

Decisions of the Pension Fund Committee

29 July 2019

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

John Marshall
Anthony Finn

Anne Hutton
Alison Moore

Danny Rich

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

Prior to the minutes being approved it was noted that Councillor Peter Zinkin was in attendance and therefore the minutes from the last meeting reflect this.

Resolved:

- That the minutes of the meeting held on 30 May 2019 were approved as an accurate record

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

There were no apologies of absence.

The Chairman, Councillor Mark Shooter noted that Mr James Kennedy from Middlesex University had taken on a new role as acting Vice-Chairman. Councillor Shooter on behalf of the Committee wished Mr Kennedy well and thanked him for his contribution on the Pension Fund Committee.

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

Councillor John Marshall declared a non-pecuniary Interest by virtue of being beneficiary of LGP Scheme and/or having shareholdings in a number of companies that the fund had invested in.

Councillor John Marshall declared a pecuniary interest in relation to item 12. He stated that he has a holding in Prudential and therefore he withdrew from the meeting during the item. Councillor Marshall did not take part in the consideration or decision-making process.

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

Mr Ben Samuel was in attendance and made a public comment in relation to item 10 on the agenda. His comments were in relation climate change. The Chairman said that the Committee were also very concerned of climate change and he therefore thanked Mr Samuel for his attendance and his comments. Councillor Shooter added that the Committee had a strong weight on social and environment standing and he shared the views of Mr Samuel. Councillor Alison Moore reminded the Committee that in a

previous meeting the Committee consider it's ethical arrangements. Councillor Danny Rich thanked Mr Samuel and his important reminder of climate change.

Resolved

- That Mr Ben Samuel's public comments be noted
- That the Chairman requested that Hymans Roberson report at a future meeting on the social, ethical and responsible investment options. The Committee duly agreed.

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

None.

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

The Chairman requested that Councillor Alison Moore introduce her Members Items which she duly did. Councillor Moore outlined that there had been a repetition of unsatisfactory reports, reviews, data and although there had been some improvement the Pension's Regulator had been required to intervene. Councillor Moore stated that there had been cause to request a change of the administration of the Pension Fund and noted that she had requested that the service become an in house model. She added the it was a requirement that key deadlines be met which had been an ongoing concern. She therefore requested that the Policy and Resources Committee receive an option papers and noted that the Committee had the power to review the position and make decisions for the benefit of the Council's Pension administrating function.

Councillor John Marshall requested that an update from the Director of Finance be provided so that the deadline of 31 August 2019 was met. Councillor Danny Rich noted the importance of the item and outlined his support for Councillor Moore's Members Item. He added that he had observed many concerns and frustrations and therefore he expected that options be considered to administer processes correctly.

The Director for Finance, Ms Darr noted that as a Member of the Local Government Pension Scheme she shared the Committee's concerns and made the following points:

- That Capita were aware of the Council's concerns and the choices that were available to the Council
- That the Council were monitoring progress against the Pensions Regulator's minimum requirements for improvements to be made by the provider
- That the Council were observing the work performed by Caption in order for the annual benefit statement deadline of 31 August 2019 be met.
- She added that the Council were holding weekly meetings in order to track progress and receive updates
- That a plan was in place to deliver a good service beyond 31 August 2019 and not just stop at the minimum improvements required.

Councillor Moore gave her appreciation for the update, however she said that Members should be able to deliver a comprehensive scrutiny role and therefore she believed it was necessary that a range of options were required to exercise strong Governance arrangements. She confirmed that it was crucial that the Pension Fund Committee request that the Policy and Resource Committee is provided with a detailed options paper on alternative delivery options at the next meeting of that Committee. She added that it was necessary to exercise a proper challenge and scrutiny role and the Council

need to understand what the wider options are so that the Pension Fund Committee are delivering a sound governance judgement.

The Chairman outlined that the Council were in contract with Capita and noted that the Pension Fund Committee didn't have the power to choose or make a decision on the administrating provider. Councillor Alison Moore noted that it was important that the Pension Fund Committee request that the Policy and Recourse Committee receive an appropriate report with all relevant information so that an informed decision can be made with the Committee's view and recommendation.

