA's. This system also includes an accuracy monitoring tool that reports on the quality of work produced by the individual administrators to aid their personal development and training. It is proposed therefore that future reports will include a section on quality based on the MI available from this system. This quality section will also consider the accuracy of pensionable earnings details provided by payroll providers to highlight any issues with the source data.

When processing individual member transactions, our processes and systems require a second user to check and authorise the accuracy of the work produced. Essentially, our systems maintain a record of whether the individual case passed the authorisation checks, was referred back to the administrator for amendment or was amended by the checker prior to completion. At present, the system reports at individual administrator level as opposed to scheme level, therefore we need to complete additional development to produce scheme level analysis. This is underway and should be available for the next report.

It is our experience that an estimated 50 cases are referred back to administrators to "re-do" each month. Similarly, where there is a need to issue the case without delay, it is likely that the checker will make the appropriate amendment to allow the case to be processed. We estimate that this would amount to a further 20 cases per month. Based on an average volume of casework processed each month, this would equate to an overall quality mark of approximately **91.6%**. Our aim is to push this to over 95%.

We will review this achievement in comparison with the complaint data to identify whether any inaccuracies or quality issues are not being captured by our checking and authorisation controls and identify the actions taken to resolve these.

## Work in Progress Position

The following table provides a breakdown of the age profile of the cases that can be progressed by Capita and those cases that require third party information before further action can be taken as summarised in **Table 1**.

**Table 3**

*Table 3: Case Age Summary*

<3 Months		3-6 Months		6-12 Months		12-18 Months		18-24 Months		>24 Months	
Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party
425	426	426	406	49	275	4	494	6	135	6	0

A complete breakdown of all outstanding casework, split between workable items and non-workable items is shown as **Appendix 2**

### Actions Required:

- Although it is not yet fully reflected in the numbers shown above, work has started on reviewing the outstanding work position. Starting with the oldest cases first, we aimed to have reviewed all cases over 18 months old by the end of September but progress has not been as quick as we expected. We have re-focused efforts in October and extended the review to include all cases over 12 months old. We have also drafted in additional management support to this initiative. We anticipate a much improved position before the end of the calendar year.
- As plans have progressed with the Data plan, our intention is that the review of the outstanding leaver cases will form part of the wider data improvement plan. The proposed Conditional data tests includes an analysis that is likely to support that many of these cases should be converted to “deferred” status and consequently any open casework relating to the leaver notifications can be closed down. .

## Administration Update

### National Fraud Initiative (NFI) Screening:

The Pension team is taking all appropriate action on bereavement cases notified via the NFI portal. In September, we received 10 death certificates for bereaved members and we are reviewing each case individually to ensure the appropriate action can be taken to process the case through to completion.

Further notifications are received for Barnet members who have taken up employment with a different Local Authority. In these circumstances, it may be necessary to adjust pensions in payment to ensure that the combined value of pension and salary in the new role does not exceed the previous salary of reference. These cases are being reviewed individually as information is received from the new employers.

### Additional Current Projects:

#### **GMP Reconciliation**

The Stage 1 GMP reconciliation report will be signed off in early November. It is anticipated that recommendations for Stage 2 activities that will support full reconciliation will be shared and discussed with the Council during November. Thereafter a plan will be devised mapping out the activities that need to take place prior to December 2018 that will facilitate the reconciliation of all contracted out liabilities.

Further progress will be included in future reports.

## Scheme Calendar Overview

Focus throughout August 2017 has been on the calculation, preparation and distribution of the Annual Benefit Statements by 31 August 2017. The activities undertaken in the period are shown in the table below:

	Type of Work	Activity	Req'd by	Status	Deadline achieved	Comment
1	Event	Child Review Report for 2017	31/08/2017	Ongoing		Children's pension review underway. Report identified 29 cases for review. Requests for confirmation of continued eligibility have been issued
2	Event	Issue active member annual benefit statements	31/08/2017	Complete		All annual benefit statements issued by the due date, where possible. Individual query cases currently under investigation and manual statements will be issued on resolution.
3	Event	Issue overseas pensioners life declarations	31/08/2017	Ongoing		Overseas pensioner review underway. Requests for confirmation of continued eligibility are being mailed on a staggered basis to manage the demand on the operation regarding associated queries and managing responses.
4	Request	Summer Accounts data to Hymans	31/08/2017	Complete		All data was provided to Actuary by due date. Subsequent queries were actioned in a timely manner.
5	Request	Submit GAD Cost Cap Valuation data	31/08/2017	Pending	n/a	No request received from GAD
6	Request	Liaise with GAD on Cost Cap Valuation outputs	30/09/2017	Pending	n/a	As 5 above
7	SIP	Common Data Analysis	30/09/2017	Complete		Common data analysis results have been shared with the client based on tPR's definition of new and legacy data. Further analysis requested based on the data created prior to and after Capita's appointment as administrator. This additional analysis should be available week commencing 16 <sup>th</sup> October
8	Event	Issue Pension Saving Statements to those who exceed Annual Allowance	06/10/2017	Complete		Pension Saving Statements issued to all members due to incur an additional tax charge by 6 <sup>th</sup> October
9	Event	Issue remaining Pension Saving Statements	31/10/2017	Complete		All remaining Pension Saving Statements are on track to be issued by 31 October 2017
10	SIP	Devise Conditional Data tests to LBOB	31/10/2017	Underway		Proposal for criteria of conditional tests shared with client. Awaiting date for approval
11	Event	Issue Annual Scheme Return to tPR	31/10/2017	Complete		All data returned to Finance team to allow the return to be completed
12	SIP	Analyse results of data loaded to Hymans Portal (the Brain)	31/10/2017	Complete		Data run against actuarial portal and results compared to proposed conditional tests. No additional data items identified for inclusion

## Complaints

The current status of the number of complaints received in the period is shown in the table below:

Member Ref.	Date Received	Details	Justified	Resolution	Status
Member E	7/8/17	Member claims to have not received answers to queries although there is no evidence of any queries being sent or received that have not been answered. A response issued on 09/05/17 contained an opting out form which has not been returned.	Y	The member's initial enquiry was made on 03/05/2017. Emails were sent to the member on 6 & 8 May requesting further information on each occasion. A full response was then provided on the 9 <sup>th</sup> , six days after the member's initial email. There is no record of any further correspondence until 20 July when the member accused us of ignoring her enquiries. It is possible that she did not get our email of 9 May or that she sent us a further enquiry which we did not receive. In any case, we did not reply to her email of 20 July until 9 August. Letter of apology issued with offer of gesture of goodwill for D&I.	Closed
Member F	24/8/17	Member complained as she has not received the response she was awaiting	Y	Full response provided with letter of apology for delay in responding and an offer for D&I	Closed
Member G	24/8/17	Member unhappy with delay in receiving CETV for divorce case. He has been made redundant and wishes to claim his pension. The PSO needs completing before we can calculate a CEV based on his pension.	Y	Case has taken over two years. Member has paid costs and is entitled to information	
Member H	6/9/17	Member unhappy with length of time taken to pay retirement benefits. A retirement case has now been set up to issue retirement options.	Y	Member left 31/12/16 and has not claimed benefits. Option forms reissued with an apology and an offer for any D&I	
Member I	20/9/17	Member requested information which we couldn't answer without obtaining details from her payroll provider. There has been a delay in obtaining the information we required because the contact we had no longer works at the payroll provider and we hadn't been informed. We now have a new contact and the relevant information has been requested again and the	N		

		member informed.			
Member J	28/9/17	Widow of member hasn't received forms that have been issued and has complained about delay. Case set up to reissue forms.	N		
Member K	30/10/17	Member claims to have not received retirement options despite giving 5 month notice of planned retirement on 19thSeptember	N	Documentation and final salary details provided by outsourced payroll provider were in complete and inaccurate. Pensions followed this up with payroll provider and issued pension options within 1 day of receiving the payroll details. Pensions have now established direct contact with member regarding his pension options in order to get these paid in accordance with his requirements	

## Appendix A

### Standard LGPS SLA Measures

<b>Case Type</b>	<b>Measurement</b>
<b>Change of Personal Details</b>	Process change to member details within 10 days of receipt of request
<b>General Enquiries</b>	Provide response to member or beneficiary within 10 days of receipt of correspondence
<b>Request for Estimate of Benefits</b>	Issue benefit quotation within 10 days of receipt of request
<b>Leavers on Termination / Opting Out</b>	Provide statement of Preserved Benefits within 20 days of notification of exit
	Process payment of refund of contributions within 10 days of receipt of notification
	Process payment of transfer value within 10 days of receipt of all relevant documentation
<b>New Starters</b>	Creation of system record within 4 days of receipt of notification
<b>Retirements</b>	Issue retirement quote to members 7 months prior to their normal retirement date
	Issue retirement quote within 10 days of receipt of request
	Process payment of pension lump sum on normal retirement date of within 10 days of receipt of preferred options where appropriate



<b>Transfers In</b>	Issue request for transfer details to previous scheme within 5 days of receipt of new starter details
	Issue request for payment of transfer value within 10 days of receipt of member's confirmation to proceed
	Update member record with details of transfer in within 7 days of receipt of transfer value payment
<b>Transfers out</b>	Provide details of deferred pension and transfer value within 20 days of receipt of request from new scheme
	Process payment of transfer value within 10 days of receipt of member's confirmation to proceed
<b>Bereavements</b>	Issue initial correspondence to beneficiary following notification of death within 5 days
	Issue details of benefits payable on death within 5 days of receipt of completed documentation
	Process payment of death lump sum within 5 days of receipt of documentation
<b>Miscellaneous (or Other)</b>	Issue appropriate documentation / response to requests for information within 10 days of receipt of request

- Any reference to “day” (or “days”) should be interpreted as Working Day which means a day Monday to Friday excluding English Bank and public holidays.

## Appendix 2

### Aged Breakdown of Outstanding Cases

Case Group	<3 Months		3 - 6 Months		6 - 12 Months		12 - 18 Months		18 - 24 Months		>24 Months	
	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party	Capita	3rd Party
<i>Change of details</i>	27	1	0	0	0	0	0	1	0	2	0	0
<i>Enquiries</i>	71	27	1	13	0	9	0	16	0	17	0	0
<i>Request for Estimate of Benefits</i>	32	41	2	11	2	15	1	10	0	0	0	0
<i>Leavers</i>	28	73	0	56	1	93	0	304	1	43	1	0
<i>New Starters</i>	19	2	13	161	0	5	0	18	0	4	0	0
<i>Retirements</i>	19	44	2	12	1	18	0	15	0	10	1	0
<i>Transfers In</i>	2	11	1	6	0	6	1	8	2	9	0	0
<i>Transfers Out</i>	6	10	0	4	0	5	0	0	0	0	0	0
<i>Bereavements</i>	9	29	0	12	3	22	0	18	0	18	2	0
<i>Other</i>	212	188	407	131	42	102	2	104	3	32	2	0
<b>Total</b>	<b>425</b>	<b>426</b>	<b>426</b>	<b>406</b>	<b>49</b>	<b>275</b>	<b>4</b>	<b>494</b>	<b>6</b>	<b>135</b>	<b>6</b>	<b>0</b>

## Appendix 3

### Glossary of Terms

Term	Description
Case	Any enquiry, request or transaction that requires action from Capita that is logged onto Capita's workflow system and measured against specific performance targets, as set out in Appendix 1.
Complaint	Any expression of dissatisfaction with any service provided by Capita or a member of its staff or any third party whether made in writing or verbally
Fund Administration Strategy	A formal statement from the Scheme Manager setting out the roles and responsibilities of all stakeholders in relation to the administration of the Pension Fund and the standard of performance that all stakeholders should expect.
GAD	Government Actuary's Department – responsible for providing actuarial advice to public sector clients
Operational Governance	A record of the procedural and systematic controls operated in the administration of the Fund to ensure compliance with all regulatory and client specific requirements
Pension Fund Risk Register	A formal register of all known and emerging risks and mitigating actions that the Scheme Manager will monitor and review on an ongoing basis to evidence effective governance
Scheme Calendar	A record of all cyclical activities that occur over a scheme year, some of which that relate to regulatory compliance that are managed outside of member services.
Service Level Agreement	An agreed schedule of performance measures that sets out the targets for completing specific transactions within defined timescales that are built into and reported through Capita's operational MI
Third Party	Any individual, organisation or representative which Capita may rely on to provide information or documentation to complete an administrative process.

## Appendix 4

### “Other” Category

Appendix 2 above provides a breakdown of the categories of outstanding work. The nature of enquiries handled by the pension administration team can be varied and, consequently, the number of categories of work can be extensive.

Appendix 2 includes the case type “Other” which represents a number of miscellaneous categories of work that are undertaken in the administration of the Fund. Typical examples of the types of work that are captured under this category are:

HMRC tax code changes

HMRC enquiries

GMP notifications

GMP enquiries

Child pension reviews

Continued eligibility queries

New entrants

Pension abatement

DWP enquiries

Change in working hours

Maternity leave

Nomination enquiries

Change in nomination details

Processing original certificates

BACS rejects

Payment reissues

NFI processing

Pensionable service updates

Power of Attorney / Court order deductions

## **ADMINISTRATION STRATEGY**

### **PURPOSE OF STRATEGY**

1. This Strategy sets out the administration protocols that have been agreed between Capita and the London Borough of Barnet (LBB) as administering authority to the London Borough of Barnet Pension Fund. The protocols aim to ensure the smooth running of the London Borough of Barnet Local Government Pension Scheme (LGPS) (the Scheme) and must be followed at all times.
2. This Strategy is the agreement between London Borough of Barnet and employers participating in the Scheme about the levels of performance and associated matters. It does not override any existing commercial contracts or contractual performance indicators which exist between LBB and Capita.
3. Performance levels are set out in this document for the Administering Authority, employers participating in the Scheme, Capita and where applicable third party contractors. These will be reviewed from time to time and only changed with agreement of the London Borough of Barnet.

### **REGULATORY BACKGROUND**

4. The Strategy set out in this document is concerned with routine yet important responsibilities. These cannot, however, override any provision or requirement in the Local Government Pension Scheme Regulations (as set out in Appendix A) or in any other relevant legislation.

### **REVIEW OF THE STRATEGY**

5. Capita own this strategy and a review will take place every twelve months. Any changes to the strategy will be reviewed and agreed by London Borough of Barnet and identified to Employers. Employers may submit suggestions to improve any aspect of this Strategy at any time.

### **ADMINISTRATION AND PERFORMANCE**

6. London Borough of Barnet will administer the Pension Fund in accordance with the LGPS Regulations (and any overriding legislation including employer discretions) and issue a statutory notification to members. In doing so, the Pension Fund will support Employers by:
  - Providing information, advice and assistance on the Scheme and its administration
  - Distributing regular technical information
  - Distributing regular employer updates
  - Arranging a Pension Fund – Employer forum
  - Arranging six monthly Employer forum meetings
  - Providing employers online access to relevant management information and data on their employees
  - Issuing forms, newsletters, booklets and such other materials as are necessary in the administration of the Scheme

7. London Borough of Barnet as the Administering Authority will support members by:

- Producing benefit statements for members each year in line with the LGPS Regulations that meet the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 2013, provided the relevant information is received from their employer in line with this Strategy
- Setting up online access to allow member self service

8. Employers should note that London Borough of Barnet is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. That responsibility rests solely with the employer. Any over payment made by the London Borough of Barnet Pension Fund resulting from inaccurate information supplied by the employer shall be recovered by the Fund from the employer.

9. Employer should note that it is their responsibility to ensure that the correct procedures are followed and that any contractor which is admitted as a result of a TUPE transfer is aware of their responsibilities and costs in relation to staff. Further details can be found in the Employer Guide.

## **ADDITIONAL NOTES**

### Data Protection

Under the Data Protection Act 1998, LBB will protect from any improper disclosure any information held about a member. Information held will only be used by the Council for the operation of the Scheme. The employer must protect from improper disclosure any information from a member contained (where applicable) on any item sent from London Borough of Barnet. It will also only use information supplied or made available by the London Borough of Barnet Pension Fund for the operation of the Local Government Pension Scheme.

### Internal Dispute Procedure

10. The employer must identify a 'nominated person' for any instances where an Internal Dispute Resolution Procedure (IDRP) application is submitted against the employer and meet the associated costs.

### Fines

11. In the event that London Borough of Barnet is fined by the Pensions Regulator, this will be passed on to the relevant employer where that employer's action or inaction (e.g. the failure to notify a retirement within the time limits), caused the fine. Similar action will be served on all other service providers where failure to perform their duties results in a fine from the Regulator.

### Charges to the employer

12. The administrative costs of running the Pension Fund are charged by LBB directly to the Fund. The Actuary takes these costs into account in assessing the employer contribution rate.

13. London Borough of Barnet will under certain circumstances consider giving written notice to employing authorities under regulation 70(2) on account of the authority's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established within this document. The written notice may include charges imposed by the Council for chasing employing authorities for outstanding information as detailed within the document.

14. If the London Borough of Barnet Pension Fund undertakes work specifically on behalf of the employer, the employer will be charged directly for the cost of that work e.g.

- Non receipt of new entrant documentation requiring the London Borough of Barnet Pension Fund to set up temporary data and/or complete documentation on behalf of the employer
- Non receipt of leaver details requiring the London Borough of Barnet Pension Fund to interrogate payroll or other systems on the employers' behalf

- Chasing outstanding information following one reminder
- IAS19 / FRS17 valuations
- Actuarial and / or legal advice (e.g. TUPE transfer)
- Technical advice, (where re-charging is deemed appropriate because the advice is not of general benefit to the Fund overall)

Indicative charges have been set out in the Matrix.

Please note, the Employer is responsible for any work carried out on its behalf by another section of their organisation or by a contractor appointed by that organisation (e.g. Pay or Human Resource sections).

Written by: Capita, on behalf of the Administering Authority and will be subject to review on an annual basis.

Created: July 2017

Reviewed:

Task	Employer	Administering Authority or third party contractor (e.g. Fund Actuary)
<b>Actuarial Valuation Data (Provision of Data to Actuary and follow-ups)</b>	<p>The employer (or their payroll contractor / agency for whom the employer is responsible) shall provide Capita with year-end information as at 31 March each year in the notified format no later than <b>30 April</b> or the next working day.</p> <p>The information should distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.</p>	<p>Capita will respond to queries about information provided within timescales set out and agreed with London Borough of Barnet.</p> <p>The Rates and Adjustment Certificate which forms part of the Valuation report must be published by the Council by <b>31 March of the year following a valuation.</b></p> <p>The cost of any employer specific questions or modelling which incurs a charge to the Fund by the Actuary will be chargeable to the employer.</p>



**Additional Voluntary Contributions**

Pay additional voluntary contributions to the AVC provider within **one week of deduction.**

Under the Pensions Act 1995 the Pensions Regulator may be notified if contributions are not received before the **19th of the month** following that in which they were deducted.

The employer will submit the schedule of AVCs in an agreed format directly to the AVC Provider ahead of the actual remittance.

Upon request of a new AVC application Capita will send a copy of the members application form is forwarded to the AVC provider **within 10 working days**, to enable them to set the member up in advance of the deductions being sent and to ensure that the deductions are allocated to the correct fund as elected by the member.

