

	<h2>Pension Fund Committee</h2> <h3>26th June 2018</h3>
<p style="text-align: right;">Title</p>	<p>Barnet Council Pension Fund – Review of Strategic Asset Allocations</p>
<p style="text-align: right;">Report of</p>	<p>Director of Finance</p>
<p style="text-align: right;">Wards</p>	<p>n/a</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A – Investment Strategy and Structure Considerations (June 2018) [EXEMPT] Appendix B – Investment Strategy Considerations (February 2018) [EXEMPT] Appendix C – Capital Markets Outlook [EXEMPT]</p> <p>Exempt reports - Not for publication by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 as amended.</p>
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<h3>Summary</h3>
<p>The Committee at its February 2018 meeting discussed proposals from the investment advisor (Hymans Robertson) to amend the investment strategy. The meeting concluded that decisions should be held over until after the Council elections. Hymans have updated their proposals, which are attached, and will discuss at the meeting. No implementation decisions will be requested at the meeting.</p>

<h3>Recommendations</h3>
<p>That the Pension Fund Committee comment on the investment strategy proposals from the investment advisor.</p>

1. WHY THIS REPORT IS NEEDED

- 1.1 Acting in its capacity as Administering Authority to the Barnet Pension Fund, it is the responsibility of the London Borough of Barnet to ensure that the Pension Fund complies with legislation and effectively manages the Fund's financial affairs.
- 1.2 The Committee has at its last two meetings discussed the review of investment strategy (the allocations to the main asset classes – equities, bonds, etc), in particular the role of diversified growth funds. Proposals made at the February 2018 meeting focused on the inclusion of new allocations to property, private equity and emerging market equities. The Committee concluded at the February meeting that any decisions should be held over until after the Council elections.
- 1.3 Hymans Robertson, investment advisor, have updated their February proposals and will discuss these at the meeting (appendix A). No changes to the fund or to the investment managers will be made as a consequence of the discussion. Instead, based on the Committee's comments, detailed proposals will be brought to the July meeting. Hymans will explain their proposals and the Committee will have time to consider these before decisions are requested at the July meeting.
- 1.4 Also attached is the February paper on strategy (appendix B). Hymans have requested that this be included as it contains additional background material. The third appendix, capital markets outlook, is a commentary on investment markets and is included for information; it does not form part of the strategy proposals.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The LGPS (Management and Investment of Funds) Regulations 2016 (clause 7(7)) requires the Committee to periodically (at least every three years) review the investment strategy.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Various alternatives are discussed in the Hymans Robertson paper.

4. POST DECISION IMPLEMENTATION

- 4.1 It is not intended that any actions will be taken at this meeting. Detailed proposals will be carried over to the July meeting.

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 the level of contributions payable by the Council and 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 (Management and Investment of Funds) Regulations 2016 (clause 7(7)) requires the Committee to periodically (at least every three years) to review the investment strategy and publish a statement of any revisions.

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

5.5 Risk Management

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

5.6 Equalities and Diversity

5.6.1 Pursuant to the 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, marriage and civil partnership.

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 Not applicable.

5.8 Insight

5.8.1 Not applicable.

6. BACKGROUND PAPERS

6.1 Pension Fund Committee meeting 26 February 2018, agenda item 10 (Review of Strategic Asset Allocations)