The Director for Finance, Ms Darr said that if the 3 tests, set by the Pensions Regulator, were not fulfilled and the deadlines not met, Officers will submit a report to Policy and Recourses Committee. The Chairman supported this. Councillor Moore said that the provider failings had been ongoing for many years and therefore regardless of the coming deadlines she requested to know if Capital could sustain the level of performance. She further questioned if there was capacity to provide a service to keep the Pension Fund in good health.

Councillor John Marshall said that the Committee should wait to see if the deadlines are met before the Committee make such a request and look at further options.

Councillor Anna Hutton said it was a function of the Committee to scrutinise the administration function, she added that a quality report of options was required and therefore she supported the item.

Councillor Anthony Finn sought clarity on the deadlines and therefore Ms Darr confirmed that the Pension Regulator has been clear that the deadline was 31 August 2109. She further confirmed that if Capita are not able to satisfy all the requirements then Officers would therefore submit a report of options to the Policy and Resources Committee.

Councillor Alison Moore said that the Pension Fund Committee should be on the front foot because for a number of years there had been an administration failing. She stated that she understood that a report to Policy and Recourses would be reported if there was a clear breach. She said that the reports presented to the Committee outlined that there are a number of ongoing issues and it concerned her if the contract obligations will be delivered.

Councillor Danny Rich stated that the Pension Fund Committee should be more ambitious and therefore the Council should be ahead of the game to ensure that Capita provide good quality data and reports within the required deadlines.

The Chairman said that although Members might agree that the service wasn't as it should be the Committee should not now agree to make the request that a report be presented to Policy and Recourses.

Councillor Alison Moore said that because the next Pension Fund Committee was on 09 September 2019 and therefore very soon after the 31 August 2019 deadline she confirmed that the request be placed on hold until the next meeting of the Pension Fund Committee. She further added that the Committee must make a risk-based decision.

Having Considered the Members Item the Committee:

Resolved

- That the Members Item be noted
- That the Pension Fund Committee noted that this item be revisited at the next meeting
- That the Pension Fund Committee agreed that the issue be taken very seriously

7. ANNUAL ACCOUNTS AND AUDIT REPORT (Agenda Item 7):

The Head of Treasury and Pension, Mr George Bruce introduced the report. He stated that the Committee is requested to approve the Annual Report and Accounts for the Pension Fund as at 31 March 2019. The Committee noted that appendix B had been circulated and published late but in advance of the meeting.

The Chairman welcome Mr Leigh Lloyd-Thomas from BDO. He introduced the report and provided a summary of appendix B.

Resolved:

Having considered the report the committee:

- approved the 2018/19 Annual Report and Pension Fund Accounts subject to the amendment discussed at the meeting:
- The changes were to:
 - Increase employers' contributions by £0.800 million
 - Increase lump sum benefits by £0.131 million
 - Reduce transfers out by £0.227 million,
 - Increase debtors by £0.800 million
 - Reduce creditors by £0.096 million
- noted the matters raised by the external auditor in respect of the audit of the 2018/19 Accounts and Annual Report; and

No issues were identified that required further information from the auditor or management therefore the above resolution is sufficient.

8. INTERNAL AUDIT REPORT (Agenda Item 8):

The Head of Treasury and Pension, Mr George Bruce introduced the report. He outlined that Barnet's Internal Audit had undertaken a review of the Pension Fund focusing on finance and investments. He noted that this was included in appendix A.

Having considered the report the Committee:

Resolved:

- That the Pension Fund Committee noted the Internal Audit report.
- That a risk register be reported to a future meeting

9. TRIENNIAL ACTUARIAL VALUATION UPDATE (Agenda Item 9):

The Scheme Actuary, Mrs Gemma Sefton of Hymans Robertson introduced verbally the report concerning the progress of the triennial valuation to determine the funding position of the pension scheme and rate of contributions paid by employers. In particular, she discussed the submission of the required data; membership, cashflows and employers listing. She noted that the deadline for submission of data was 31 July 2019 for the transfer of membership data to the Actuary. Initial submissions had indicated a substantial reduction in critical errors but all three data elements were required to be able to determine whether the data was fit to be used in the triennial valuation.

Mrs James Kennedy from Middlesex University requested that Middlesex University be allowed to defer any changes to the stat of their financial year. Officers agreed that this will be acceptable. Mrs Sefton provided detail in respect to the time table that was being worked towards.