**Ad-hoc requests and Data Queries**

Capita will respond within **15 working days** of the request.

Enquiries which require input from the Actuary but require little or no research or calculations will take an additional **3 working days.**

Enquiries which require input from the Actuary and require more significant research or calculations will take an additional **5 working days.**

**Annual Benefit Statements**

The employer (or their payroll contractor / agency for whom the employer is responsible) shall provide Capita with year-end information as at 31 March each year in the notified format no later than **30 April** or the next working day.

The information should distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.

Capita will make a members ABS available on line or as hard copy by **31<sup>st</sup> August** each year provided clean data has been provided by the employer by **30th April**, unless agreed otherwise.

For those employers who do not provide data by **31 May** or have queries in relation to the data, statements will be issued on an alternative date but it cannot be guaranteed that they will be issued by the statutory deadline.

**Bond Assessment (Provision of Data to Actuary or Pension Fund)**

Pensions services will need the name of new employer, contact details, contract details and details of transferring employees in a specified format as set out below:

- Name
- National Insurance Number
- Date of Birth

Capita will provide data to the Fund Actuary within **15 working days** of all necessary information or within timescales set out and agreed with the London Borough of Barnet.

Once the Actuary has agreed clean data, they will calculate the contribution rate within **10 working days.** Capita will distribute the report within **one week** of receipt.

**Employers should note that there will be a charge from the Actuary**

	<ul style="list-style-type: none"> <li>• Gender</li> <li>• Full time pay at date of transfer</li> <li>• Part time hours at date of transfer</li> <li>• Date of transfer</li> <li>• Period of the contract</li> <li>• Whether the new employer will be 'open' or 'closed' to new entrants</li> <li>• Whether there will be a guarantor in place for the new employer</li> <li>• The funding basis on admission</li> </ul>	<p><b>for the work.</b></p> <p>Any costs incurred by the Pension Fund in respect of this work will be chargeable to the Employer commissioning the work.</p>
<b>Bulk Transfer (Provision of Data to Actuary or Receiving Scheme)</b>	Form to be provided within <b>10 working days</b> of employee providing their notice of leaving but by no later than the end of the month in which they left.	<p>Capita will provide the data to the Actuary within <b>15 working days</b> of receipt.</p> <p>For a LGPS to LGPS transfer the calculations will be provided by the Actuary within <b>10 working days</b> from receiving clean data.</p> <p>For a bulk transfer to a broadly comparable scheme the time will vary. However <b>employers should note that there will be a charge from the Actuary for the work on a time cost basis.</b> The negotiations between the two Actuaries will take at least 5-6 months Any costs incurred by the Pension Fund in respect of this work will be chargeable to the Employer commissioning the work.</p>
<b>Cessation Valuation for admission of any Employer of the Scheme</b>	Form to be provided within <b>10 working days</b> of employee providing their notice of leaving but by no later than the end of the month in which they left.	<p>Capita will provide data to the Fund Actuary within <b>15 working days</b> of all necessary information or within timescales set out and agreed with the Council.</p> <p>Once the Actuary has agreed clean data, they will calculate the contribution rate within <b>20 working days</b>.</p> <p>Capita will distribute the report within <b>one week</b> of receipt.</p> <p>Any costs incurred by the Pension Fund in respect of this work will be chargeable to the Employer commissioning the work.</p>
<b>Change in member details</b>	Form to be provided within <b>10 working days</b> of event but by no later than the end of the month in which the change occurs.	Capita will update the Hartlink member record to reflect the change within <b>10 working days</b> of receipt of the change form.
<b>Death Benefits</b>	Notification must be provided to Capita within <b>3 working days</b> of the death of the member.	<p>Capita will pay lump sums within <b>10 working days</b> of receipt of all necessary paperwork to be able to produce the calculation (this includes Grant of Probate or Letters of Administration).</p> <p>In exceptional circumstances (e.g. hardship cases) this will be brought forward by exception as agreed with LBOB.</p>
<b>Deferred Benefits upon Leaving</b>	Form to be provided within <b>10 working days</b> of employee providing their notice of leaving but by no later than the end of the month in which they left.	Capita will issue a letter informing member of their deferred pension rights within <b>20 working days</b> of receipt of all necessary information required to produce calculation

<p><b>Discretionary Powers</b></p>	<p>It is a mandatory requirement that each employer is responsible for exercising the discretionary powers given to them by the Regulations and publishing their policy in respect of these key discretions.</p> <p>Copies of the relevant employer policies must be lodged with the London Borough of Barnet Pension Fund <b>before admission.</b></p> <p><b>Employers must confirm that they have reviewed their discretions policy by 28th February each year and advise Capita of any changes required.</b></p>	<p>Capita will ensure that all employers hold a current Discretions Policy document upon admission to the fund.</p> <p>Capita will remind the employer newsletter the need to review and update employers on Regulatory changes which affect the employer’s discretions.</p> <p>Capita will write to all employers (<b>by 31st January</b>) to request confirmation that the Employers Discretions Policy has been reviewed and is correct.</p> <p>Capita will store electronically all policies received and will refer to them upon any request that involves an employer’s discretion. If a policy is not held then the request will not be actioned.</p> <p>Once any amendments are received Capita will apply the changes with <b>immediate</b> effect following receipt.</p> <p>From April 2015, non-receipt of a published Discretions Policy could result in non-compliance to the employer from The Pensions Regulator.</p>
<p><b>Employer Data for Calculation of Contribution Rate Schedule and/or Pension Information Memorandum (PIM)</b></p>	<p>Pension Services will need the name of new employer, contact details, contract details and details of transferring employees in a specified format as set out below:</p> <ul style="list-style-type: none"> <li>• Name</li> <li>• National Insurance Number</li> <li>• Date of Birth</li> <li>• Gender</li> <li>• Full time pay at date of transfer</li> <li>• Part time hours at date of transfer</li> <li>• Date of transfer</li> <li>• Period of the contract</li> <li>• Whether the new employer will be ‘open’ or ‘closed’ to new entrants</li> <li>• Whether there will be a guarantor in place for the new employer</li> <li>• The funding basis on admission</li> </ul>	<p>Capita will provide data to the Fund Actuary within <b>15 working days</b> of all necessary information or within timescales set out and agreed with London Borough of Barnet.</p> <p>Once the Actuary has agreed clean data, they will calculate the contribution rate within <b>10 working days.</b></p> <p>Capita will distribute the report within <b>one week</b> of receipt.</p> <p><b>Employers should note that there will be a charge from the Actuary for the work.</b></p> <p>Any costs incurred by the Pension Fund in respect of this work will be chargeable to the Employer commissioning the work.</p>
<p><b>Employer Decisions</b></p>	<p>Certain aspects of the Regulations require an employer decision. The employer is responsible for implementing such areas correctly, (e.g. deduction of contributions at the correct rate, notification to employee and within the correct timescales).</p>	<p>Capita will write to all employers within <b>10 working days</b> of the notification from Government to ensure that any changes to the contribution rates are communicated.</p>
<p><b>Employee Guide</b></p>	<p>The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 require the employer to ensure that all new employees eligible to join the LGPS receive a copy of the Employee Guide to the</p>	<p>If applicable, Capita will review the Fund’s website on a regular basis to ensure information is accurate and fit for purpose.</p>

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Scheme within **2 months** of becoming employed.

**IAS19 / FRS17 Reports  
(Provision of Data to  
Actuary and follow-ups)**

The employer to confirm that they want a report by the date specified in the email request from Capita.

At the same time the employer is to confirm if they do not wish for LBB to use the contribution amounts, as detailed in their monthly contribution return.

The Fund Actuary will provide reports within **20 working days** from the date of receipt of clean data.

Capita will distribute all reports within **one week** of receipt.

**Any costs incurred by the Pension Fund in respect of this work will be chargeable to the Employer commissioning the work.** All queries will be chargeable to the employer. Additional costs will be incurred relating to merged employers, valuation of unfunded benefits, creation of opening positions, new employer / full valuation, splits for LGPS and teachers liabilities and additional work.

**Independent Medical  
Practitioner**

The employer is responsible for determining and employing their own appropriately qualified independent medical practitioner and providing details of those practitioners to the London Borough of Barnet Pension Fund. This should be done **before admission** and within **10 working days** of a new IQMP being commissioned.

Capita will verify the employers nominated independent medical practitioners is appropriately qualified to deal with ill health retirement cases, as set out in the Regulations **within 10 working days** of notification.

Capita will seek confirmation at the point of **an employer being admitted** to the Scheme and confirm the information **at the time** of an ill health retirement.

**Individual Transfer in**

The employer to direct an employee to the appropriate documentation upon **commencement** of their employment.

Update pension record and issue member with statutory notification with relevant details within **10 working days** of receipt of notification of payment from other pension scheme and confirmation that income has been allocated to the pension fund.

**Individual Transfer Out**

Form to be provided within **10 working days** of employee providing their notice of leaving but by no later than the end of the month in which they left.

Capita will make payment of the transfer value within **10 working days** of receipt of all necessary information

**New Starter**

Form to be provided within **10 working days** of employee joining but by no later than the end of the month in which they joined.

Capita will update the Hartlink member record created within **10 working days** of receipt of the new starter form. This allows member to access their Hartlink member record via the online portal, once they have registered.

**Payment of Contributions**

**All** member and employer contributions must be deducted at the correct rate and cleared in the Pension Fund's bank account by **19th of the month** (or the last working day before where the 19th is not a working day) following the month the contributions relate to.

All employers must submit their bespoke advice form, preferably in an

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electronic format, in advance of their payment and a quarterly submission.

PLEASE NOTE: The Fund's preference is that all payments are made by BACS. However any employer wishing to pay by cheque must ensure the cheque is received by the Pension Fund by the 14th of the month (or the last working day before where the 14th is not a working day). All cheques must be made payable to "London Borough of Barnet Pension Fund".

The Fund reserves the right to charge employers for late payment, in line with the Administering Authority Discretions. The Administering Authority will charge employers interest as defined in regulation 71 on late payments, except in exceptional circumstances.

#### Retirement Benefits

Due to the Regulations that govern the operation of the LGPS certain decisions on the nature of benefits to be taken have to be made prior to retirement. To enable this to happen, retirement notifications should be received by Capita at least **30 days prior to last day of employment.**

When the forms are not provided prior to retirement, it should be forwarded no later than two days following notification.

Capita will pay lump sum within **10 working days** of receipt of all necessary paperwork to be able to make the payment.

Retirement pension will be sent by Capita to pensioner payroll for the **next available pensioner payroll run.**

If early retirement incurs a fund strain cost, any strain cost invoice will be raised by Capita within **10 working days** of the retirement being processed

#### Retirement Estimates

Estimated pensionable pay details should be sent to Capita within **5 working days** to enable Capita to provide the retirement estimate within their agreed timescales. Employers to ascertain whether a previous years pay may be more beneficial and provide such information if necessary.

Any delays in receiving accurate data may be escalated to the Administering Authority, and the Pensions Regulator.

Capita will request pensionable pay details from employers upon request from members or employers. Capita will provide the retirement estimate within **10 working days** of receipt of accurate pensionable pay details from employers.

#### Statutory Requests (to include but not exhaustive of DCLG, Home Office and GAD)

Capita will respond within timescales set out and agreed with London Borough of Barnet.

#### Year End Information

The employer (or their payroll contractor / agency for whom the employer is responsible) shall provide Capita with year-end information as at 31 March each year in the notified format no later than **30 April** or the next working day.

The information should distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary

Capita will request information and provide specification to employers not later than the **end of the first week in March.** A reminder will be sent out 10 working days before the due date of **30<sup>th</sup> April.**

This information will be used for member Annual Benefit Statements.

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contributions.

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The principal Regulations underpinning this document are:

- The Local Government Pension Scheme Regulations 2013 (and any amendments thereto)
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and any amendments thereto)
- The Local Government Pension Scheme (Administration) Regulations 2007 (and any amendments thereto)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (and any amendments thereto)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2007 (and any amendments thereto)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (and any amendments thereto)
- The Local Government Pension Scheme Regulations 1997 (and any amendments thereto)
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (and any amendments thereto)
- The Local Government Pension Scheme (Miscellaneous) Regulations 2012
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (and any amendments thereto)

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Risk ID	Short Risk Title	Long Description	Nature of Risk	Controls and mitigations in place	Residual Risk			Target Risk		
					Impact	Likelihood	Risk Score	Impact	Likelihood	Response Option
PB001	<b>Operational - disaster (Fire / flood etc)</b>	An event occurs that would impact the ability to deliver the pension service or aspects of the pension service	Business Continuity	Business continuity procedures in place for administrator  DR plans in place and subject to testing by the Administrator i.e. in the event of power failure / data centre outage  Business continuity procedures in place for scheme managers Contracts with all advisers and suppliers in place and stored on a central database	5	1	5	5	1	Tolerate
PB002	<b>Member data incomplete or inaccurate</b>	The pension service is dependent on the receipt and effective maintenance of member data. Incomplete and / or inaccurate data could lead to incorrect benefits and calculation results. The Pension Regulator requires all pension schemes to maintain accurate data	Information Governance	Annual report from administrator used as basis for rectification plan  "Not known at this address" returns accurately identified and proactively followed up through tracing agency  Scheme data regularly tested against actuarial data portal to check data quality with results feeding into data rectification plan	3	2	6	3	1	Treat

PB003	<b>Administration process failure / maladministration</b>	The pension scheme is not administered in accordance with scheme rules and and overriding legislation and performance is not monitored to ensure delivery against these requirements	Statutory Duty	<p>Formal agreement in place with administrator, including agreed SLA's</p> <p>Authority level clearly agreed and kept up to date, including clear definition of delegated authorities and individual approval authorities</p> <p>Scheme Event calendar in place to ensure legislative / regulatory deadlines are achieved i.e. ABS, Scheme Return, etc</p> <p>Staff training and formal plans in place to ensure processing in accordance with LGPS requirements</p> <p>Review independent audit reports of administrator's processes, including review of the administrator's internal system and process controls</p> <p>Ongoing dialogue and meetings with administrator</p> <p>Written reports and quarterly presentations by administrator to scheme managers</p>	3	2	6	3	1	Treat
PB004	<b>Excessive charges by suppliers</b>	The cost of running the Pension Fund exceeds agreed budget	Finance	<p>Annual review of scheme budget, quarterly review of costs incurred against budget</p> <p>Periodic review of suppliers, with industry / sector benchmarking as supporting evidence</p>	2	1	2	2	1	Treat
PB005	<b>Fraud / Fraudulent behaviour</b>	The systematic and procedural controls operated in the management of the Fund are inadequate	Finance	<p>Conduct a monthly fraud monitoring process of incoming contribution payments against the formal schedule of contributions</p> <p>Check that the administrator operates robust anti fraud controls through effective segregation of duties and logical access controls that are aligned to agreed authority levels</p> <p>Check incoming and outgoing scheme funds against scheme forecast - reconciling all funds</p>	2	1	2	2	1	Treat
PB006	<b>Employer failure to pay contributions to the Fund</b>	The Fund does not receive the correct amount of contributions from Employers to fund employee pension liabilities, leading to a deficit	Finance	<p>Monthly reconciliation of contribution payments received by Finance and administration teams</p> <p>Ongoing dialogue with employer over willingness and ability to pay</p> <p>Annual audit</p>	2	1	2	2	1	Treat

PB007	<b>Failure of non-public sector employers</b>	The Fund is left with additional pension liabilities without guarantees of funding from employers	Finance	Scheme manager monitoring of employer covenant and business strength  Work with actuaries to assess the suitability of the use of bonds and guarantees	2	2	4	2	1	Treat
PB008	<b>Failure to interpret Rules or legislation correctly</b>	The Board does not have the level of knowledge and relevant guidance to perform effectively	Compliance	Up to date and documented training log, showing completion of scheme specific and the Pension's Regulator's educational material  Technical advice and updates formally noted and actions recorded as required	4	2	8	4	1	Treat
PB009	<b>Appropriate personnel in place to perform in designated roles</b>	The Board does not comply with all statutory obligations and is unable to evidence appropriate governance	Compliance	Ensure that the personnel in key roles in relation to the administration of the Fund are suitably experienced and qualified to perform in their roles and have the appropriate authorities to ensure the administration is executed effectively at all times	4	2	8	4	1	Treat
PB010	<b>Conflicts of interest</b>	Decisions made may be influenced by other factors and may be subject to challenge	Compliance	Pension Board awareness of legal responsibility  All Pension Board members to declare any conflicts and potential conflicts	3	1	3	3	1	Treat

Further actions		Date risk identified
Actions	Delivery due date	
Formal BCP plan in place and details of latest test to be shared with Pension Board with issue resolution deadlines, as appropriate	Q4 2017	Aug-17
Formal DR plans in place and subject to annual testing. Details of latest test shared with Pension Board with issue resolution deadlines, as appropriate	Q4 2017	
Formal BCP plan in place and details of latest test to be shared with Pension Board with issue resolution deadlines, as appropriate	Q4 2017	
All contracts to be held centrally and all contractual obligations to be evidenced and reviewed	Q4 2017	
Initial Common data analysis to undertaken Q3 2017. Conditional Data tests to be completed in Q2 2018. Regular data validations against actuarial portal to be undertaken twice yearly with results fed into data rectification plan.	Q1 2018	Aug-17

LA's to be agreed in Q3 2017 and formalised in contract change by end of 2017	Q1 2018	Aug-17
Formal review in Q1 each year	Q1 2018	
Scheme Events are captured and presented to quarterly governance meetings to ensure core oversight of activities	Q3 2017	
Captured in Service Improvement Plan	Q1 2018	
AAF01/06 to be provided annually	Q1 2018	
Monthly reports submitted to LBOB and quarterly meetings scheduled ahead of Pension Board meetings with agreed actions	Q3 2017	
Administration reports produced and presented to quarterly Pension Board meetings	Q3 2017	
Date to be agreed	Q3 2017	Aug-17
Date to be agreed	Q1 2018	
Administration reports produced and prAll contributions to be accounted for and paid in line with schedule of contributionsesented to quarterly Pension	Q3 2017	Aug-17
AAF01/06 to be provided annually and internal audit plan reviews by LBOB. Board meetings	Q1 2018	
Accounts forecast against actuals checked and balanced	Q3 2017	
All contributions received checked against schedule of contributions	Q3 2017	Aug-17
Finance to evidence efforts to recover unpaid contributions	Q4 2017	
Scheme accounts as at 31 March Y1 to be signed off by auditors without qualification. Planning for next audit will start Q3/Q4.	Q2 2018	

Statement from Scheme Finance on financial strength of major employers and the levels of guarantees that are in place.	Q4 2018	Aug-17
Guarantees are in place and still effective	Q4 2018	
All relevant people have completed all educational training or are in the process of completing within agreed timescales	Q4 2017	Aug-17
Updates received from all appropriate bodies have been acted upon. Q4 each year.	Q4 2017	
Review of roles and responsibilities of relevant individuals to ensure individuals hold appropriate authorities or there is clear escalation of issues requiring decisions. In particular, role of Pensions Manager.	Q3 2017	Aug-17
All pension board members have completed relevant educational material	Q4 2017	Aug-17
All conflict of interest documentation signed by all board members and recorded in conflict of interest register Any changes to be minuted at each meeting	Q4 2017	

