

	<h2>Local Pension Board</h2> <h3>21 November 2018</h3>
<p style="text-align: center;">Title</p>	<p>Decisions made by the Pension Fund Committee</p>
<p style="text-align: center;">Report of</p>	<p>Director of Finance</p>
<p style="text-align: center;">Wards</p>	<p>n/a</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Urgent</p>	<p>No</p>
<p style="text-align: center;">Key</p>	<p>No</p>
<p style="text-align: center;">Enclosures</p>	<p>None</p>
<p style="text-align: center;">Officer Contact Details</p>	<p>George Bruce, Head of Treasury, george.bruce@barnet.gov.uk - 0208 359 7126</p>

<h3>Summary</h3>
<p>Part of the role of the Local 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 Pension Fund 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 Fund Committee and summarises the rationale, the processes followed and the link with policy documents and regulations.</p>

<h3>Recommendations</h3>
<p>That the Local Pension Board notes the procedures applied by the Pension Fund Committee when reaching decisions at recent meetings and considers any issues associated with those procedures and decisions. The outcome of these discussions to be reported back to the Pension Fund Committee.</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 in 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 based, meet regulatory requirements and consider advice received as appropriate. While it is not appropriate for the Board to seek to replace its own judgments for those of the Pension Fund Committee, it is appropriate to review whether decisions have followed an appropriate process.
- 1.3 Since the last Local Pension Board meeting there has been one meeting of the Pension Fund Committee. The paper will highlight decisions made at these meetings.

Meeting 16 October 2018

- 1.4 The meeting was attended by Mr Leigh Lloyd-Thomas and Mr Nick Bernstein of BDO (auditor), Ms Gemma Sefton, Hymans Robertson (Scheme Actuary), Mr Matt Woodman, Mr Nicholas Jellema and Ms Kinna Patel of Hymans Robertson (investment advisor), Mr Kevin Bartle (Director of Finance), officers from Governance and Finance. The meeting was preceded by 45 minutes of training covering the management of the schemes equity holdings provided by Legal & General Investment Management.
- 1.5 External Audit Report
- 1.6 Mr Lloyd-Thomas and Mr Bernstein discussed with the Committee BDO's report in respect of the audit of the 2017-18 Pension Fund annual accounts. The auditor attended the previous meeting of the Local Pension Board and the findings were substantially identical to the matters reported to the September Board meeting. The final audit report has been circulated to Board members. The Auditor has issued an unqualified opinion on the annual accounts. The Committee had delegated the signing of the annual accounts to the Finance Director and Chairman of the Committee.
- 1.7 The Auditor discussed data quality, debt collection processes, the monitoring of contributions due and disclosure of risk within the Pension Fund Accounts, noting that although much improvement had been made to the accounts processes in the last two years that there was still some way to go in terms of data quality. This was also discussed in the following agenda item. The Committee noted that the Council were overdue in paying invoices in relation to unfunded and strain costs (cost of enhanced pensions). These were subsequently paid by the Council on 19th October 2018.

- 1.8 The Pension Fund Committee noted the matters raised by the external auditor and requested a progress report on implementation of the audit recommendations and associated actions at the next meeting.

Planning for the 2019 Triennial Valuation

- 1.9 The Actuary attended the meeting to discuss the plan to deliver the 2019 triennial actuarial valuation well in advance of the statutory deadline of 31 March 2020. The Actuary last attended the Board at its February 2018 meeting and discussed the role of the Actuary in setting contribution rates for employers.
- 1.10 The Actuary noted that the previous triennial valuation (as at 31 March 2016) had been problematic and was not completed until close to the deadline and had as a result restricted meaningful dialogue with the Committee and employers prior to the finalisation of the contribution schedule. The Actuary had circulated a plan and timetable to ensure that the 2019 process was completed on a timely basis, with preliminary results available by end Q3, 2019. The Actuary emphasised the importance of data quality and suggested that the membership data as at 31 March 2018 be uploaded into their data portal for verification to indicate whether the data issues identified in 2016 had been rectified. The Committee requested that this be undertaken as soon as possible with results report back to the January 2019 Committee meeting.

Transfer Value in Respect of Barnet Southgate College

- 1.11 Officers and the Actuary explained the background to the transfer of pension service from Enfield pension fund to Barnet pension fund in 2011 when Southgate and Barnet colleges merged. At the time this was a relatively rare occurrence and the proposed 'reverse' transfer value was in line with the then practice. Since then college mergers were occurring with greater frequency and 'direction orders' by which all assets and liabilities relating to the colleges participation in the prior fund are transferred to the new fund were now the norm. The Committee raised concerns that the Barnet fund was being asked to pay a transfer value to Enfield and requested legal advice as to whether Barnet pension fund could avoid any liability, noting that although the liability would be attributed to the college, other employers were at risk should the college not be able to pay its contributions. The legal advice has now been requested from an external lawyer with pension expertise. When this is received discussions will be held with Barnet Southgate college and any resolution will be subject to Committee approval.