During the debate it was noted that there was a high volume of work required in order to process the valuation of data and therefore resources were required for completion.

The Chairman thanks Mrs Gemma Sefton for her contribution.

Having considered the report the Committee:

Resolved:

That the Pension Fund Committee noted the Actuary's comments on data quality.

10. INVESTMENT STRATEGY UPDATE (Agenda Item 10):

The Head of Treasury and Pension, Mr George Bruce introduced the report. He noted that at the June presentations the Pension Fund Committee present had expressed a preference to allocating the agreed Private Equity allocation of 5% (circa £55 million) to Adams Street 2019 Global Fund. Hymans Robertson tabled a report to support the selection of Adams Street.

Having considered the report the Committee:

Resolved:

- That the Committee agreed to commit £55 million to Adams Streets 2019 Global Fund.
- That the Committee agreed to delegate authority to the Finance Director to take actions to implement recommendations 1.
- That the exempt information be noted

11. QUARTERLY INVESTMENT PERFORMANCE REPORT (Agenda Item 11):

A Verbal update was made by Mr Matt Woodman from Hymans Robertson in relation to the performance quarter to 30 June 2019. Members were informed that the market may experience volatility in the coming months due to Brexit. It was noted that a risk-based analysis be presented to the next meeting.

Having considered the report the Committee:

Resolved

- The Committee note the investment values as at 30 June 2019 and the activity in the quarter.
- That the Committee noted that a risk-based analysis be presented to the next meeting

12. AVC REVIEW (Agenda Item 12):

Prior to the consideration of this item Councillor John Marshall withdrew from the meeting as he earlier made a pecuniary interest declaration.

The Head of Treasury and Pension, Mr George Bruce introduced the report. He stated that over 200 members of the Barnet Pension Fund are accumulating additional savings through AVC's with Prudential. Members noted that the provider had closed some of its 'lifestyle' options and this has required a review of alternatives. In reviewing alternatives and the overall

Prudential service, Hymans have concluded that Prudential continue to be a suitable AVC provider.

Having considered the report the Committee:
Resolved

- To note Hymans Robertson's conclusion that Prudential continue to be a suitable provider of AVC products and that a bespoke lifestyle option that has been selected for Barnet's scheme members.
- That the exempt information be noted

13. THE PENSION REGULATOR (Agenda Item 13):

The Head of Treasury and Pension, Mr George Bruce introduced the report. He gave a summary of the draft improvement notice within the appendix that illustrated weakness in the processes and controls within the administration of the Barnet Pension Fund. TPR has given a deadline of 31 August 2019 to have implemented improvements in three areas. This paper discusses the areas of improvement and actions underway to address them.

Having considered the report the Committee:

Resolved:

The Committee noted the content of the Draft Improvement Notice and the actions being taken to comply.

14. ANNUAL BENEFIT STATEMENTS (Agenda Item 14):

The Interim Pensions Manager Mr Nigel Keogh introduced the report. He outlined that the Annual Benefit statements must be issued to active and deferred scheme members by 31 August. The paper discusses Capita's plan to meet the statutory deadline.

Having considered the report the Committee :
Resolved

- That the Pension Fund Committee note that robust plans are in place to ensure that Barnet Pension Fund members receive an accurate ABS by the statutory deadline which is 31 August.

15. ADMISSION AGREEMENTS, CESSATIONS AND BONDS (Agenda Item 15):

The Interim Pensions Manager Mr Nigel Keogh introduced the report. Councillor Alison Moore said that she was pleased to see that there was progress however she noted that there is a long-standing backlog of issues. The Director of Finance said that issues were prioritised depending of the value. This was noted.

The Committee noted that Churchill Catering (Queenswell School) was incorrectly listed in the table at section 1.2 of the report.

During the consideration and debate it was requested that the value of individual outstanding bonds be reported to Members.

Having considered the report the Committee:

Resolved:

That the Pension Fund Committee note the progress on outstanding admitted body and bond agreements, including bond renewals and cessation calculations.

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

There were no urgent items however the Committee noted the absence of a Committee Work Programme and requested that this be submitted on every agenda.

The meeting finished at 21:25