Area	Deliverable	Action	Sub Action	Success	Outcome	TPR Letter Ref	Deliverable Date	Status	
Pension Fund Data	Common data tests completed and results published to LBB	Perform Common Data tests on an annual basis to assess the quality of pension data against the tPR standards	Common data testing commences		Scheme data actively monitored and demonstrated as improving in quality through the measures implemented in accordance with TPR targets	Data Control	30/09/2017	Complete	
			Testing results presented to LBB	Agreed remediation plan in place to actively manage Scheme data in line with TPR requirements :			13/10/2017	Complete	
			Follow up actions and corresponding timescales agreed with LBB as Scheme Manager. This will include separate discussions with LBB in respect of data pre-Capita service commencement.	- 100% compliant against new data (post-June 2010 per TPR definition) - 95% legacy data target subject to agreement with LBB (pre-June 2010 per TPR definition)  Agreed plan to differentiate between pre-post Capita service commencement			TBC	Subject to action above and agreement with LBB	
	Conditional data tests complete and results published to LBB	Perform Conditional Data tests (forensic analysis of data focused on legacy data) to check the quality of key data items that are considered essential to the valuation and administration requirements. Scope of testing to be recommended by Capita in line with TPR requirements and agreed with LBB as Scheme Manager.  <a href="http://www.thepensionsregulator.gov.uk/docs/improve-data-guide.pdf">http://www.thepensionsregulator.gov.uk/docs/improve-data-guide.pdf</a>	Propose test scope and Project Plan to LBB		Agreed remediation plan in place to actively manage legacy Scheme data in line with TPR requirements, pre-post Capita service commencement and in accordance with the risk appetite of the Scheme  Agreed plan to differentiate between pre-post Capita service commencement		20/10/2017	Complete	
			Test scope agreed with LBB as Scheme Manager and Project Plan signed off				03/11/2017	In Progress	
			Conditional testing commences				10/11/2017	Subject to action above and agreement with LBB	
			Testing results presented to LBB				31/01/2018	Subject to action above and agreement with LBB	
			Follow up actions and corresponding timescales agreed with LBB as Scheme Manager. This will include separate discussions with LBB in respect of data pre-Capita service commencement.				TBC	Subject to action above and agreement with LBB	
		Data results published through Quarterly Pension report	Run analysis of actuarial valuation extract against the validation routines within the "Brain" portal	Results from upload fed into the Conditional Testing				31/10/2017	In Progress
		Improved reporting analysis supporting ABS and valuation tasks	New field for "Barnet Employer" configured and recorded within the Harlink system	New field configured and tested on Hartlink	100% compliance by employers			30/09/2017	Complete
			Employer payroll teams informed of the data requirement			31/10/2017	In Progress		
			Data submissions capturing new employer field			15/11/2017	Subject to completion of action above		
	Clarity around historical pension strain costs	Resolve whether pension strain contributions duplicate the payments into the pension fund to cover the deficit	<ul style="list-style-type: none"> <li>Confirm who are the individuals LBB are contributing for</li> <li>When was the contribution agreed</li> <li>How long was the contribution agreed for</li> <li>The age of the recipients</li> <li>The actuarial assumptions in relation to the individuals (i.e. has the pension fund already taken account of these costs)</li> </ul>	Full understanding of the pension and non-pension fund commitments in relation to the individuals	Pension costs are met from the most appropriate source		30/10/2017	In Progress - noting the action is with the Scheme Actuary to provide information	
Year End Data Collection	ABS Payroll and Pensions process document published	Document all key processes between Payroll and Pensions that support year end data collection					N/A	Complete	
	Timetable for ABS process published	Specify key dates for the receipt of data from employers, the resolution of queries and the deadlines for ABS production			Data submitted by employers will be tracked and reconciled for the generation of ABS and statements issued in accordance with statutory deadline of 31st August each year		N/A	Complete	
		Notify HR and LBB of final position regarding employer compliance and highlight any requirement to report to tPR	Update for LBB			Scheme members receive an accurate and timely ABS each year	31/07/2017	Complete	
	Compliance notification published to LBB		Progress on O/S queries and impact	Where employers do not submit data in accordance with the requested format or within requested timeframe the non-compliance will be published to the Council as part of monthly reporting and potentially TPR			11/08/2017	Complete	

	Valuation schedule published	Breakdown of key activities in preparation for 2019 triennial valuation	Activities Published	LBB informed of progress against schedule as part of monthly governance reporting (noting the valuation occurs every 3 years)	Timely and effective planning to support next Scheme Valuation	Data Control	N/A	Complete	
	Valuation activities monitored through quarterly meetings	Inform LBB of progress against valuation schedule					15/09/2017	Complete	
Governance	Publication of Pension Fund Strategy	To implement a robust Fund Administration Strategy that sets out the standards that the administration will be measured against and can be presented to tPR as making reasonable endeavours		Agreed strategy in place that is approved annually by the Pensions Board and being complied with	Scheme compliance with TPR Code of Practice 14 'Governance and Administration of Public Sector Schemes'	Scheme Return	11/09/2017	Complete	
	Publication of Risk Register	To agree a Fund Administration Risk Register that will be reviewed at all future Local Pension Board meeting as a standing agenda item		Risks managed and effectively mitigated through a controlled process and visible to all parties as a standard Agenda Item at Pensions Board Meetings. No regulatory intervention / censure against the Scheme			15/09/2017	Complete	
	Standard reporting format agreed and in use	To finalise content and format of Capita Administration Reports to be presented at all Local Pension Board Meetings. This will be aligned to overriding Administration Strategy	Glossary of terms relating to the terminology in the reported statistics to form standard part of the report	Timely reporting produced and published at agreed intervals			10/08/2017	Complete	
	Event dates published	Dates for scheduled meetings to be circulated with details of the deadlines for submitting papers and reports		Visibility of the event schedule for all parties and all papers submitted on time to correct attendees			N/A	Complete	
	SLA agreed and results published through monthly reporting	To implement a detailed schedule of services that outlines the proposed SLA/KPI for each member transaction that will form the basis of how the administration is measured and will be included in the reports to the Boards * Contractual review required regarding KPI agreement		Service meets the agreed SLA targets			30/09/2017	Complete	
	Monitoring through quarterly reporting	Publish a detailed Scheme Year Calendar that highlights the activities that are over and above member servicing; indicating when these are scheduled to be started and completed and any associated legislative deadlines		LBB have oversight of Scheme Event schedule. This to be published annually to the Pensions Board with updates provided as part of quarterly reporting to demonstrate adherence			N/A	Complete	
	Monitoring through quarterly reporting	Progress against the milestones in the Scheme Year Planner will be included in performance reports to be reviewed at future governance meetings and associated RAG status applied		LBB informed of progress against scheme planner and all statutory / regulatory deadlines achieved			N/A	Ongoing	
	Governance structure agreed and published	To implement an effective structure that fully supports the proposed governance arrangements and ensures that there is adequate support available to all stakeholders, with clearly defined roles and responsibilities to demonstrate that those responsible are suitably qualified/experienced in their roles		All parties clear of their role and responsibilities for the management of the Scheme and have signed agreement to acknowledge their roles and responsibilities			<a href="http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx">http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx</a>	10/11/2017	In Progress
	Joint Event Plan Published	Finance and Pensions to draw up a joint event plan and RAG status reporting		All parties clear of their role and responsibilities and all statutory / regulatory deadlines achieved				30/09/2017	Complete
	Complaints Handling Process and monitoring in place and published through monthly reporting	Communicate informal and formal complaints procedure to LBB	Publish details on local LBB intranet	Members have clear and easy access to complaints procedures when they it				13/10/2017	Complete
		Provide visibility to LBB around member complaints and action taken to complete	Publish details through montly / quarterly reporting	Visibility on the management and resolution of complaints through quarterly governance reporting				30/09/2017	Complete
	Audit assurance achieved	Work with internal and external auditors to meet requirements of scheduled reviews	Ensure provision of information requests is provided to auditors on a prompt and timely basis in line with requested timescales	Assurance met by the pension service				31/10/2017	Ongoing
		Ensure any agreed remedial actions are formally tracked, completed in line with agreed timescales and visibility through monthly / quarterly reporting			31/12/2107	Ongoing and subject to publication of LBB internal audit report			



	Define and agree responsibilities	in accordance with tPR recommendations- <a href="http://www.thepensionsregulator.gov.uk/public-service-schemes/roles-and-responsibilities.aspx">http://www.thepensionsregulator.gov.uk/public-service-schemes/roles-and-responsibilities.aspx</a>	agree accountabilities / individuals where appropriate and role of Scheme Manager and Administrator and governance structures agreed and published	All parties clear of their role and responsibilities for the management of the Scheme and have signed agreement			25/10/2017	Ongoing
Stakeholder Engagement	Communication strategy devised and implemented	Implement a comprehensive communication strategy. This should involve producing annual newsletters / communications to active and pensioner members to keep them informed of any emerging issues or developments with the LGPS that they would need to be aware of. Consider preferred channel of communication depending on the audience; targeting key events in the Scheme Year Calendar that have specific relevance to certain member categories. Engagement with Trade Unions to be formally captured and agreed.	Proposed scope / Project Plan shared with LBB covering core member and scheme communication requirements in line with TPR Code of Practice	Active communication with Scheme members	Effective stakeholder engagement with employers / Trade Union		31/10/2017	Complete
			Scope agreed with LBB as Scheme Manager and signed off including corresponding timescales				10/11/2017	Subject to action above and agreement with LBB
			Employer Forum dates scheduled and delivered during 2018				As per Communications Strategy	Subject to action above and agreement with LBB
	Employer Forums Scheduled (Jan-Mar 2018)	Arrange Employer Forums, at intervals agreed with LBB as Scheme Manager to provide employers with the opportunity to share any concerns with regard to the administration of the Pension Fund before they escalate into complaints	Captured as part of above with visibility published via Scheme Year Calendar	Scheme employers are updated and informed and have a feedback mechanism. Results / potential process improvements to be reported via governance reporting to LBB			As per Communications Strategy	Subject to action above and agreement with LBB
	Communication and training delivered to employer payroll teams	Implement a FAQ with payroll teams for Barnet members giving guidance on data submissions ensuring associated terminology is understood. This will be facilitated through the Employer Forum.	Captured as part of above with visibility published via Scheme Year Calendar	Improved and timely data collections resulting in reduced complaints and better member experience in accordance with SLA's (min 95% SLA compliance)			As per Communications Strategy	Subject to action above and agreement with LBB
	Trade Union action log	Following a meeting with the TU an action log of queries have been raised. These need to be addressed and actively resolved and review any implications to the wider membership, and results provided to LBB. Wider engagement to be reflected within Communications strategy.	Agree regular meetings between HR / Pensions Team with the TU to follow up	All cases managed and feedback from the Union that they are happy with results			25/10/2017	Ongoing
Union Actions Log to be provided to Strategic HR Lead at monthly intervals			27/10/2017		Ongoing			
Operational Performance	Team structure in place to meet service delivery requirements	Implement a robust team structure in Darlington that: Makes full use of capacity planning MI in order to deal with unexpected increases in workload more effectively; Ensures that there is increased investment in staff training and development to eliminate any key man dependencies and improve the quality of service to members and employers	New team structure in place	Reduced complaints and better member experience in accordance with SLA's (min 95% SLA compliance)	Improved member experience in accordance with SLA standards		31/07/2017	Complete
	Training plans published to pension team	Training plans in place across the team structure including technical training	Individual training plans finalised and communicated to staff	Reduced complaints and better member experience in accordance with SLA's (min 95% SLA compliance)			31/08/2017	Complete
	Training complete	Complete training schedule for all team members	Training booked and rolled out to staff				31/12/2017	In Progress
	Internal control process documented and published	Implement peer review and appropriate control measures to ensure correct information is given to members and Barnet managers in relation to pension calculations		Reduced complaints and better member experience in accordance with SLA's (min 95% SLA compliance)			13/10/2017	Complete
	3rd party case management monitored and results published through Quarterly reporting	Review all 3rd party cases outstanding and ensure procedures are in place to effectively managed to reduce current and aged workload		3rd party caseload being actively managed and providing detailed reasoning where cases exceed 6 months			13/10/2017	Complete













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	<p><b>Local Pension Board</b> <b>29 November 2017</b></p>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Local Pension Board – Annual Update Report</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Head of Governance</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix A – Terms of Reference for Local Pension Board – Amended Appendix B – Local Pension Board, Forward Work Plan</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Paul Frost, Governance Officer 020 8359 2205, <a href="mailto:paul.frost@barnet.gov.uk">paul.frost@barnet.gov.uk</a></p>

### Summary

This report provides an update on the work of the Local Pension Board which will be reported to the Pension Fund Committee in line with the reporting guidelines set out in the terms of reference.

At its meeting on 11 September 2017 the Local Pension Board requested that its terms of reference be reviewed. This report therefore includes an amended terms of reference for consideration and sets out the reporting requirements for an annual update on the work of the Local Pension Board to be reported to the Pension Fund Committee.

## **Recommendations**

- |   |
|---|
| <b>1. That the Local Pension Board note and approve its amended Terms of Reference as highlighted within Appendix A 2</b>   |
| <b>2. That the Local Pension Board note and comment on its proposed budget for 2017-18 as document in 1.18.</b>   |
| <b>3. That the Local Pension Board note and comment on the annual work plan attached at Appendix C and agree to it being referred to the next meeting of the Pension Fund Committee for information.</b>    |
| <b>4. That subject to the agreement of recommendation 1 above the Local Pension Board note that appointments be made to the two new Local Pension Board Member positions for agreement by Full Council.</b> |

### **1. WHY THIS REPORT IS NEEDED**

- 1.1 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 and reporting guidelines concerning the implementation of Pension Boards.
- 1.2 The terms of reference of the Local Pension Board (LPB) was agreed by the General Functions Committee on 23<sup>rd</sup> March 2015 and following endorsement by Full Council. The terms of reference were formally adopted by the Local Pension Board on 29<sup>th</sup> July 2015.
- 1.3 On 27 July 2016 the Pension Fund Committee received an update report on the recruitment and the work of the LPB. The Committee noted that a future update report on the work of the LPB would be reported to a future meeting of the Pension Fund Committee.
- 1.4 The Local Pension Board's terms of reference, at Appendix A, sets out the reporting guidelines which states that the Board shall report to the Pension Fund Committee as often as is necessary and at least annually:
- a summary of the work undertaken;
  - the work plan for the next 12 months;
  - details of training received and planned; and
  - details of any conflicts of interest and how they were dealt with

### **Summary of Work Undertaken**

- 1.5 The work of the Local Pension Board is set out and can be found on the Councils Website –  
<http://barnet.moderngov.co.uk/ieListMeetings.aspx?CIId=753&Year=0>

1.6 During the last year the Board has considered the following items;

<b>Meeting</b>	<b>Item</b>
<a href="#"><u>Monday 11th September, 2017 7.00 pm</u></a>	<ul style="list-style-type: none"> <li>• Terms of Reference for the London Borough of Barnet Pension Board</li> <li>• Compliance with Statements and Polices</li> <li>• Issue of Regulatory Intervention</li> <li>• Pension Administration Report</li> <li>• Work Programme</li> </ul>
<a href="#"><u>Tuesday 25th April, 2017 7.00 pm</u></a>	<ul style="list-style-type: none"> <li>• Pension Administration Report</li> <li>• Work Programme</li> </ul>
<a href="#"><u>Wednesday 25th January, 2017 7.00 pm</u></a>	<ul style="list-style-type: none"> <li>• Terms of Reference for the London Borough of Barnet Pension Board</li> <li>• Local Pension Board Work Plan Review</li> <li>• Update on Admitted Bodies Organisations</li> <li>• Barnet Council Pension Fund Performance for Quarter July to September 2016</li> <li>• Admission Body Agreement</li> <li>• Actuarial Review</li> <li>• Investment Strategy Review</li> <li>• Work Programme</li> </ul>
<a href="#"><u>Monday 7th November, 2016 7.00 pm</u></a>	<ul style="list-style-type: none"> <li>• Barnet Council Pension Fund Performance for Quarter April to June 2016</li> <li>• Pension Board Budget 2016-17</li> <li>• Pension Fund Annual Report and External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2015/16</li> <li>• Training Policy and Knowledge Understanding and Skills Framework</li> <li>• Update on Admitted Bodies Organisations</li> <li>• Work Programme</li> </ul>

### **Recommendations and Comments to the Pension Fund Committee**

1.7 The LPB is expected to bring any recommendations or observations concerning the governance and management of the fund to the attention of the Pension Fund Committee. At the above meetings, the following matters listed below were recorded in the minutes. The Pension Fund Committee will be asked to consider these issues.

- Meeting of 11<sup>th</sup> September 2017 – The Board requested that the terms of reference for the Board be amended to allow the independent member both to have voting rights and be eligible to chair the Board.
- Meeting of 11<sup>th</sup> September 2017 – The Board requested that the Pension Fund Governance Compliance Statement be updated to reflect the role of the Board.

- Meeting of 11<sup>th</sup> September 2017 – The Board expressed concern at the failures leading to the regulatory intervention by the Pensions Regulator.
- Meeting of 11<sup>th</sup> September 2017 – the Board requested that their members be protected by the Council's indemnity provisions.

### **Matters to be reported to the Pension Fund Committee and Full Council**

1.8 There are a number of additional matters set out in the terms of reference that require reporting to either the Pension Fund Committee (1.9 to 1.13) or to Full Council (1.14 to 1.17). Each of these is discussed below.

### **Work Plan / Work Programme**

1.9 The work plan for the Local Pension Board is attached at Appendix C to the report.

### **Details of Training Received and Planned**

1.10 Training was undertaken by individual members of the Board during the year. For example, three Board Members and two officers attended the annual CIPFA Local Pensions Board Autumn Seminar in November 2017. No centrally organised training was undertaken during the year. It is intended that members will in future maintain individual training logs.

1.11 It is expected that new training for Board Members will be commissioned and delivered by Hymans Robertson during January 2018. Members of the Pension Fund Committee will also be invited to attend the training to ensure that there is an understanding of the separate but complementary roles of the Committee and Board.

1.12 In line with the training session delivered to Members of the Local Pension Board on the Code of Conduct and Conflicts of Interests policies, the Register of Interests for the Board Members has been published. No further issues have been reported in relation to conflicts of interests.

