

	<h2>Local Pension Board</h2> <h3>11 February 2019</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 22 January 2019

- 1.4 The meeting was attended by Mr Matt Woodman and Ms Kinna Patel of Hymans Robertson (investment advisor), Mr Kevin Bartle (Director of Finance) and officers from Governance and Finance. The meeting was preceded by 55 minutes of training covering emerging market equities (provided by Janus Henderson) and private equity (provided by Pantheon). The purpose of the training was to support the investment strategy recommendations (see 1.12).
- 1.5 Each of the agenda items for which a paper was presented is discussed below. The Committee was informed that their request for a report from the Actuary on data quality would be carried forward to the next meeting as the Actuary's findings are currently being reviewed.
- 1.6 Managing the cost of the LGPS
- 1.7 Officers reported on proposals from the Scheme Advisory Board ("SAB") that will improve the scheme benefits to staff and partially reduce staff contributions rates. The SAB has a remit to review the future cost of providing benefits and if this cost shifts from the target of 19.5% to propose changes to either benefits and / or staff contributions. The latest cost comparison has concluded that the cost of providing future benefits has fallen and therefore the SAB has proposed measures to increase the cost back to the target.
- 1.8 The Committee noted that the exercise by the SAB was theoretical and ignored the reality that employer contribution rates are increasing year by year. The changes proposed by the SAB were expected to increase the average employer contribution rate by 0.9%. The Committee asked the Director of Finance to respond to the expected consultation emphasising the need to review the cost monitoring mechanism.

Pension Fund Investment Performance

- 1.9 The Investment Advisor presented the fund's performance to 30 September 2018 with an update for Q4, 2018. It was noted that equity markets had fallen sharply in Q4 (approx. 10%) but that around half of the fall had been recovered in early January. The performance of individual managers was in line with expectations / recent quarters.

Private Debt Allocation Review

- 1.10 The Committee had at the previous meeting requested the Investment advisor to compare for future investment an existing investment manager with the private debt manager selected by the London CIV. One of the features of the current manager (and this asset class) is that when an investee companies repays their debt the fund manager distributes the proceeds to Barnet, therefore to maintain the investment value requires periodic new investments. The regulations on pooling are designed to ensure that new investments are made through funds selected by the London CIV.
- 1.11 The investment advisor report concluded that the due diligence undertaken by the London CIV in appointing their private debt manager was robust and that the manager was suitable for Barnet. The Committee agreed to commit £30 million to the LCIV Global Private Debt Fund.

Investment Strategy Update

- 1.12 The investment advisor reminded the Committee that the strategy review presented in June 2018 had recommended replacing the current 20% allocation to diversified growth funds with new investments in property, emerging market equity and private equity. So far, a £25 million commitment had been made to overseas property. A further circa £80 million planned for UK property was being held partially because on concern that commercial property prices are at risk of a fall and partially waiting on sight of the LCIV property offering.
- 1.13 The Committee discussed the training received relating to emerging market equities and private equity and requested Hymans Robertson to identify suitable manager to present at the March meeting of the Committee. The Hymans analysis has suggested a 5% (circa £55 million) allocation to each of these two asset classes.

Pension Fund Costs and Expenses

- 1.14 Officers presented a summary of scheme costs and expenses for the year to March 2018 and also the six months to 30 September 2018. The intention was that costs will be reported semi-annually to ensure transparency. The Committee were informed that costs charged directly to investee funds were estimated and that performance fees would be checked with the fund's manager. It was also reported that the basis of costs charged by Barnet Council was being reviewed. The report was noted

Transfer Value in Respect of Barnet Southgate College

- 1.15 Following discussion of the transfer value relating to the merger of Barnet and Southgate Colleges at the October meeting, the Committee had requested Officers to obtain a legal opinion on the Barnet Fund's obligation to pay the transfer value requested by Enfield Pension Fund. The advice received was presented to the Committee. It concluded that there were a range of available options but that unless one of these was agreed with Enfield that Barnet were obliged to accept a transfer value request either as calculated by Enfield or by an independent actuary.
- 1.16 Discussions were ongoing involving Barnet Southgate College and the Scheme Actuary with the aim of presenting a proposal to Enfield. The Colleges financial position had been reviewed to ensure that they would be able to pay additional contributions should a transfer payment be made to Enfield. Any proposed resolution will be subject to Committee 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 by assisting in maintaining the integrity of the Pension Fund through 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 to ensure the effective and efficient governance of the scheme and any connected scheme.

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 22 January 2019.

<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=9499&Ver=4>