Update on Admitted Bodies Organisations

- 1.12 The purpose of the report was to seek the Committee's approval to any new admitted bodies and to inform the Committee of cessation and the renewal of bonds.
- 1.13 There were no new admissions or cessations to report. It was noted that information from the Administrator to the Actuary to enable contribution rates and bond values to be calculated was taking much longer than it should. The

bonds with the largest values related to two Capita entities and these expired 24th November. Bonds protect the scheme and employers against an employer who is unable to pay their contributions. Subsequent to the Committee meeting the Administrator provided the information required by the Actuary and Capita bond values have been calculated.

- 1.14 The Committee also discussed the late payment of deficit contribution by two Capita entities relating to the period from 1 April 2017. It was noted that the processes to check contributions received did not ensure that employers are paying the rates specified by the Actuary. Capita paid £1,884,000 on 26th October 2018 representing deficit contributions until 31 October 2018 and confirmed that they will pay each month in future. Interest of £18,000 has been charged to Capita.

London CIV Pooling Update and allocation

- 1.15 The Committee discussed the future obligation to utilise the London CIV to select funds and fund managers and to transfer existing investments to funds selected by the London CIV, noting that there was no target date for 'pooling'. The Chairman noting that he has been elected to the London CIV's shareholder Committee reminded the Committee of the fee savings available through pooling and that he was satisfied with the due diligence processes operated by the London CIV when appointing fund managers.
- 1.16 Two existing investments in funds managed by Partners and Alcentra were in distribution phase (returning capital as investments are realised) and the Committee asked Hymans to report to the next meeting on whether the manager and fund proposed by the London CIV for private debt was suitable as an alternative to re-investing with the two existing managers.

Training Needs Self-Assessment Questionnaire

- 1.17 Members of the Committee agreed to complete a training assessment questionnaire with a report back to the next meeting on training needs.

Allocation to Property

- 1.18 The July 2018 Committee meeting had received presentations from four property managers (including CBRE) and the Committee had agreed to allocate 10% of the fund to property by disposing of its holdings in diversified growth funds. The meeting did not conclude on which managers should be appointed and the allocation to each.
- 1.19 The report reflected on the obligation to pool investments and that the London CIV's UK property proposals were now expected to be unveiled Q4, 2018 and Q1, 2019. The Committee concluded that they should delay making UK property commitments until they could evaluate the London CIV's offering. Hymans Robertson noted that they were not concerned by a delay to the realisation of funds invested in diversified growth funds.

1.20 The Committee, supported by the investment advisor, agreed to invest £25 million in overseas property in a fund managed by CBRE – Global Alpha. The London CIV's offering in this area was not one of their priorities.

1.21 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 contain the following provisions:

“(1) Instead of managing and investing fund money itself, an authority may appoint one or more investment managers to manage and invest fund money, or any part of such money, on its behalf.

(2) But the authority may only appoint an investment manager if the authority complies with paragraphs (3) and (4).

(3) The authority must reasonably believe that the investment manager's ability in and practical experience of financial matters make that investment manager suitably qualified to make investment decisions for it.

(4) The authority must take proper advice in relation to the appointment and the terms on which the appointment is made.”

Performance for the quarter to 30th June 2018

1.22 Part of the remit of the Committee is “to review and challenge at least quarterly the Pension Fund investment managers' performance against the Statement of Investment Principles in general and investment performance benchmarks and targets in particular.” Hymans Robertson provide a quarterly report reviewing each manager's performance against their benchmarks, noting their conviction rating for the manager and highlighting any changes that could impact on the quality of returns.

1.23 Mr Jellema Woodman of Hymans Robertson introduced the report and discussed the relative performance of the fund managers compared with their benchmarks. Hymans view remained that the scheme should exit their holdings in diversified growth funds (DGFs) and replace partially with property and private equity. Other than the two DGF's and the Schrodgers corporate bond fund, all manager / funds retained Hymans highest level of conviction.

1.24 The Committee noted that Alcentra multi asset credit fund was proposing to reduce its fees. There is a choice between a flat fee of 0.6% p.a. or a slightly lower fee but an additional fee if a specified return was achieved. The Committee taking advice from the investment advisor agreed to opt for the flat fee.

London CIV governance

1.25 The London CIV after discussion with London Boroughs was proposing to alter its governance structure by introducing a Shareholders Committee of twelve representatives and terminating the Pensions CIV Joint Committee. The Shareholders Committee will act as forum for dialogue and have no decision-

making powers. Any agreement required from London Boroughs will either be at the semi-annual general meetings or by written resolution

- 1.26 The Committee approved the changes noting that they required Council approval

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Local Pension Board may wish to review Pension Fund Committee decision making procedures as part of its role in 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 Fund 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 (Amendment) (Governance) 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, 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 The paper is part of the process of co-ordinating the activities of the Pension Fund Committee and Local Pension Board.

5.8 Insight

5.8.1 N/A.

6. BACKGROUND PAPERS

6.1 Papers and minutes of the Pension Fund Committee Meeting held on 16th October 2018.