### **Details of conflicts of interest and how dealt with**

1.13 None

### **Any areas of persistent non compliance**

1.14 None.

### **Areas of non-compliance reported to Pension Committee by the Local Pensions Board**

1.15 None.

### **Areas reported to the Board to be investigated and how they were dealt with**

1.16 None.

**Any risks or other areas of concern that it wishes to raise**

1.17 None.

**Board Budget**

1.18 The terms of reference include a requirement to prepare an annual budget for approval by the Pension Fund Committee. The Pension Fund Committee approved a budget of £36,072 (training £11,072 and support / overheads £25,000) at its October 2016 meeting. Expenditure by the Board in the 12 months to 31<sup>st</sup> October 2017 is detailed below:

<b>Training</b>	<b>Date</b>	<b>Cost</b>
Local Pension Boards 2 Years On	June 2017	£175 x 3 = £525
CIPFA Officers Local Pension Board Autumn Seminar	November 2017	£250 x 2 = £500
CIPFA Members Local Pension Board Autumn Seminar	November 2017	£250 x 2 = £500
<b>Total</b>		<b>£1,525</b>

1.19 The Member attendance costs which impact on the Board's Budget are outlined below:

<b>Meeting Dates</b>	<b>Attendance Cost</b>
7 November 2016	£127 x 5 = £635
25 January 2017	£127 x 4 = £508
25 April 2017	£127 x 5 = £635
11 September 2017	£127 x 5 = £635
<b>Total</b>	<b>£2,413</b>

1.20 The budget below is proposed for the year to 31<sup>st</sup> October 2018.

<b>Attendance and Training</b>	Board Member attendance fees	£2,286
	Board Member Training attendance fees	£6,500
	Board Member training	

		£11,072
<b>Board Administration</b>	Board support and overheads recharge	£25,000
<b>Total</b>		£36,072

1.20 The Local Pension Board is invited to consider the budget and the reporting matters above.

### **Engagement and Consultation between Local Pension Board and Pension Fund Committee**

1.21 The efficient governance of the Pension Fund will be assisted if the activities of the Board and Committee are co-ordinated and complimentary. The chairman of the Committee and Board met on 7<sup>th</sup> November and agreed:

- The Board should take the lead in monitoring the administration of scheme benefits, collection of contributions and compliance with the Pension Regulators Code of Practice.
- The two chairmen would discuss issues arising after each Board meeting to ensure that any Board recommendations or concerns were referred to the Committee where appropriate.
- The Chairman of the Board was able to attend Committee meetings to communicate the Board's findings and listen to proceedings.
- The Chairman of the Committee would, if requested, attend a Board meeting.

## **2 REASONS FOR RECOMMENDATIONS**

2.1 The terms of reference of the Local Pension Board outline the reporting content of the Board's annual report.

## **3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

3.1 None in the context of this report.

## **4 POST DECISION IMPLEMENTATION**

4.1 This report will be included on the agenda for the next Pension Fund Committee. The Board will be informed of responses from the Committee.

## **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 2015-2020 by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the Fund.

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

5.2.1 The budget for the Board is discussed in paragraph 1.18 above.

### **5.3 Social Value**

5.3.1 None in the context of this report.

### **5.4 Legal and Constitutional References**

5.4.1 The Public Service Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 required the Council to establish a Pension Board by 1 April 2015. The final appointments comply with the requirements of the legislation and due regard has been paid to the guidance.

5.4.2 The Council's Constitution states within the Terms of Reference that the Board shall report to the Pensions Committee as often as the Board deems necessary and at least annually in relation to:

- a summary of the work undertaken;
- the work plan for the next 12 months;
- details of training received and planned; and
- details of any conflicts of interest and how they were dealt with.

### **5.5 Risk Management**

5.5.1 There are no specific risk management implications arising from this report.

### **5.6 Equalities and Diversity**

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

5.6.2 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

5.6.3 The protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

## **5.7 Consultation and Engagement**

5.7.1 None in the context of this report.

## **5.8 Insight**

5.8.1 None in the context of this report.

## **6 BACKGROUND PAPERS**

6.1 Local Pension Board, 29 July 2015, Agenda Item 7, Approval and Adoption of the Terms of Reference, Appendix 1, LGPS Guidance:

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MId=8475&Ver=4>

6.2 Pension Fund Committee, 22 October 2015, Agenda Item 8, Local Pension Board Report:

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=8356&Ver=4>

6.3 Pension Fund Committee, 27 July 2016, Agenda Item 10, Local Pension Board Report:

<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MId=8848&Ver=4>

6.4 Local Pension Board, 07 November 2016, Agenda Item 9, Report of Local Pension Board Budget. Includes report to Pension Fund Committee which approved the Local Pension Board budget.

<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MId=8849&Ver=4>



## **Terms of Reference for the London Borough of Barnet Pension Board**

The purpose of this document is to set out the detailed Terms of Reference for the Local Pension Board of the London Borough of Barnet Pension Fund.

### **1. Role of the Local Pension Board**

1.1 The role of the local Pension Board, as defined by sections 5(1) and (2) of the Public Services Pension Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Governance Regulations 2013 is to:

- assist with:
  - securing compliance with LGPS Government regulations and any other legislation relating to the governance and administration of the LGPS
  - securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator.
  - such other matters as the LGPS regulations may specify
- ensure the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.
- ensure the Pension Fund's strategy and policy documents are in place and have been maintained in accordance with the LGPS Regulations. These documents are: the communications policy statement; funding strategy statement; governance compliance statement; statement of investment principles; and the Pension Fund annual report and accounts.
- ensure the Pension Fund's internal Risk Register is in place and reviewed at least annually.
- review the Pension Fund's performance in complying with the requirements of the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS.
- review the Pension Fund's performance in complying with the requirements of the Pension Regulator.
- annually submit a proposed work plan for the forthcoming financial year to the Pension Fund Committee.
- carry out any other activities relating to the efficient governance and administration of the Pension Fund.

- submit an annual budget to the Barnet Pension Fund Committee for approval.

- 1.2 The Local Pension Board does not replace the Administering Authority or make decisions or carry out duties which are the responsibility of the Administering Authority (refer to Compliance statement). The Pension Board is an advisory/scrutiny board and does not have decision making powers.
- 1.3 The Administering Authority retains ultimate responsibility for the administration and governance of the scheme. The role of the Board is to support the Administering Authority to fulfil that responsibility and secure compliance with any requirements imposed by the Pensions Regulator.

## **2. Appointment of members of the Pension Board**

- 2.1 All Board members will be appointed by Full Council. It is a statutory requirement (section 248A of the 2004 Act) that the Administering Authority must be satisfied that every individual member of the Pension Board:
  - 2.2 Is conversant with;
    - the legislation and associated guidance of the Local Government Pension Scheme
    - any document recording policy about the administration of the fund which is for the time being adopted by LBB Fund; and
  - 2.3 has knowledge and understanding of;
    - the law relating to pensions; and
    - such other matters as may be prescribed

## **3 Rules governing Membership the Local Pension Board**

- 3.1 Local Pension Boards must include an equal number of employer and member representative with a minimum requirement of no fewer than four in total.
- 3.2 No officer or Councillor who would be responsible for the discharge of any functions under the Regulations (apart from any relating to LPB) may be a Member of the Local Pension Board of that authority.
- 3.3 Officer precluded would be any officer named in the scheme of delegation (e.g. Section 151 Officer and the head of investments). The guidance also states that consideration should be given as to whether officers of the Fund at a senior level, who are not named in the formal scheme of delegation, but who are responsible for discharging functions under the Regulations, should be precluded from being a member of the LPB.

## **4 Composition of the Board**

**Comment [FP1]:** Increase the composition of the board. This is more consistent with other Boroughs. Also increasing the number will enable greater scrutiny and increase the quality of the boards purpose

4.1 The Board shall consist of 7 members constituted as follows:

- 3 employer representatives comprising:
  - 1 councillors who are not members of the Pension Fund Committee
  - 2 employer representatives from an admitted or scheduled body (e.g. Re, CSG or Middlesex University)
- 3 scheme member representatives (employee side) comprising:
  - 1 active members
  - 2 retired/deferred members
- **1 independent member/advisor**  
Having no current employment, contractual, financial or other material interest in the Council or any scheme employer fund and not being a member of the LGPS Fund.

4.2 Independent and Scheme Members shall be appointed following a public recruitment, selection and interview process.

## 5. Chairman and Vice-Chairman of the Board

- 5.1 The Chairman and Vice-Chairman of the Board will be appointed by Members of the Board as the first business at their first meeting.
- 5.2 Should the elected Chairman be an Employer representative the Vice-Chairman must be a Scheme Member representative and vice versa.

## 6. Substitute Members

- 6.1 Each member will have a substitute to act as Board member in her/his absence, which will be recommended following a recruitment process consistent with their own appointment. These nominations will be approved as part of the overall appointments made by Full Council.

**NB:** The independent member shall not have a substitute.

## 7. Quorum

- 7.1 The Pension Board will be quorate when three voting Pension Board Members are in attendance.

## 8. Period of Office

- 8.1 Each Board member shall be appointed for a fixed period of four years, which appointment will normally occur at the Annual Council meeting.

**Comment [FP2]:** There is no reason why an Independent Member can not become Chairman. Other Boroughs allow the independent to be Chairman

## 9. Termination of office

- 9.1 Each Board member will be expected to attend all meeting and training sessions during the year. The membership of any member who fails to attend two or more meetings shall be reviewed and determined by other Board members in consultation with officers.
- 9.2 The removal of a member from office during her/his term of appointment can only be effected by the unanimous agreement of the other members present at the meeting.
- 9.3 In the absence of mitigating factors a Board member can be removed from the Board in the following circumstances (but not limited to):
- A poor attendance record;
  - If a member does not undertake training as requested;
  - If a member is in breach of Council's Code of Conduct, Pension Board Code of Conduct and Conflict of Interest policy;
  - If a member has a conflict of interest that cannot be managed in accordance with the Board's conflicts policy.
- 9.4 Should the Council representative members, or the active scheme member(s) cease to be Council representatives or active scheme members, he/she will automatically cease to be a member of the Board and the Administering Authority will conduct a replacement process.
- 9.5 Any Board member choosing not to continue her/his role must provide a written notice of resignation from their post to the Governance Service. The notice period shall be two months. Once the written notice is received the Board shall be notified accordingly and arrangements shall be made for a replacement in line with the procedures for the original appointment.

## 10. Voting Rights (this is dependent on makeup of the Board)

- 10.1 All Board Members will have equal voting rights.
- 10.2 In the event of an equality of voted the Chairman will have the casting vote.

**Comment [FP3]:** This amendment has been requested by the Local Pensions Board. This change is consistent with other London Boroughs.

## 11. Frequency of meeting

- 11.1 The number of meetings a year should be in alignment with the number of the Pension Committee meetings year, or should be determined by the Board once it has agreed a workplan, with a minimum of two meetings annually.

## 12. Notice of meeting and circulation of papers

- 12.1 In accordance with the Access to Information Procedure Rules as set out in the Council's Constitution.

### **13. Minutes**

13.1 In accordance with the Access to Information Procedure Rules as set out in the Council's Constitution.

### **14. Accountability and reporting**

14.1 The Board is accountable solely to the Council for the effective operation of its functions.

14.2 The Board shall report to the Pensions Committee as often as the Board deems necessary and at least annually:

- a summary of the work undertaken;
- the work plan for the next 12 months;
- details of training received and planned; and
- details of any conflicts of interest and how they were dealt with.

On certain matters the board will report directly to Council;

14.3 The Board shall report annually to Full Council on its work.

14.4 It will also and as necessary from time to time report to Full Council any breach in compliance or other significant issues such as:

- any areas of persistent non-compliance
- any area of non-compliance within the LGPS Regulations that have been reported to the Pension Fund Committee
- areas raised to the Board to be investigated and how they were dealt with;
- any risks or other areas of potential concern it wishes to raise;

### **15. Code of Conduct**

15.1 All members of the Board are expected to act in accordance with Barnet Council's Code of Conduct for Councillors, and where applicable and the Pensions Regulator's Code of Practice.

### **16. Conflicts of interest**

16.1 All members of the Board must declare on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Board.

16.2 In accordance with s5(5) Public Service Pension Act 2013, a Board member must not have a financial or other interest that could prejudice him/her in carrying out his/her Board duties. This does not include a financial or other interest arising merely by virtue of being a member of the LGPS.

16.2 On appointment to the Board and following any subsequent declaration of potential conflict the conflict must be managed in line with the Council's Members Code of Conduct, the Local Government Pension Scheme (LGPS)

Guidance on Conduct of Members and Conflicts of Interest, the requirements of the Public Service Pensions Act 2013 and the requirements of the Pensions Regulator's codes of practice on conflict of interest for Board members.

## **17. Knowledge and understanding including training**

- 17.1 All new members must follow an induction training plan and all members of the Board will be expected to attend the training provided to ensure that they have the requisite knowledge and understanding to fulfil their role.
- 17.2 All members must be prepared to participate in such regular personal training needs analysis or other processes as are put in place to ensure that they maintain the required level of knowledge and understanding to carry out their role.
- 17.3 Failure to attend training or participate in the processes may lead to membership being reviewed.

## 18. Definitions

The following terms shall have the following meanings when used in this document:

<i>Administering Authority</i>	London Borough of Barnet
<i>Board or Pension Board</i>	The local Pension Board for the London Borough of Barnet, Administering Authority for the London Borough of Barnet Pension Fund as required under the Public Service Pensions Act 2013
<i>Board Member</i>	A member of the Board including Employer representatives, Scheme Member representatives and an independent member
<i>Code of Practice</i>	The Pensions Regulator's [draft] Code of Practice no 14 entitled " <i>Governance and administration of public service pension schemes.</i> "
<i>Conflicts of Interest</i>	As defined in the Public Service Pensions Act 2013
<i>Employer Representative</i>	A person appointed to the Board for the purpose of representing employers for the Scheme
<i>Fund</i>	The London Borough of Barnet Pension Fund within the Scheme administered and maintained by the Scheme Employer
<i>Independent</i>	A Member of the Board who is neither an Employer

<i>Member</i>	Representative nor a Member Representative
<i>LGPS</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.
<i>Member Representative</i>	A person appointed to the Board for the purpose of representing members of the Scheme
<i>Scheme</i>	The Local Government Pension Scheme as defined under LGPS
<i>Scheme Manager</i>	London Borough of Barnet as administering authority of the London Borough of Barnet Pension Fund



**London Borough of Barnet**  
**Local Pensions Board - Work Programme**  
**February 2017 – April 2018**

Title of Report	Overview of decision	Report Of	Officer contributions
<b>14 February 2018</b>			
<p><b>Following the meeting that took place on 11 September the Board resolved:</b></p> <p>The Board was also of the view that the external audit report be added to the Work Programme</p>	<p>That the Board consider the external audit report.</p>	<p>Assistant Chief Executive</p>	<p>George Bruce Head of Treasury &amp; Pensions</p>
<p>Internal Audit – coverage and findings</p>	<p>Review the planned workload of the internal Audit team and findings from reports issued in the last 12 months.</p>	<p>Assistant Chief Executive</p>	<p>George Bruce Head of Treasury &amp; Pensions</p>
<p>Annual review of Governance Compliance Statement</p>	<p>Review the GCS for compliance with Regulations and best practice.</p>	<p>Assistant Chief Executive</p>	<p>George Bruce Head of Treasury &amp; Pensions</p>
<p>Risk Register review (Funding)</p>	<p>Review and discuss the mitigating actions and residual risks.</p>	<p>Assistant Chief Executive</p>	<p>George Bruce Head of Treasury &amp; Pensions</p>
<p>Summary of Pension Committee decisions and minutes</p>	<p>To review the decisions made by the Pension Committee against regulatory requirements and best practice.</p>	<p>Assistant Chief Executive</p>	<p>George Bruce Head of Treasury &amp; Pensions</p>

<b>Subject</b>	<b>Decision requested</b>	<b>Report Of</b>	<b>Contributing Officer(s)</b>
Review of Funding Strategy Statement and long term funding plan plus GAD's section 13 report on the 2016 valuation.	To review the Committee's plan to ensure the PF is fully funded on a cost efficient basis in compliance with regulations.	Assistant Chief Executive	George Bruce Head of Treasury & Pensions
Corporate Governance and Stewardship review	Review the schemes approach to corporate governance in light of regulations and best practice.	Assistant Chief Executive	George Bruce Head of Treasury & Pensions
Review of Communication policy	Annual review of communication policy against the requirements of the 2013 Regulations.	Assistant Chief Executive	George Bruce Head of Treasury & Pensions
<b>Administration Review/Update</b>	Note the report.	Assistant Chief Executive	George Bruce Head of Treasury & Pensions
<b>17 April 2018</b>			
External Audit Plans for 2017-18 PF audit	To review and comment on the adequacy of external audits plans for the 2017-18 audit.	Assistant Chief Executive	George Bruce Head of Treasury & Pensions
Summary of Pension Committee decisions and minutes	To review the decisions made by the Pension Committee against regulatory requirements and best practice.	Assistant Chief Executive	George Bruce Head of Treasury & Pensions
Annual review of regulatory breaches	To discuss the regulatory breaches identified in the last 12 months, the reporting of breaches to TPR and to review the policy for reporting breaches.	Assistant Chief Executive	George Bruce Head of Treasury & Pensions
Review of IDR policy and summary of appeals and decisions.	To review the operation of the IDR policy and actions taken in respect of appeals by scheme members	Assistant Chief Executive	George Bruce Head of Treasury & Pensions

Subject	Decision requested	Report Of	Contributing Officer(s)
Review of Pension Fund policies and Statements	Note the report and the plan of action to review and enhance the various documents.	Assistant Chief Executive	George Bruce Head of Treasury & Pensions
Annual review of compliance with TPR Code of Practice	To note improvements in compliance in the last 12 months and action plan to address any remaining gaps.	Assistant Chief Executive	George Bruce Head of Treasury & Pensions
Risk Register review (Investments)	Review and discuss the mitigating actions and residual risks.	Assistant Chief Executive	George Bruce Head of Treasury & Pensions
<b>2018 – To be allocated</b>			

	<h2>Local Pension Board</h2> <h3>29<sup>th</sup> November 2017</h3>
<p style="text-align: center;"><b>Title</b></p>	<p><b>Decisions made by the Pensions Fund Committee</b></p>
<p style="text-align: center;"><b>Report of</b></p>	<p>Assistant Chief Executive</p>
<p style="text-align: center;"><b>Wards</b></p>	<p>n/a</p>
<p style="text-align: center;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: center;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: center;"><b>Key</b></p>	<p>No</p>
<p style="text-align: center;"><b>Enclosures</b></p>	<p>None</p>
<p style="text-align: center;"><b>Officer Contact Details</b></p>	<p>George Bruce, Head of Treasury, CSG  <a href="mailto:george.bruce@barnet.gov.uk">george.bruce@barnet.gov.uk</a> - 0208 359 7126</p>

<h3>Summary</h3>
<p>Part of the role of the Pension Board is to ensure the effective governance of the Pension Fund. This role is not clearly defined but is deemed to include considering whether the decision making processes of the 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 Committee and summarises the rationale, the processes followed and the link with policy documents and regulations. The Board is asked to consider whether the decision making process is considered appropriate.</p>

<h3>Recommendations</h3>
<p>That the Local Pension Board considers the appropriateness of the procedures applied by the Pension Committee when reaching decisions at recent meetings.</p>

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The 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 ensuring the effective and efficient governance and administration of the LGPS for the LBB Pension Fund.
- 1.2 Part of the role is to review the decision making processes and ensure that these are soundly bases, meet regulatory requirements and take into account advice received as appropriate. While it is not appropriate for the Board to seek to replace its own judgments for those of the Pension Committee, it is appropriate to review whether decisions have followed an appropriate process.
- 1.3 The paper will highlight decisions made at the last three Committee meetings. Previously, the Board received copies of the papers discussed by the Pension Committee.

### **Meeting 24<sup>th</sup> October 2017**

#### Policy for Reporting Breaches of the Law

- 1.4 One of the gaps in procedures identified was the absence of a policy for reporting breaches of laws and regulations to the Pensions Regulator. The absence of a policy setting out responsible for reporting breaches, providing guidance on breaches that are reportable and notification procedures increased the likelihood of non-compliance.
- 1.5 The reporting policy provides for maintenance of a breaches register and disclosure of breaches to the Pensions Board.
- 1.6 The Pension Committee approved the policy and that it should be widely disseminated. An agenda item to consider the operation of the policy is included on the Board's work programme for April 2018.
- 1.7 Review of Strategic Asset Allocation
- 1.8 Following completion of the triennial actuarial review, the Pension Committee requested that the Scheme's investment advisor, Hyman Robertson, review the likelihood that the current strategy will be able to meet the funding objective, which is to have a 'reasonable' probability of being at least 100% funded after twenty years using the latest estimates of scheme liabilities.
- 1.9 Hymans Robertson undertook modelling that indicated the current investment strategy plus contribution plan has broadly a 2/3<sup>rd</sup> probability of meeting the funding objective. Two thirds probability is deemed acceptable by the Actuary to sign off the schedule of contributions for the next three years.

- 1.10 Hymans Robertson's modelling indicated that a modest increase in equities will increase by 2-3% the probability of achieving full funding. More significant increases in equities further increased the probability of full funding but widened the range of outcome – poorer outcomes become worse.
- 1.11 The Pension Committee agreed to:
- Increase the strategic equity allocation by 4% to 40% with 2% reductions to each of DGFs and corporate bonds.
  - Realisations to meet funding commitments will be drawn from the strategic bond fund, DGFs and corporate bonds in that order.
  - Training is provided on UK property, private equity and emerging market equities and opportunities to invest in these assets classes via the London CIV will be monitored.
  - To bring a report back to the next meeting with recommendations on further reduction of DGFs.
- 1.12 The second decision is to fund new commitments from the most overweight asset classes thereby rebalancing back to the strategic allocations set out in the Investment Strategy Statement.
- 1.13 The Fund does not currently invest in property or private equity. Hyman's analysis indicates that further reducing the allocation to diversified growth funds to enable investments in these asset classes and to increase the allocation to emerging market equities offered return and diversification benefits. The Pension Committee requested training on these asset classes and proposed that opportunities to invest through the London CIV to mitigate the high costs of assessing these asset classes.
- 1.14 There is an item on the agenda that further explores the procedures followed by the Pension Committee to agree an investment strategy statement and meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

#### Revise the Investment Strategy Statement

- 1.15 Following the previous item, the Pension Committee agreed to revise the asset allocation table within the Investment Strategy Statement to reflect the revised target allocations and set upper limits on each asset class as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The ISS was drafted by Hymans Robertson and the revised table has been reviewed by Hymans. A copy of the ISS is included in the meeting papers.

#### Attendance by Investment Managers at Committee Meetings

- 1.16 The Committee receive quarterly reports from Hymans Robertson that comment on each investment mandate including performance against benchmark, the composition of the portfolio, any significant changes to the

team or organisation managing the assets and Hymans rating of the manager / fund.

- 1.17 The Committee recognised that periodic meetings with each of the investment managers together with feedback from officer meetings offered additional insights into likely future performance. They therefore asked that a suitable investment manager present to each Committee meeting.

### **Meeting 6<sup>th</sup> September 2017**

#### Changes to European Investment Regulations - MiFID II

- 1.18 The Pension Fund is currently classified as a 'professional' investor under the Markets in Financial Instruments Directive. Revisions to the directive effective from January 2018 will change the status to 'retail' investor, but enable the Fund to elect to be treated as a professional investors. The Fund's investment managers and advisors are themselves regulated and limited to whom they can offer services. All have indicated that they would not be able to provide the current services if the Fund is reclassified as retail. The Committee recognising the additional protections offered to retail investors, determined that the procedures in place offered sufficient support when making investment decisions and that these protections could be waived to retain current access to markets and advice. The Pension Committee agreed that elections for professional status should be made with all current and future investment managers and advisors.

#### Approval of the Annual Accounts and Auditors Report

- 1.19 The Pension Committee are required to approve the Fund's annual accounts before the auditor can sign their report. The auditor attended the Committee meeting and discussed their findings with the Committee. Following discussion with the auditor, who indicated that they would give an unqualified opinion, the Committee approved the annual accounts.
- 1.20 The Committee requested that management investigate the issues identified in the auditor's report and that both the Committee and Board be updated on the findings.
- 1.21 The Auditor's report is included on the meeting agenda.

#### Issue of Regulatory Intervention

- 1.22 This issue was also discussed at the Board meeting held on 11<sup>th</sup> Sept 2017. The Committee considered the circumstances leading to the breach and the actions taken to improve procedures.

### **Meeting 18<sup>th</sup> July 2017**

#### Update on Admitted Bodies Organisations



- 1.23 The focus of the report was the timely payment of contributions and the provision of bonds or guarantees from admitted employers. The report notes that contributions were being provided on a timely basis but that six employers had not provided bonds or suitable alternatives. The purpose of the bond is to protect the Fund and other employers should a participating employer default on their obligations to the fund.
- 1.24 The Local Government Pension Scheme Regulations 2013 (paragraph 6, Schedule 2, Part 3) provide for an assessment of the level of risk arising on premature termination of the provision of the service or assets by reason of insolvency, winding up or liquidation of the admission body. The assessment must be with the benefit of actuarial advice and, where the level of risk is such as to require it, the transferee admission body shall enter into an indemnity or bond to meet the level of risk identified or provide an adequate guarantor, such as a scheme employer.
- 1.25 The Committee requested that actions be taken on the missing bonds and if bonds could not be provided that alternative security is provided. A follow up report will be made to the February 2018 Committee meeting.

#### Admission of Link Administration Holding

- 1.26 The Pension Committee agreed to admit the above employer to the Scheme following their acquisition of the business of Capita Treasury Solutions. One member of staff will transfer to Link, who has a right to be admitted provided they meet the terms of the admission agreement.

#### Quarterly Performance Report to 31<sup>st</sup> March 2017

- 1.27 The report was presented by Hymans Robertson and noted by the Committee.

#### Draft Annual Accounts to 31<sup>st</sup> March 2017

- 1.28 The Committee noted that the annual accounts were not yet finalised and agreed to consider at an additional Committee meeting during September (see 1.19 above)

#### Approval of Funding Strategy Statement

The funding strategy statement ("FSS") identifies the funding objective for the scheme and sets out the policies and procedures in place to ensure that the funding objective is achieved. The Pension Fund is required by the Local Government Pension Scheme Regulations 2013 to maintain and review the FSS on a periodic basis, normally in conjunction with each triennial actuarial valuation. The content of the FSS is specified by actuarial guidance.

- 1.29 The FSS was drafted by the Scheme Actuary, Hymans Robertson. The Committee reviewed the content and were advised that it was consistent with

the processes and assumptions used in the 2016 triennial valuation. On this basis the FSS was approved.

- 1.30 The LGPS 2013 Regulations discuss consultation with such persons as it [the administering authority] considers appropriate. Normally this would be scheme employers. There is no mention of consultation in the Committee paper and in the absence of a scheme web site, no means for employers to access the FSS except on request. Permission to set up a scheme web site has been requested.
- 1.31 A discussion on funding objectives is included in the Board's future work programme for the 14 February 2018 meeting.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The Local Pension Board may wish to review Pension Committee decision making procedures as part of its role on 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 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 2015-2020 by assisting in maintaining the integrity of the Pension Fund by 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 Local Government Pension Scheme Regulations 2015 requires 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.

5.4.2 This paper considers the governance arrangement of the LGPS pension scheme that form part of the remit of the Local Pension Board.

## 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 Equalities 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 Consultation and Engagement

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

## 5.8 Insight

5.8.1 N/A.

## **6. BACKGROUND PAPERS**

6.1 None

	<h2>Local pension Board</h2> <h3>29<sup>th</sup> November 2017</h3>
<p><b>Title</b></p>	<p><b>Interaction with the Pensions Regulator</b></p>
<p><b>Report of</b></p>	<p>Assistant Chief Executive</p>
<p><b>Wards</b></p>	<p>n/a</p>
<p><b>Status</b></p>	<p>Public</p>
<p><b>Urgent</b></p>	<p>No</p>
<p><b>Key</b></p>	<p>No</p>
<p><b>Enclosures</b></p>	<p>Appendix A - letter from Pensions Regulator Appendix B - Response to Pensions Regulator – <b>(To Follow)</b></p>
<p><b>Officer Contact Details</b></p>	<p>George Bruce, Head of Treasury, CSG <a href="mailto:george.bruce@barnet.gov.uk">george.bruce@barnet.gov.uk</a> - 0208 359 7126</p>

### Summary

Part of the role of the Local Pension Board is to review the Fund’s performance in complying with the requirements of the Pensions Regulator (TPR). This note updates the Board on submission of the 2017 annual return and a letter received from TPR seeking additional information.

### Recommendations

- The Local Pension Board is invited to:
- (a) Note the submission of the annual return.
  - (b) Note TPR’s request for information in connection with the training of Board members.
  - (c) Agreed to refresh the individual training self-assessments and training plans.
  - (d) Require all Board members to complete the TPR training toolkit.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 Part of the role of the Local Pension Board is to “review the Pension Fund’s performance in complying with the requirements of the Pensions Regulator”.
- 1.2 At the last Board meeting the Committee were informed of the causes of the delay in submission of the 2016 Scheme Annual Return to TPR. The 2017 return was due to be submitted on 22<sup>nd</sup> November 2017. The return was submitted early on 10<sup>th</sup> November 2017. The annual return is mainly a listing of participating employers, appointed service providers and scheme membership.
- 1.3 TPR has been in dialogue with management concerning the standard of scheme recording keeping and the improvement plan that is being monitored by the Pension Board. A copy of a letter dated 31<sup>st</sup> October 2017 from TPR is attached. The letter seeks further information on the governance arrangements in place both before and after the development of the implementation plan. A response is due by 21<sup>st</sup> November and will be circulated to the Board.
- 1.4 The Board will note that much of TPR’s letter is concerned with the governance of the administration function, in particular that evidence is retained of oversight from management e.g. the recording of decisions, action plans etc.
- 1.5 The final section of the letter “Pension Board Knowledge and Understanding” is of particular relevance to the Board indicating the regulators requirement that the Board maintain a training plan. Training was last discussed by the Board at its 7<sup>th</sup> November 2016 meeting at which they agreed:
  - a) To adopt the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills and the CIPFA Pensions Knowledge and Skills Framework.
  - b) Members of the Board will undertake a self-assessment review to indicate areas in which additional training is required based on the above framework.
  - c) Collective and individual training to be completed to address gaps identified in the self-assessment.
  - d) Pension Board members were asked to complete the Pensions Regulator online learning programme called the Public Service toolkit.
- 1.6 Additional training based on the CIPFA framework has been organised for Q1, 2018. Both Board and Committee members will be invited. Dates will be circulated. Following this training, it is recommended that the self-assessment of training needs is repeated with individual plans developed to address any gaps.

- 1.7 All Board members will be asked to provide evidence that they have completed TPR Toolkit. Those who have not done so, should undertake the training ASAP. TPR's letter has requested confirmation of the actions being taken to ensure that this training has been completed.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The Pensions Board's terms of reference include monitoring compliance with the requirements of TPR.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 The paper is informative and will enable the Board to take into account the areas of interest of TPR when setting its own work programme.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Recommendations and comments will be forwarded to the Pensions Committee.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities.

### **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 those of the other employers.

### **5.3 Social Value**

- 5.3.1 The Public Services (Social Value) Act 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 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 Local Government Pension Scheme Regulations 2015 requires 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.

5.4.2 This paper considers compliance with the requirements of the Pension Regulator.

#### **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 managing the risks of the pension fund.

#### **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equalities 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 will benefit everyone who contributes to the fund.

#### **5.7 Consultation and Engagement**

5.7.1 Where relevant, consultation and engagement is discussed in the paper.

#### **5.8 Insight**



5.8.1 Not applicable

## **6. BACKGROUND PAPERS**

6.1 The Pension Regulators Code of Practice

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

6.2 CIPFA - Local Pension Boards: A Technical Knowledge and Skills Framework

<http://www.cipfa.org/policy-and-guidance/publications//local-pension-boards-a-technical-knowledge-and-skills-framework-pdf>

6.3 Link to Pension Regulators training toolkit

<http://www.thepensionsregulator.gov.uk/public-service-schemes/learn-about-managing-public-service-schemes.aspx>

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# The Pensions Regulator

## Private & Confidential

The Scheme Manager  
LGPS – London Borough of Barnet  
Superannuation Fund  
FAO: Ms Anisa Darr  
London Borough of Barnet Council  
North London Business Park  
Oakleigh Road South  
London  
N11 1NP

Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

E Michael.burton@the  
pensionsregulator.gov.uk

www.thepensionsregulator.gov.uk  
www.trusteetoolkit.com

*By recorded delivery and email to  
[anisa.darr@barnet.gov.uk](mailto:anisa.darr@barnet.gov.uk) and  
[gillian.clelland@barnet.gov.uk](mailto:gillian.clelland@barnet.gov.uk)*

31 October 2017

Dear Ms Darr

## Local Government Pension Scheme – London Borough of Barnet Superannuation Scheme

Further to my email dated 13 October 2017, the Regulator has considered the information you provided on 29 September 2017.

### The Regulator's objectives

High standards of record keeping by Scheme Managers of Public Service Pension Schemes is very important to the Regulator and it has incorporated driving up the standards of record keeping across the sector into its corporate priorities for 2017-20.

In particular, the Regulator requires Schemes it has engaged with which would benefit from a robust record keeping improvement plan to have one in place by 31 March 2018.

With regard to the London Borough of Barnet Superannuation Scheme ("the Scheme"), the Regulator is seeking to:-

- Understand the administrative and governance position of the Scheme immediately before work commenced to make improvements to record keeping and internal controls. This is so the Regulator can assess how successful the changes are and whether they are sufficient
- Ensure the Scheme Manager is introducing robust and measurable changes to the administration and governance of the Scheme, including its policies and procedures, which both promote improvements in the standard of record keeping and allow the standard to be monitored
- Ensure the changes being introduced are implemented effectively and embedded successfully, resulting in the improved administration and governance of the Scheme and better member outcomes than have previously been achieved

The Regulator is keen for these changes to be made as soon as possible, without sacrificing the quality of the work being done. It is seeking to be satisfied that the Scheme Manager is on track to deliver the changes by 31 March 2018 with sufficient, clear, evidence of this to be provided to TPR no later than 31 December 2017.

### **Information requested by the Regulator on 31 October 2017**

#### *The initial position*

The Regulator will not be able to determine whether it is satisfied that the Scheme Manager is making suitable changes to the governance and administration of the Scheme without having a good understanding of the position before the change programme began. This knowledge will also allow the Regulator to identify whether the root causes of the issues encountered by the Scheme Manager have been identified and understood, allowing them to be effectively overcome by the Scheme Manager.

Whilst I appreciate you have provided answers to a number of questions from the Regulator, please would you arrange for the Scheme Manager to:

- Confirm when the last assessment of the governance and administration risks to the Scheme was carried out prior to August 2017 and specify when and where this was published
- Provide a copy of the Risk Register which covered administration and governance risks prior to August 2017
- Inform the Regulator what administration and governance information was provided to the Pension Board in the year immediately prior to April 2017, providing copies of the same, and explain who was responsible for sharing the information with the Pension Board
- Provide the details behind the “administrative oversight” which led to a breach of law report for the failure to provide members with Annual Benefit Statements by 31 August 2016 not being provided to the Regulator until February 2017. Please also detail the reporting process, including details of the Scheme Manager’s oversight, and the reasons the process was not followed
- Detail the arrangements in place with Capita and/or Scheme Employers prior to July 2017 to ensure good quality data was received and recorded. Please provide a copy of the contract(s) or similar which refers
- Confirm the precise date in 2016 when the Data Portal was first introduced and used
- Provide the Regulator with a copy of the Fund Administration Strategy which was in place prior to the one approved by the Pension Board on 11 September 2017
- Provide the Regulator with a copy of the ‘Work Programme’ referred to in the Pension Board minutes of 7 November 2016 and 25 January 2017, if not the one dated August 2017 – April 2018

#### *The position moving forward*

In addition to understanding the existing Scheme administration and governance standards, the Regulator is also seeking to better understand the changes that are being made to processes already in place.

Following on from the information the Scheme Manger has already provided, please would you arrange for the Scheme Manager to:-

- Confirm who – both name and role – is present for the quarterly governance meetings referred to in the current risk register as part of risk PB003. Please also provide the terms of reference for this body and details as to how it interacts with the Pension Board and/or the Pension Fund Committee
- Provide minutes from the quarterly governance meetings for the past 12 months, or since the meetings began if less than 12 months
- Confirm who is responsible for providing reports from the quarterly governance meetings to the Pension Fund Committee and/or the Pension Board, and whether that is detailed in a terms of reference for the meetings. If so, please provide a copy of the same
- Detail when the monthly performance reports were first created, who is responsible for creating them and what action has been taken as result of the findings in the report
- Provide a copy of the monthly performance reports for the last 12 months, or since they were first created if less than 12 months ago
- Confirm how the Quarterly Service Pension Service Meeting's review of the interaction between the Pension Board and Pension Fund Committee came into being; when the review commenced; the progress made to date; and the timeline for implementing any recommended actions, providing copies of relevant documentation
- Clarify when the new generic mailbox will be established and, aside from the Regulator, who will be informed of its existence and, if not clear, what other purpose(s) it will be used for
- Provide a specific timeline of when changes in relation to the Scheme Return were implemented and by whom
- Explain who is responsible for informing the Pension Board that the Scheme Return has been completed and how will this be done
- Detail, in relation to the "administrative oversight" which led to the delay in informing the Regulator about the failure to issue Annual Benefit Statements on time in 2016, what changes have been made to the pre-existing process (if there was one) to prevent a re-occurrence of this issue
- Confirm that the Assistant Chief Executive currently has day-to-day oversight of the Capita contract and detail how this oversight operates in practice. Please also say when this will change, as it appears to be an interim measure, and how this requirement of the new role will be captured when it becomes a permanent solution
- Tell the Regulator when the annual data improvement programme started and detail how it is different from the plans/procedures previously in place
- Provide details of contractual and / or personnel changes which have been introduced alongside the data improvement programme and are designed to support the associated work
- Provide a copy of the Service Improvement Plan, included agreed amendments
- Explain who is responsible for preparing the robust record keeping improvement plan and the timelines for its creation and introduction, which will ensure it is in place by 31 March 2018.

#### *Pension Board knowledge and understanding*

In your previous letter you explained that the Pension Board had received some training but it appears this, at least in part, took place before the Pension Board members changed. To help clarify the Regulator's understanding of the training that has been, and will be, provided to the Pension Board, please would you arrange for the Scheme Manager to:-

- Provide a copy of the training programme for the Barnett Waddingham seminar(s)
- Provide a copy of the training programme provided by CSG and Capita

- Confirm which members of the Pension Board have completed the Regulator's Public Service Toolkit; how this is being monitored by the Scheme Manager; and, where the Toolkit has not been completed, detail the steps being taken to ensure Pension Board members undertake this training
- Provide details of the future training referred to in your letter of 29 September 2017; including the course material; the dates it will be delivered; and the intended supplier
- Clarify whether a training policy is in place to ensure the Pension Board meets the legal requirement to have sufficient knowledge and understanding on an ongoing basis (for both existing and new members) and, if so, provide this document.

### **Next steps**

The Regulator looks forward to hearing from you in relation to these queries and providing an update on the development of a record keeping improvement plan by 21 November 2017. Once this information is received and reviewed, the Regulator will be able to determine whether further information, beyond the finalised record keeping improvement plan, is required.

In any event it is highly likely the Regulator will continue to engage with you about the development and embedding of the new internal controls and record keeping standards in the near future.

Should the Regulator not be satisfied that the Scheme Manager is introducing sufficient governance and administration changes and a robust record keeping improvement plan by the timescales referred to in this letter, it may seek to use its regulatory powers including, but not limited to, an improvement notice.

Yours sincerely



Michael Burton  
Case Manager  
Case Management Directorate - Frontline Regulation  
01273 648439 (ext. 8439)  
[michael.burton@thepensionsregulator.gov.uk](mailto:michael.burton@thepensionsregulator.gov.uk)  
[www.tpr.gov.uk](http://www.tpr.gov.uk)

## Appendix

Please note that the information you provide in response to this request may be used by the Regulator for the purpose of exercising its functions. Pursuant to section 80 of the Pensions Act 2004, any person who knowingly or recklessly provides the Regulator with information which is false or misleading in a material particular in these circumstances is guilty of an offence.

Please note that information obtained by the Regulator may be "restricted" within the meaning of section 82 of the Pensions Act 2004. If so, the Regulator, and any person who receives the information directly or indirectly from the Regulator, is subject to the restrictions on its further use and disclosure set out in that section. Your attention is drawn in particular to the provisions of section 82(1) and 82(2) of the Pensions Act 2004. Onward disclosure of restricted information, other than in accordance with the Pensions Act 2004, is a criminal offence.

Information (including personal data) provided to the Regulator in response to this request may be used (including disclosing it to third parties) in connection with any of its functions or duties under the Pension Schemes Act 1993, Pensions Act 1995, the Pensions Act 2004, the Pensions Act 2008 or any other enactment which confers functions or duties upon the Regulator.

The Regulator is a data controller for the purposes of the Data Protection Act 1998 ("DPA"). We hold and process personal data in accordance with the principles set out in the DPA in carrying out our statutory functions/duties. Please ensure you have the necessary authorisation/permission to disclose to the Regulator personal data of other individuals or persons.





	<h2>Local Pension Board</h2> <h3>29 November 2017</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>External Auditor’s Report on Pension Fund’s 2016-17 Financial Statements</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Assistant Chief Executive</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix A – ISA 260 report</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>Gillian Clelland, Assistant Director of Finance, CSG 0208 359 5310</p>

<h2>Summary</h2>
<p>This report considers the report from the external auditors on matters arising from the audit of the 2016/17 Pension Fund Accounts.</p>

<h2>Recommendations</h2>
<p><b>That the Board:</b></p>
<ol style="list-style-type: none"> <li><b>Note the matters raised by the external auditor in respect of the audit of the 2016/17 Accounts and Annual Report and the actions taken by management in response to the findings.</b></li> </ol>

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The 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. The Board's terms of reference also includes "ensuring the effective and efficient governance and administration of the Pension Fund". As part of the annual audit of the Pension Fund Financial Statements the auditors provide a report setting out any matters they have identified including weaknesses in the control environment.
- 1.2 The Auditor was able to issue an unqualified report and concluded no material misstatements impacting on the Fund Account or Net Assets Statement had been identified. The Auditor noted three matters in their report:
- I. A number of areas where additional disclosures were required in the annual accounts;
  - II. Small alternations to the annual accounts that would have increased the net asset value by £256,000
  - III. One significant deficiency in relation to controls over membership data.
- 1.3 The nature and format of the information disclosed in the annual accounts grows in volume and complexity each year; often with little relevance to the reader of accounts. Going forward, best endeavours will made to meet the reporting standards where the information is seen as significant. The major changes expected in 2017-18 relate to the identification of management costs paid for within the structures in which the fund invests.
- 1.4 The Auditor's reference to an understatement of net assets relates to contributions that are recorded on payroll records but have not been remitted to the Fund. Investigations are continuing into the accuracy of the payroll records.
- 1.5 The Auditor's testing identified potential discrepancies in the recording of membership status. A detailed service improvement plan has been developed that specifically includes a section on pension fund data. Management responses to the issues raised by the Auditor are shown on pages 29 and 30 of the report.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 It is appropriate for the Board to review the auditor's findings and the adequacy of the actions proposed by management to address the issues identified.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

3.1 Not applicable in the context of this report.

#### **4. POST DECISION IMPLEMENTATION**

4.1 None.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

5.1.1 A positive external audit opinion on the Pension Fund's Annual Report and Accounts plays an essential and key role in providing assurance that the Pension Fund's financial risks are managed in an environment of sound stewardship and control. This is in line with the aims set out in the Council's Corporate Plan 2015-2020, to ensure that services are delivered efficiently to get value for money for the taxpayer.

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

5.2.1 This report sets out the framework for the assessment of the Pension Fund's financial reporting and management as well as value for money.

5.2.2 The external audit fees for 2016/17 are £21,000 (£31,000 for 2015/16).

5.2.3 In accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the Council's accounts and Pension Fund accounts.

5.2.4 An unqualified opinion was issued by the Auditor on the accounts.

##### **5.3 Social Value**

5.3.1 Arrangements for proper administration of financial affairs and contributions to the Pension Fund ensure that members have a secured income on retirement.

##### **5.4 Legal and Constitutional References**

5.4.1 The requirement for an administering authority to prepare a Pension fund annual report and publish the auditor's report are contained in Regulation's 56 and 57 of the Local Government Pension Scheme Regulations 2013.

5.4.2 The Board's Terms of Reference include "ensuring the effective and efficient governance and administration of the Pension Fund".

##### **5.5 Risk Management**

5.5.1 The external audit ISA 260 report highlights areas of good control and areas of weakness which need to be addressed. Failure to do so carries the risk of adverse financial and/or reputational consequences.

## **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equalities 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. 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

## **5.7 Consultation and Engagement**

5.7.1 Not required.

## **5.8 Insight**

5.8.1 Not applicable in the context of this report.

## **6. BACKGROUND PAPERS**

6.1 None



**LONDON BOROUGH OF BARNET  
PENSION FUND  
AUDIT COMPLETION REPORT**

Audit for the year ended 31 March 2017

29 September 2017



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# SUMMARY

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have completed our audit procedures in accordance with the planned scope and our objectives have been achieved.
Audit risks	Since we issued our Audit Plan on 3 April 2017, we have amended the risk from normal risk to significant risk in respect pension liability assumptions.
Materiality	Our final materiality is £10.5 million, with a specific materiality of £2.9 million for the Fund Account. This has been updated from our Audit Plan to reflect final amounts in the financial statements.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.
KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	<p>Our audit has not identified any material misstatements impacting on the Fund Account or Net Assets Statement.</p> <p>We note that the draft accounts did not include disclosure of key management personnel costs recharged to the Pension Fund by the Council. We also identified a number of other presentational and disclosure issues as set out at item 'Other disclosure issues' of this report, some of which were material. Management has agreed that the material items will be corrected.</p>
Unadjusted audit differences	<p>There are three unadjusted audit differences identified by our audit work which, if corrected, would increase the net assets of the Fund by £0.883 million to £1,053.040 million.</p> <p>The fund performance for the year was an increase in net assets of £135.824 million. However, there were a number of prior year misstatements cleared through the 2016/17 Fund Account that resulting in net additional costs of £0.550 million being charged to the current year. After correcting for unadjusted audit differences above and removing these prior year misstatements, the corrected underlying performance for the year would report an increase of £1.433 million in the Fund Account.</p>
Control environment	<p>Our audit has identified one significant deficiency in relation to controls over membership data. We also identified other deficiencies which we have discussed with management.</p> <p>Further details are included at Appendix II.</p>
AUDIT OPINION	
Financial statements	We proposed issuing an unmodified opinion on the financial statements for the year ended 31 March 2017.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.

# INTRODUCTION

## PURPOSE AND USE OF THIS REPORT

We present our Audit Completion Report to the Pension Fund Committee, which details the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. As the purpose of the audit is for us to express an opinion on the financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Pension Fund Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

## AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcomes feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our latest Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk).

We have completed our audit work for the year ended 31 March 2017.

The following matters are outstanding at the date of this report. We will update you on their current status at the Pension Fund Committee meeting at which this report is considered:



# KEY AUDIT AND ACCOUNTING MATTERS

## AUDIT RISKS

We assessed the following matters as audit risks. Since we issued our Audit Plan on 3 April 2017, we have amended the risk from normal risk to significant risk in respect pension liability assumptions. Further details are set out below.

Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1 ■ Management override of controls	<p>Under auditing standards there is a presumed significant risk of management override of the system of internal controls in all entities.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</p> <p>We obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.</p>	<p>Our testing of a sample of journal entries identified no evidence of fraud due to management override of controls. However, we did note that the Pension Fund relies on a manual process for journal authorisation, and have recommended that management considers adopting a system enforced approach such as that in place in respect of the Council's accounts.</p> <p>We have not found any indication of management bias in accounting estimates.</p> <p>Our views on significant management estimates are set out within this report.</p> <p>No significant transactions were identified which were outside the normal course of business or that otherwise appeared to be unusual.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p><b>2</b></p> <p><b>Membership disclosure</b></p>	<p>Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed in the financial statements.</p> <p>During last year's audit we identified significant issues within the draft membership disclosure, mainly as a result of the underlying data not being updated post year-end to reflect events which had occurred during the year but where processing was delayed. This was raised as a significant control deficiency.</p> <p>We therefore recognised a significant risk that the membership database may not be accurate and up to date to support this disclosure this year.</p>	<p>We updated our understanding of the control environment surrounding membership data in light of additional work carried out by management this year.</p> <p>We reviewed the analysis of movements in members for the year provided by management, and checked whether this reconciled to the draft accounts and other information provided to support our audit.</p> <p>We substantively tested a sample of movements of members in year to contribution records, and other underlying supporting documentation.</p>	<p>From our discussions with management, there have been no significant changes to the control environment around membership data this year. However, we have seen evidence that a significant data cleansing exercise has taken place which resulted in a large number of outdated records being updated. This exercise took place in conjunction with the Fund's new actuary to support their triennial valuation as at 31 March 2016.</p> <p>Our own testing in this area identified errors as set out below, which indicates that there is still further cleansing work to be done.</p> <p>The membership disclosures within the draft accounts were successfully reconciled to the detailed membership records provided to us. However, we have noted below errors found in the membership data but we do not consider this to be a material error in the reported membership numbers.</p> <p>Our substantive testing of a sample of active members from membership records found 6 individuals (out of 30 tested) who did not appear on the relevant employer payroll in March 2017, and 1 individual who was on the payroll but had ceased paying pension contributions. This indicates that they were not active members at the year-end.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<b>Membership disclosure (continued)</b>			<p>In addition, our substantive testing of contributions from a sample of active members also identified issues within the membership data, as follows:</p> <ul style="list-style-type: none"> <li>• We identified 2 members who appear to be assigned to the incorrect employer within the membership database, and 1 member who is duplicated as a result of being included against 2 employers.</li> <li>• We identified 1 member who does not appear within the membership database despite making contributions.</li> </ul>

## KEY AUDIT AND ACCOUNTING MATTERS

3	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
	Cash at bank	<p>During last year's audit we encountered significant issues with the audit of cash at bank. This included delays in the receipt of bank reconciliations, and a number of errors when reconciliations were eventually received. As a result, we reported a significant control deficiency around the bank reconciliation process.</p> <p>We therefore recognised a significant risk over the existence, completeness and accuracy of cash at bank.</p>	<p>We updated our understanding of the control environment surrounding bank reconciliations in light of additional work carried out by management this year.</p> <p>We obtained year-end bank reconciliations and agreed these to the general ledger and external bank confirmations of amounts held at year-end.</p>	<p>There have been no significant changes to the control environment surrounding bank reconciliations in year. There remain three accounts held 'off-ledger' although review of the bank statements shows that the accounts had no balance at year-end. Management has proposed closing these accounts as they are no longer used.</p> <p>There was only one bank account with a non-trivial year-end cash balance this year. The amount has been agreed to the year-end bank statement with no reconciling items.</p> <p>We had not received direct confirmation from the bank at the time of drafting this report and have agreed this amount to records held by the pension fund team.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

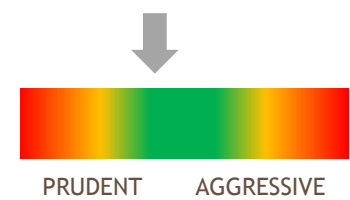
4	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
	<b>Pension liability assumptions</b>	<p>An actuarial estimate of the Pension Fund's liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the Pension Fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. We note that the Pension Fund has changed actuaries to Hymans Robertson this year.</p> <p>There is a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.</p> <p><i>(This has been increased from a normal risk to a significant risk due to a high level of inherent estimation uncertainty.)</i></p>	<p>We reviewed the controls in place to ensure that the data provided from the Fund to the actuary is complete and accurate.</p>	<p>As set out above, our testing of membership data has identified a number of issues which raise concerns about the accuracy of membership data held by the Fund, and therefore provided to the actuary.</p> <p>We have held discussions with the actuary to ascertain the extent to which these issues may impact upon the actuarial estimate of the Pension Fund's liability, particularly in the context of the change in actuary this year and the use of a new triennial valuation of the liability as at 31 March 2016.</p> <p>The actuary has confirmed that the valuations at 31 March 2017 use the 'roll forward' of membership data at 31 March 2016 used in the triennial valuations and therefore these membership data errors do not impact on the valuation of the liabilities provided at 31 March 2017.</p> <p>The roll forward calculation uses actual payroll contributions received in 2016/17 and therefore members that left and no longer have employer or employee contributions would be removed from the liability calculation even where still recorded as active in the membership data.</p> <p>The actuary commented that significant work was required to validate and cleanse the data used to prepare the triennial valuation and to build the dataset. He confirmed that he was satisfied that the adjusted membership data used in the triennial valuation was materially accurate.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	Pension liability assumptions	<p>We reviewed the reasonableness of the assumptions used in the calculation against other local government Pension Fund actuaries and other observable data. We used the PwC consulting actuary report provided to auditors for our review of the methodology of the actuary and reasonableness of the assumptions.</p> <p>We compared the disclosure in the financial statements to the information provided by the actuary.</p>	<p>It was noted that, in his experience, there was a wide range of cleansing required for LGPS schemes, from those that are up to date and undertake regular validations to some that requires significant work. In his view, Barnet's dataset tended towards some of the poorest of the LGPS funds that he has worked with.</p> <p>We recommend that the Council urgently undertake an exercise to cleanse and update the membership data.</p> <p>We consider that the assumptions and methodology used by the Council's actuary are appropriate, and will result in an estimate of the pension liability which falls within a reasonable range, subject to us gaining suitable assurance over the accuracy of the membership data used as described above. Further details are set out on the following page.</p> <p>We have agreed the disclosures in the financial statements to the actuary's report and no issues were identified.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES				
Pension liability assumptions				
ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT		AUDIT CONCLUSION	
<p>The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows</p>	<p>The gross pension liability of the Fund has increased by £257 million, from £1.572 billion to £1.829 billion. This is principally due to a reduction in the discount rate used to value future liabilities (from 3.5% to 2.5%) along with a slight increase to the pension increase rate (from 2.3% to 2.4%). Offsetting this is a reduction in mortality years applied to current and future pensioners and a lower increase rate for salaries (decreased from 4.1% to 2.7%).</p>			
		Actual used	Acceptable range (PwC)	Assessment of assumption against expectations
	RPI increase	3.4%	3.4%	Reasonable
	CPI increase	2.4%	2.4%	Reasonable
	Salary increase	2.7%	--	Employer specific - appears reasonable in context of CPI/RPI
	Pension increase	2.4%	2.4%	Reasonable
	Discount rate	2.5%	2.5-2.7%	Lower end of range (will increase liability)
	Mortality:			
	Retiring today			
	- Male	21.9 years	21.5-22.8	Reasonable
	- Female	24.3 years	24.1-25.1	Lower end of range (will decrease liability)
	Retiring in 20 years			
	- Male	23.9 years	23.7-24.4	Reasonable
	- Female	26.5 years	26.2-26.9	Lower end of range (will decrease liability)
	Commutation rate:			
Pre-April 2008	50%	25%-75%	Reasonable	
Post-April 2008	50%	25%-75%	Reasonable	
<p>All of the assumptions used fall within the reasonable range for the actuary as per the PwC report. We note that the use of a discount rate at the bottom of the expected range is likely to result in an estimate of net liability which is slightly on the prudent side, although combined with the mortality estimates which tend towards the lower end for life expectancy, we are satisfied that overall the estimate falls within a reasonable range.</p>				



## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	<p><b>Contributions receivable (normal and augmented)</b></p>	<p>Employers are required to deduct amounts from employee pay based on tiered pay rates and to make employer contributions in accordance with rates agreed with the actuary. Augmented contributions are also required against pension strain for early retirements.</p> <p>There is a risk that employers may not be calculating contributions correctly or paying over the full amount due to the Pension Fund.</p> <p>During last year's audit, we identified that contributions had historically been incorrectly accounted for on a cash basis, rather than accruals basis, and also encountered significant difficulties in obtaining a reconciliation of the receivables balance to the general ledger. These issues were resolved, but we will be alert to the possibility of similar errors in this year's financial statements.</p>	<p>We refreshed our understanding of the Pension Fund's internal control environment for receiving and recording contributions income in accordance with the schedule of contributions, including how this operates to prevent loss of income.</p> <p>We performed an examination, on a test basis, of evidence relevant to the amounts of normal contributions receivable to the Fund including checking to employer payroll records, where relevant.</p> <p>There have been no significant changes to the control environment surrounding contributions receivable this year, and we identified no significant deficiencies in this area.</p> <p>The issues we identified in respect of membership data as described above have required us to increase our sample sizes for contributions receivable.</p> <p>This testing confirmed that contributions have been correctly calculated and recorded in respect of these individuals, with a small number of trivial variances found.</p> <p>We also sought to reconcile contributions received from a sample of employers per the Pension Fund's accounts to payroll records provided by individual employers. Some work is ongoing in this area, but from the work completed to date we noted one non-trivial variance in respect of Council controlled schools using the Council's outsourced payroll provider. For these schools, total contributions paid over to and recognised by the Pension Fund were lower than those recorded within the payroll system by £256,000.</p> <p>Management is still investigating this variance, but in the meantime we have included this within our schedule of unadjusted misstatements at Appendix I.</p>



# KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p>Contributions receivable (normal and augmented) (continued)</p>		<p>We reviewed contributions receivable to ensure that income is recognised in the correct accounting period where the employer is making payments in the following month.</p> <p>We performed tests over augmented contributions due from employers for pension strain costs.</p>	<p>We have reviewed the working papers supporting contribution income recognised during the year, and we are satisfied that the correct 12 months' worth of contributions have been recognised in respect of each employer. Furthermore, our testing of contributions relating to a sample of individuals as described above has identified no issues in respect of income being accounted for the correct period.</p> <p>We found that the testing of augmentation income had issues with 4 of the 7 invoiced amounts where management could not provide adequate supporting documentation to illustrate the calculation of the enhancement costs.</p> <p>However, the employers have since paid the amounts due and therefore we accept that amounts have been properly calculated.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

6	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
	Fair value of investments	<p>The fair value of funds (principally pooled investments) is provided by individual fund managers and reviewed by the custodians, and reported on a quarterly basis. These funds are quoted.</p> <p>There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.</p>	<p>We have requested direct confirmation of investment valuations from the fund managers and independent valuations from the custodians.</p> <p>We will obtain independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.</p>	<p>All required fund manager valuation reports have been received and, other than below, were agreed to the financial statements.</p> <p>The Alcentra fund manager provided an initial valuation of investments under management to the pension fund that was used to prepare the draft financial statements. We subsequently received a revised valuation report from the fund manager that had increased the valuation by £262,000. This has not been updated in the draft financial statements and has been included within our schedule of unadjusted misstatements at Appendix I.</p> <p>It is usual for administering authorities to commission independent valuations from the custodian over investment valuations provided by the fund managers. Auditors use this information to independently confirm that accuracy of the valuations provided by the fund manager.</p> <p>In discussion with Council staff, we were informed that the custodian reports were not commissioned to provide an independent valuation this year. The funds are all in pooled investments, there are no segregated investments, so there is little benefit as the custodian will only be able to confirm what the fund manager is reporting without being able to undertake any more detailed or independent valuation work. Management has therefore placed reliance on fund manager reports.</p> <p>We obtained independent assurance reports for all seven fund managers. Our review of these reports did not identify any audit findings to report on over the valuation and existence of underlying investments in the fund.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

7	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
	Investment management expenses	<p>LGPS Fund Accounts are required to disclose investment management expenses. Management expenses represent the fees for the service provided by, and any performance related fees in relation to, the fund managers. However, fund managers do not ordinarily provide information on any 'hidden' fees included in investing contributions. These fees are deducted when the investment is made by the fund manager and hence are included in the change in market value of investments.</p> <p>The Financial Conduct Authority criticised the investment management industry for not reporting charges to investors sufficiently clearly. In particular, it criticised the annual management charge as failing 'to provide investors with a clear, combined figure for charges'.</p> <p>CIPFA has issued guidance on obtaining and separately presenting these additional charges in the Fund accounts. While not mandatory to report these costs separately, there is a clear expectation that LGPS Fund accounts do observe this guidance. CIPFA intends to make this a mandatory disclosure requirement from 2017/18.</p> <p>We considered there to be a risk in the presentation of investment management expenses in the fund accounts where these 'hidden' fees are not identified and separately reported.</p>	<p>We reviewed the arrangements put in place by management to identify all relevant investment management fees, and responses provided by fund managers, to ensure that the true costs are disclosed appropriately in the fund accounts.</p>	<p>No additional steps have been taken by the Fund this year to identify and separately disclose 'hidden' investment management expenses.</p> <p>We have raised a recommendation that this is addressed going forwards, particularly in light of this becoming a mandatory Code requirement in 2017/18.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

8	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
	Fair value hierarchy disclosures	<p>The IFRS 13 scope exclusion for fair value investment disclosures for IAS 26: Accounting and reporting by retirement benefit plans has been removed and IFRS 13 fair value measurement disclosures apply in full for 2016/17.</p> <p>This requires enhanced disclosures around the fair value hierarchy of investments, and in particular any disclosed as 'level 3.' These types of valuations are subject to a significant level of assumption and estimation and valuations may not be based on observable market data. Information from the custodian, fund manager and other parties involved in valuing the investments will be required in order to disclose the information needed by IFRS 13.</p> <p>We recognised a risk that the Pension Fund may not be able to obtain the information needed in order to make the required IFRS 13 fair value investment disclosures in the financial statements.</p>	<p>We reviewed the fair value hierarchy disclosures and ensured that investment valuations had been correctly classified as a level 1, 2 or 3 in accordance with guidance issued by PRAG/Investment Association: Practical Guidance on Investment Disclosures 2016.</p> <p>Additional procedures were planned for investment valuations classified at level 3.</p>	<p>Errors were made within the fair value hierarchy in the first draft accounts. As a result, we were provided with an updated disclosure note for audit.</p> <p>The majority of the Fund's investment assets (98% by value) have been disclosed as valued at level 2. The remaining 2% are valued at level 1.</p> <p>The Fund does not hold any investments valued at level 3.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
9	<p><b>Remuneration of key management personnel disclosure</b></p>	<p>The 2016/17 CIPFA Code requires that amounts incurred by the Pension Fund for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.</p> <p>Key management personnel include officers employed by the Council therefore a percentage of their remuneration will be required to be disclosed to reflect the cost charged to the pension fund.</p> <p>We considered there to be a risk in the presentation of key management personnel services where these are provided by a separate management entity (the Council).</p>	<p>We have reviewed the arrangements in place between the Pension Fund and Council, and working papers to support the recharges made, to ensure that costs relating to the provision of key management personnel services are accurately disclosed.</p> <p>We have identified that the Council has recharged amounts to the Pension Fund in respect of key management personnel services which had not been disclosed within the financial statements. This has since been added.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
10	<p><b>Benefits payable</b></p> <p>Benefits payable may not be correct based on accrued benefits of members or may not be calculated in accordance with the scheme regulations.</p> <p>Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.</p>	<p>We have tested a sample of benefits payable in year to underlying supporting documentation.</p> <p>We will review the results of the latest National Fraud Initiative data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches. We will also review any life certification exercises undertaken for members that are excluded from the National Fraud Initiative.</p>	<p>No issues were identified regarding testing of benefits paid to retired members.</p> <p>Counter fraud received NFI data matches in January 2017 and these have been passed to the Pension Service for review and action. It found instances where pensions were paid where the recipient was registered deceased.</p> <p>An internal audit review of a sample of cases found that there was limited progress to address these issues.</p> <p>Management stated that there is an arrangement in place for a monthly mortality screening of all member records, which identifies members who have died for whom they have not received notification.</p> <p>When bereavement is identified the system suspends future payments on the account to prevent overpayment. The HMRC 'Tell Us Once' service also sends out a notification to all relevant public agencies when bereavement is registered with them.</p> <p>The fact exceptions have been noted suggests that these controls are not operating effectively.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
11	<p><b>Other receivables and payables</b></p>	<p>During last year's audit we encountered significant difficulties in obtaining a reconciliation of amounts receivable and payable to the general ledger.</p> <p>We have therefore identified a risk over the completeness, existence and accuracy of receivables, and the completeness of payables, at year-end.</p> <p><i>(The audit assertions covered by this risk have been updated since the Audit Plan, as a result of movements in the debtor and creditor balances in year as presented in the draft accounts).</i></p>	<p>We updated our understanding of controls over payables and receivables.</p> <p>We obtained a breakdown of payables and receivables at year-end and a reconciliation of these to the ledger and draft financial statements.</p> <p>We carried our substantive testing on a sample of receivables.</p> <p>There have been no significant changes to the control environment surrounding receivables and payables this year, although we note that we did not encounter the same issues as the prior year.</p> <p>This year, we were provided with a complete breakdown of receivables and payables balances which was reconciled to the ledger. No issues were found.</p> <p>Our testing of receivables found the following two amounts still outstanding since 2015 that require management action:</p> <ul style="list-style-type: none"> <li>Member where transfer of pension was made in error at £64,807</li> <li>Middlesex University pension strain costs for July 2015 £60,915.</li> </ul> <p>No provision for non-recovery has been made and we will seek a management representation that you consider that these amounts remain fully recoverable.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
12	<p><b>Consideration of related party transactions</b></p>	<p>We are required to consider if the disclosures in the financial statements concerning related party transactions are complete, accurate and in line with the requirements of the accounting standards.</p> <p>We have documented the related party transactions identification procedures in place and reviewed relevant information concerning any such identified transactions.</p> <p>We discussed with management and reviewed Member and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.</p> <p>We have carried out Companies House searches for undisclosed interests.</p>	<p>The Pension Fund relies upon the annual Member and senior officer declaration process administered by the Council in order to identify all potential related party transactions and relationships for disclosure within the accounts.</p> <p>During our audit of the Council's accounts, we identified delays in receiving annual related party declarations from a number of current Members of the Council, and we reported within our interim progress report to the Audit Committee on 25 July 2017 that 7 declarations remained outstanding at that time. Whilst all declarations have now been received, we raised a recommendation that the Council seeks to strengthen this process in the future. Since this will also impact upon the Pension Fund, we repeat the recommendation at Appendix II to this report.</p> <p>We identified no undisclosed related party transactions within the Pension Fund accounts, with the exception of key management personnel costs as already explained at item 9 above.</p> <p>No undisclosed related party transactions were found from this review.</p>



## KEY AUDIT AND ACCOUNTING MATTERS

### OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

AUDIT AREA	AUDIT FINDINGS															
<p><b>13</b> Late payments by employers</p>	<p>During our contributions testing, we identified instances of late contribution payments by employers, where contributions were received and banked between one and four months after the expected dates.</p> <p>These employers are:</p> <table border="0"> <tr> <td>Barnet Homes</td> <td>Barnet &amp; Southgate College</td> <td>Your Choice Barnet</td> </tr> <tr> <td>Alma Primary School</td> <td>Menorah High School</td> <td>Hartwig</td> </tr> <tr> <td>Totteridge Academy</td> <td>Wren Academy</td> <td>Hestia</td> </tr> <tr> <td>Bishop Douglass School</td> <td>Compton Academy</td> <td>Servest</td> </tr> <tr> <td>ETZ Chaim Jewish Primary (Academy)</td> <td>Menorah Foundation School</td> <td>Greenwich Leisure.</td> </tr> </table>	Barnet Homes	Barnet & Southgate College	Your Choice Barnet	Alma Primary School	Menorah High School	Hartwig	Totteridge Academy	Wren Academy	Hestia	Bishop Douglass School	Compton Academy	Servest	ETZ Chaim Jewish Primary (Academy)	Menorah Foundation School	Greenwich Leisure.
Barnet Homes	Barnet & Southgate College	Your Choice Barnet														
Alma Primary School	Menorah High School	Hartwig														
Totteridge Academy	Wren Academy	Hestia														
Bishop Douglass School	Compton Academy	Servest														
ETZ Chaim Jewish Primary (Academy)	Menorah Foundation School	Greenwich Leisure.														
<p><b>14</b> Transfers out payments</p>	<p>Pension funds account for transfers out for individuals on a cash basis where they leave their employer and request a transfer of accrued benefits to another fund with their new employer. The reason for this is that legal liability is discharged only at the point that the cash transfer value is made and not at the date that the leaver requests the transfer.</p> <p>Our testing of a sample of transfers out identified £365,000 of accruals included as a liability where the cash payment had not been made by year end.</p> <p>This has been included within our schedule of unadjusted misstatements at Appendix I.</p>															

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	AUDIT FINDINGS
15	<p><b>Reconciliation of sales and purchases of investments</b></p> <p>We obtained investment transaction reports to reconcile opening valuations, purchases, sales, changes in values and closing values to the financial statements. This identified a potential discrepancy in the amounts recorded as purchases (£0.649 million higher) and change in market value (£0.649 million lower) although we were able to agree the closing values.</p> <p>Management was unable to explain the discrepancy and suggested that it could relate to the correction of prior year errors (see below) where £0.694 million has been written out as management expenses or be a misallocation of amounts included elsewhere in the fund account for investment income.</p> <p>We believe there is likely to be a presentational misstatement in investments movement disclosure and how this is reflected in the Fund Account, but require management to undertake additional review to identify the misstatement.</p> <p>This has been included as a potential disclosure misstatement at Appendix I.</p>
16	<p><b>Correction of errors from previous years</b></p> <p>We reported in the previous year that we had found a significant number of errors in receivables and payables in the 2015/16 pension fund financial statements. Management reviewed all receivables and payables balances and prepared revised financial statements. Our testing last year concluded that the revised financial statements were materially correct but there remained a risk that there could be additional misstatements that may still require correcting.</p> <p>As part of this year's detailed review by management the following errors were identified that related to previous financial years. These transactions have been included in the 2016/17 fund account as additional income and expenditure amounts as the impact was not considered to be material by management.</p> <p>These errors include:</p> <ul style="list-style-type: none"> <li>£2.779 million augmentation income due from the Council in respect of 2014/15 retirements was not invoiced and HEFCE debtor (£0.098) million accrual incorrectly reversed resulting in net additional contributions income of £2.681 million included in 2016/17</li> <li>£2.0 million loan cash advance to the pension fund from the Council and £0.416 million payables balances inappropriately written back to 2015/16 resulting in additional benefits payable expenditure of £2.416 million included in 2016/17</li> <li>£0.312million accrual reversal for 2013/14 early retirement cost, £0.694 investment movements charged to management expenses and £0.035 million debtor write off charged to management expenses offset by credits for (£0.127) million reversal and adjustments that relate to 2015/16 and (£0.099) million journal errors. The net impact is to increase management costs by £0.815 million in 2016/17.</li> </ul> <p>The amount included in the 2016/17 fund account to correct errors in the prior year has been to charge additional net costs of £0.550 million.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	AUDIT FINDINGS
<p>17 Other disclosure issues</p>	<p>We identified a number of other disclosure issues within the first draft accounts:</p> <ul style="list-style-type: none"> <li>• Within the contributions note, augmentation contributions were not separately disclosed despite being material.</li> <li>• The breakdown of benefits payable by authority note was blank in the first draft accounts.</li> <li>• The management expenses and investment income notes contained errors and the totals did not agree to the face of the Fund Account.</li> <li>• There was no disclosure of auditor’s remuneration.</li> <li>• The investments note contained errors and did not cast correctly. In addition, money market fund investments totalling £23.900 million were not separately disclosed.</li> <li>• Various classification errors were made in the financial instruments note, and the credit risk table had not been completed for the current year.</li> <li>• Within the financial instruments notes, the sensitivity analysis for interest rate risks was been prepared on an incorrect basis, as it does not consider how the valuation of pooled investment vehicle assets may be affected by changes in interest rate, only the impact on cash flows from variable rate investments.</li> <li>• Within the financial instruments notes, there was no disclosure of currency risk arising from pooled investment vehicles containing foreign currency investments.</li> <li>• The actuarial valuation note included the actuarial assumptions used for the annual liability valuation at 31 March 2017, when in fact it should have included the assumptions used for the triennial funding valuation at 31 March 2016. In addition, there was no disclosure in respect of assumptions relating to commutation rates, take up of the 50:50 scheme, or expected returns on assets.</li> <li>• There were misclassifications of debtors within the current assets note, and the analysis of debtors and creditors by counter-party had not been completed.</li> <li>• The related party transaction note explained the existence of an administration recharge from the Council, but did not disclose its amount.</li> <li>• Additional disclosure to explain the change in classification of the £150,000 London CIV from investment assets to Long Term Investment.</li> <li>• Various other minor typographical, rounding, and prior year comparative errors.</li> </ul> <p>These have been corrected by management.</p>

## OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

MATTER	COMMENT
1	<p>The draft financial statements were prepared and provided to us for audit on 15 June 2017.</p> <p>As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.</p>
	<p>The first draft financial statements contained a number of issues as set out elsewhere within this report. As such, we did not consider them suitable for audit, and we postponed our planned final audit visit.</p> <p>Updated financial statements were presented to the Pension Fund Committee on 18 July 2017, in which many of the more significant issues identified in the first draft had been addressed.</p> <p>We received supporting working papers during the week commencing 7 August 2017, although there was a slight delay in the receipt of some items requested. This has had an impact upon our audit timetable.</p>
2	<p>We are required to read all the financial and non-financial information in the Annual Report published with the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p>
	<p>We found inconsistencies between the breakdown of investment allocations per the Investment Report section of the Annual Report, and the investments note within the financial statements. Management has agreed to correct this in the final report.</p> <p>We also suggest including additional information in the annual report regarding the £129.3 million transfer from Netwon Assets to the London CIV Real Return Fund during the year.</p> <p>There are no other matters to report.</p>

# CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Fund's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We note that the Council's internal audit function has issued a number of observations and recommendations on the Council's control environment during 2016/17, some of which may be relevant to the Pension Fund. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

## Significant deficiencies

Our audit has identified one significant deficiency in relation to controls over membership data. Further details are included within the action plan at Appendix II.

## Other deficiencies

We have also identified other deficiencies in controls which have been discussed with management and included in the action plan at Appendix II.

# APPENDICES

## APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Pension Fund Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

### ADJUSTED AUDIT DIFFERENCES

Our audit has not identified any material misstatements impacting on the Fund Account or Net Assets Statement.

We note that the draft accounts did not include disclosure of key management personnel costs recharged to the Pension Fund by the Council. We also identified a number of other presentational and disclosure issues as set out at item 'Other disclosure issues' of this report, some of which were material. Management has agreed that the material items will be corrected.

### UNADJUSTED AUDIT DIFFERENCES

There are three unadjusted audit differences identified by our audit work which, if corrected, would increase the net assets of the Fund by £0.883 million to £1,053.040 million.

The fund performance for the year was an increase in net assets of £135.824 million. However, there were a number of prior year misstatements cleared through the 2016/17 Fund Account that resulting in net additional costs of £0.550 million being charged to the current year. After correcting for unadjusted audit differences above and removing these prior year misstatements, the corrected underlying performance for the year would report an increase of £1.433 million in the Fund Account.

You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however we also request that you correct them where possible, even though not material.

## APPENDIX I: AUDIT DIFFERENCES

UNADJUSTED MISSTATEMENTS	£'000	FUND ACCOUNT		NET ASSETS STATEMENT	
		DR £'000	CR £'000	DR £'000	CR £'000
Net assets before adjustments	1,052,157				
DR Current assets - contributions due				256	
CR Contributions receivable	256		(256)		
(1) Variance between contributions recognised from Council schools and amounts recorded per the payroll system ( <i>factual misstatement</i> )					
DR Sundry creditors				365	
CR Payments to and on behalf of leavers	365		(365)		
(2) Incorrect recognition of transfers out not paid at year end on accrual basis ( <i>factual misstatement</i> )					
DR Investment Assets				262	
CR Changes in market value	262		(262)		
(3) Understatement of Alcentra Clareant EDL II GP fund from late receipt of updated valuation ( <i>factual misstatement</i> )					
<b>TOTAL UNADJUSTED AUDIT DIFFERENCES</b>	<b>883</b>	<b>-</b>	<b>(883)</b>	<b>883</b>	<b>-</b>
Increase in the net assets of the Fund during the year if adjustments accounted for	1,053,040				



## APPENDIX I: AUDIT DIFFERENCES

### UNADJUSTED DISCLOSURE MATTERS

The following unadjusted disclosure matters were noted:

- The Code recommends that all direct investment management expenses are separately identified and disclosed. The Fund has not taken any steps this year to identify and separately disclosed so-called 'hidden' investment management expenses such as transaction costs which are contained within the net gain or loss on disposal of investments.
- Additional disclosure to explain the change in classification of the £150,000 London CIV from investment assets to Long Term Investment.
- We obtained investment transaction reports to reconcile opening valuations, purchases, sales, changes in values and closing values to the financial statements. This identified a potential discrepancy in the amounts recorded as purchases (£0.649 million higher) and change in market value (£0.649 million lower) although we were able to agree the closing values.
- Management was unable to explain the £0.649 million discrepancy between the investments movement disclosure between purchases and changes in value and we believe there is likely to be a presentational misstatement in this disclosure and how this is reflected in the Fund Account.

IMPACT ON CURRENT YEAR FUND ACCOUNT OF PREVIOUS YEAR ERRORS	£'000	FUND ACCOUNT		NET ASSETS STATEMENT	
		DR £'000	CR £'000	DR £'000	CR £'000
DR Net assets brought forward					550
CR Benefits payable			2,416		
CR Management expenses			815		
CR Contributions receivable		(2,681)			
(1) Impact of various previous year errors identified by management during the preparation of the 2016/17 financial statements ( <i>factual misstatements</i> )	550				
<b>TOTAL IMPACT OF PREVIOUS YEAR ERRORS ON CURRENT YEAR</b>	<b>550</b>	<b>(2,681)</b>	<b>3,231</b>		<b>550</b>

## APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Significant deficiency in internal control ■ Other deficiency in internal control ■ Other observations

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Membership data	<p>Last year we reported a significant deficiency in internal control in respect of delays in updating membership records. This year, we have seen evidence that a data cleansing exercise has taken place and some improvements have been made. However, our own testing of a sample of membership records and individual contributions has highlighted that a high level of error remains within the Fund's membership data. We therefore consider that there remains a significant deficiency in this area.</p> <p>If up to date membership data cannot be provided by the Fund, there is a risk this could impact materially upon triennial funding valuations, which increases the risk that the Fund may not be able to meet future liabilities.</p>	<p>We recommend that management completely review the internal controls in place around the maintenance and quality assurance of membership data, to ensure that this can be kept up to date and sufficiently accurate.</p> <p>Whilst periodic data cleansing may form one part of the control environment, we would expect stronger controls to be put into place to assure data quality and identify errors on an ongoing basis, for example the reconciliation of information provided by employers on contributions by individual each month to membership records, perhaps on a sample or rolling basis.</p> <p>Although it is recognised that the Pension Fund relies on individual employers to notify it of changes, it should be more proactive in identifying and following up apparent discrepancies when they arise.</p>	<p>Pensions administration is the subject of a detailed service improvement plan which specifically includes a section on pension fund data.</p>	<p>Head of Public Sector Pensions, Capita Employee Benefits</p>	<p>31/1/18</p>
Authorisation of journals	<p>We note that the Pension Fund relies on a manual system of authorisation of journal entries posted to its accounting system, Integra. The Council, by contrast, which also uses Integra, has implemented a system enforced control. The lack of system controls in this area increases the risk that erroneous or fraudulent journals may be posted.</p>	<p>We recommend that management consider whether the Pension Fund should move to a similar system enforced control environment to that in use at the Council. We understand that the Pension Fund is currently running an older version of Integra which may need to be upgraded, therefore we recognise that there are cost/benefit considerations to be made.</p>	<p>Agreed - journal authorisation will be implemented within the pension fund environment of Integra.</p>	<p>Assistant Director of Finance, CSG</p>	<p>30/11/17</p>

## APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Investment expenses	The Code recommends that all direct investment management expenses are separately identified and disclosed. The Fund has not taken any steps this year to identify and separately disclosed so-called 'hidden' investment management expenses such as transaction costs which are contained within the net gain or loss on disposal of investments. This is a Code recommendation this year, but will become mandatory from 2017/18.	We recommend that management engage with fund managers early to ensure that the disclosure requirements can be met when they become mandatory in 2017/18.	Agreed - officers will engage with fund managers to obtain the necessary information to comply with this requirement.	Head of Treasury and Pensions, CSG	29/12/17

## APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING		
	FINAL	PLANNING
Pension fund overall materiality	£10.5 million	£9.1 million
Fund account specific materiality	£2.9 million	£2.6 million
Clearly trivial threshold	£210,000	£180,000

Planning materiality was based on 1% of prior year net assets. Specific materiality was set of 5% of prior year contributions for the fund account. We revised our materiality upon receipt of the current year draft accounts to reflect current year net asset and contribution amounts.

## APPENDIX IV: INDEPENDENCE

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
Senior team members	Number of years involved
LEIGH LLOYD-THOMAS - Audit engagement lead	2
JODY ETHERINGTON - Audit manager	2

We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Fund, and we have not identified any potential threats to our independence as auditors.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

## APPENDIX V: FEES SCHEDULE

	2016/17 FINAL PROPOSED £	2016/17 PLANNED £	2015/16 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	TBC	21,000	31,000	The fee for the 2016/17 is still to be agreed with management and PSAA, due to significant additional work which was required in response to issues arising during the audit
<b>TOTAL AUDIT FEES</b>	TBC	21,000	31,000	
NON-AUDIT ASSURANCE SERVICES	-	-	-	
<b>TOTAL ASSURANCE SERVICES</b>	TBC	21,000	31,000	

## APPENDIX VI: DRAFT REPRESENTATION LETTER

### TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP  
55 Baker Street  
London  
W1U 7EU

[XX] September 2017

Dear Sirs

#### **Financial statements of the London Borough of Barnet Pension Fund for the year ended 31 March 2017**

We confirm that the following representations given to you in connection with your audit of the Fund's financial statements (the 'financial statements') for the year ended 31 March 2017 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Pension Fund Committee.

The Director of Resources has fulfilled her responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, other than the liabilities to pay pensions and other benefits after the end of the scheme year, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control, to approve the Annual Report and Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

## APPENDIX VI: DRAFT REPRESENTATION LETTER

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with the Code and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving Councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by Councillors, employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

### Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Fund's liabilities to pay pensions and other benefits, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 2.4%
- Rate of increase in salaries: 2.7%
- Rate of increase in pensions: 2.4%
- Rate of discounting scheme liabilities: 2.5%
- LGPS commutation take up option: 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.



## APPENDIX VI: DRAFT REPRESENTATION LETTER

We confirm that the followed receivables remain recoverable and no provision for non-recovery is required for these older debts:

- Member where transfer of pension was made in error at £64,807
- Middlesex University pension strain costs for July 2015 £60,915.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Anisa Darr  
Director of Resources  
xx September 2017

Cllr Mark Shooter  
Chair  
Signed on behalf of the Pension Fund Committee  
xx September 2017

FOR MORE INFORMATION:

**LEIGH LLOYD-THOMAS**  
Engagement lead

T: +44 (0)20 7893 2616  
E: leigh.lloyd-thomas@bdo.co.uk

**JODY ETHERINGTON**  
Manager

T: +44 (0)1473 320790  
E: jody.etherington@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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	<h2>Local pension Board</h2> <h3>29<sup>th</sup> November 2017</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Review of Pension Scheme Investment Risks</b></p>
<p style="text-align: right;"><b>Report of</b></p>	<p>Assistant Chief Executive</p>
<p style="text-align: right;"><b>Wards</b></p>	<p>n/a</p>
<p style="text-align: right;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: right;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: right;"><b>Key</b></p>	<p>No</p>
<p style="text-align: right;"><b>Enclosures</b></p>	<p>Appendix A – Investment risk register</p>
<p style="text-align: right;"><b>Officer Contact Details</b></p>	<p>George Bruce, Head of Treasury, CSG  <a href="mailto:george.bruce@barnet.gov.uk">george.bruce@barnet.gov.uk</a> - 0208 359 7126</p>

<h2>Summary</h2>
<p>Part of the role of the Local Pension Board is to:          Ensure the effective and efficient governance and administration of the Pension Scheme, and          Ensure that the Pension Fund’s internal Risk Register is in place and reviewed at least annually.</p> <p>The report considers the section of the risk register relating to investments and discussed the procedures in place to manage these risks and the residual risk being carried by the Fund and employers.</p>

<h2>Recommendations</h2>
<p>The Local Pension Board is invited to review the report and identify any recommendations or questions it wished to direct to the Pension Committee.</p>

**1. WHY THIS REPORT IS NEEDED**

- 1.1 Part of the role of the Local Pension Board is to (a) ensure the effective and efficient governance and administration of the Pension Scheme, and (b) ensure that the Pension Fund’s internal Risk Register is in place and reviewed at least annually

This report reviews the procedures in place for managing investment risk and the residue risk that is carried by the fund and the contributing employers. It is intended that each section of the risk register will be reviewed annually at one of the Board's meetings.

- 1.2 The format of the risk register follows the LB Barnet approach, in which impact and probability are rated 1-4 as being:

4 = major / likely  
3 = medium / possible  
2 = small / unlikely  
1 = trivial i.e. fully mitigated

- 1.3 Risks are mainly considered at a monetary level. However risks can also be reputational or create inconvenience to employers and scheme members. When considering investments, the risks are normally considered in a monetary context

- 1.4 The one obvious omission is defining the various risk ratings. For example, what is a major impact on investments? Is it £10 million, £100 million etc. For risks that impact on scheme members, just how many members need to be impacted for the impact to be major? Similarly, when rating probabilities is major greater than 50% or some other probability. The Pension Committee is due to review the risk register at their March 2018 meetings and will be asked to quantify risk ratings.

- 1.5 The management of each of the four investments risks is reviewed below.

**The investment Strategy has a low chance of delivering returns sufficient to meet the funding objective**

- 1.6 The returns generated by the pension fund can be analysed into three segments.

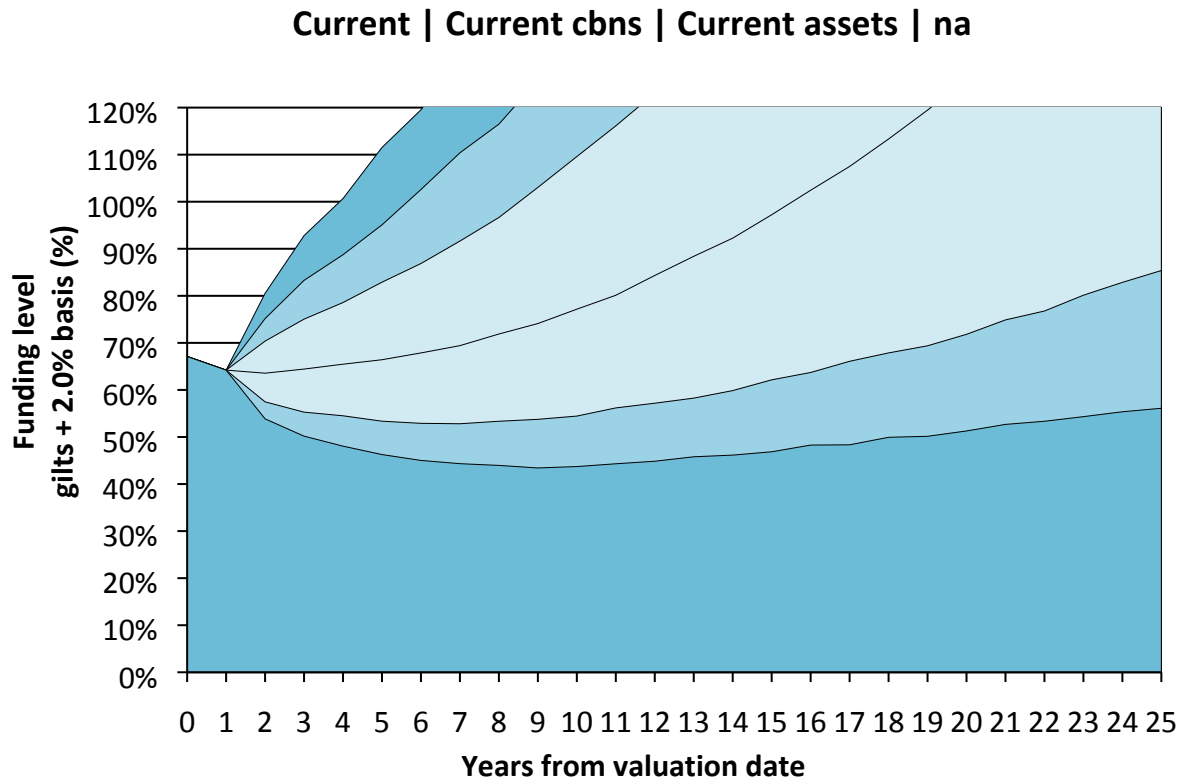
- a) The returns from the strategic benchmark.
- b) The returns above or below the strategic benchmark derived from the mandates (benchmarks) awarded to investment managers.
- c) The performance of the individual investment managers compared with their individual benchmarks.

- 1.7 This risks looks at a combination of (a) and (b) above.

- 1.8 The investment strategy risk has the highest rating of 16 (both impact and likelihood of 4) before mitigating action and 8 after, with probability reduced to unlikely (2). The mitigating factors are the increased diversification of the investment policy and regular reviews of strategy.

- 1.9 The previous agenda item on the procedures in place to set and monitor investment strategy are relevant to this discussion. In particular the modelling undertaken by Hymans to illustrate the range of outcomes that can arise from different combinations of each asset class. This modelling is used by the

Pension Committee to identify a combination of asset classes that optimises the expected outcome – likelihood of achieving full funding and the degree of discomfort from poorer outcomes. The graph below is extracted from the modelling presented to the October 2017 Pension Committee



- 1.10 The modelling indicated that the average funding level outcome from the current investment strategy after 20 years is in excess of 120%. The top of the lower 25% of outcomes is closer to 80% funded and the average of the 5% worst outcomes is mid 30s funding level.
- 1.11 The above analysis is updated when the Pension Committee reviews strategy. It supports the actuary’s view that the current strategy has a reasonable probability of meeting the scheme funding objective. The modelling and the frequency of review is central to designing and monitoring a strategy that manages this risk of poorer funding levels.

**Investments managers underperform relative to their benchmarks over the medium term.**

- 1.12 The risk that investment managers will underperform their benchmarks is rated as medium high both before and after mitigating action, with high impact and possible (medium) likelihood. Mitigation action are:
- Manager appointments take into consideration advice received from Hymans Robertson, the appointed investment advisor.
  - Quarterly reports on manager performance include Hymans manager ratings and a discussion on any significant developments relating to the manager.

- Performance v benchmark reporting covers both current and longer term periods.
- Meetings are held with the investment manager if concerns are raised either due to organisational developments or returns generated.

1.13 Depending on the definition of risk categories, the impact of manager underperformance may be overstated. The impact of managers' underperformance against their benchmarks is typically much less significant than that of the strategy compared with the scheme liabilities.

### **Fund assets fail to deliver returns in line with actuarial assumptions**

1.14 This risk is a combination of the above two risks. The actuarial assumptions used to calculate the value of the scheme liabilities, which together with asset values determine the funding level. The risk rating of medium high (12) is consistent with the above two risks. The mitigating actions described above are relevant to this risk.

1.15 The prudence of the actuarial assumptions will be discussed as part of the management of funding risks.

### **Rebalancing of portfolios will be delayed due to market volatility**

1.16 Rebalancing is concerned with aligning the portfolio with the agreed or revised strategic allocations. Currently there is no policy in place for rebalancing. The Pension Committee review the portfolio allocations each quarter and have the opportunity to move funds between investment managers. The Fund has invested in illiquid asset classes (current target is 19%) which cannot be rebalanced in the short-term. At present, funding of new mandates is used to rebalance the portfolio by taking money out of the most overweight asset classes. Recently, maximum allocations have been set at asset class level that will prompt rebalancing action.

1.17 The rating for this risk of medium high (12) appears high in relation to the rating for strategic risks. The procedures in place enable rebalancing action to be considered quarterly. Frequent rebalancing can incur transaction costs and unless maximum allocations are breached, annual rebalancing has been shown to be the most efficient.

### Conclusion

1.18 The procedures in place to mitigate the investment related risks are strong. The residual risks are derived from the current funding level and the desire to target an investment return that protects employers from significant increases in contribution levels in the short term.

## **2. REASONS FOR RECOMMENDATIONS**

2.1 The Pensions Board's terms of reference include ensuring that a risk register is in place and reviewed regularly.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 The paper discussed the mitigating actions in place. The Board is able to comment on any aspect of the risk register.

### **4. POST DECISION IMPLEMENTATION**

- 4.1 Recommendations and comments will be forwarded to the Pensions Committee.

### **5. IMPLICATIONS OF DECISION**

#### **5.1 Corporate Priorities and Performance**

- 5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities.

#### **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.

#### **5.3 Social Value**

- 5.3.1 The Public Services (Social Value) Act 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 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 Local Government Pension Scheme Regulations 2015 requires 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.

5.4.2 This paper considers the risk management arrangement of the LGPS pension scheme that form part of the remit of the Local Pension Board.

## **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 The paper is concerned with managing the investment risks faced by the Fund.

## **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equalities 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 Consultation and Engagement**

5.7.1 Where relevant, consultation and engagement is discussed in the paper.

## **5.8 Insight**

5.8.1 Not applicable

## **6. BACKGROUND PAPERS**

6.1 None



Appendix 1

London Borough of Barnet Pension Fund Risk Register November 2016

Risk		Current Assessment			Control Actions	Risk Status	Committee Assurance (timing)	Target assessment		
		Impact	Probability	Rating				Impact	Probability	Rating
Long-term investment strategy for the Pension Fund has low chance of delivering return required to meet fully funded objectives		Major 4	Likely 4	High 16	Review current fund specific benchmarks based on asset-liability -modelling of liabilities. Revise investment strategy through investment diversification and asset class re-allocation	Treat	Quarterly	Major 4	Unlikely 2	Medium High 8
Investment managers under perform relative to the benchmark over the medium term.		Major 4	Possible 3	Medium High 12	Quarterly investment monitoring in place to analyse market performance against the performance of the investment manager. Investment strategy under review. Review meetings held with managers if concern over performance	Treat	Quarterly	Major 4	Possible 3	Medium High 12
Fund assets fail to deliver returns in line with actuarial assumptions		Major 4	Possible 3	Medium High 12	Annual actuarial review and triennial valuation on all employers anticipate long term returns on prudent basis	Tolerate	Quarterly	Major 4	Possible 3	Medium High 12
Rebalancing of portfolios to approved asset allocations delayed due to market volatility		Major 4	Possible 3	Medium High 12	Scheduled timetable for sale and transfer of assets to ensure transition completed in agreed timeframe	Treat	Quarterly	Major 4	Possible 3	12

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