



	Local Pension Board 9 April 2019
Title	Decisions made by the Pension Fund Committee
Report of	Director of Finance
Wards	n/a
Status	Public
Urgent	No
Key	No
Enclosures	None
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Summary

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.

Recommendations

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.

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 Board's 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 26 March 2019

- 1.4 The meeting was attended by Professor Alderman, Chairman of the Local Pension Board, Mr Bediako of BDO (Auditor), Mr Summers of Hymans Robertson (Actuary), Mr Jellema and Mr Yoel of Hymans Robertson (investment advisor), Ms Darr (Director of Finance), Mr Bartle (interim Director of Finance) and officers from Governance and Finance. The meeting was preceded by 50 minutes of training covering actuarial assumptions by Hymans Robertson. The training was to support the discussion on agenda item 7, planning for the triennial valuation.
- 1.5 Each of the agenda items for which a paper was presented is discussed below. There were 17 public questions to the meeting. These are available from the Committee page on the Council web site. The questions and comments received concerned the administration contract with Capita and were referenced to the data quality report. This report was presented to the February Board meeting and an updated report will be presented to this meeting. The responses provided assurances that there has been a substantial reduction in the number of data errors, that data cleanse work is continuing and that the Council are engaged with Capita and monitoring progress to ensure that the 2019 triennial valuation will run to timetable and that staff are not impacted by data quality issues.

Planning for the 2019 Triennial Valuation

- 1.6 The Actuary set out the key steps in the process to complete the March 2019 triennial valuation. These included:

Administration data to be validated and submitted by 30 June 2019
Draft whole fund results by 30 September
Individual employers by 30 November
Meetings with employers December 2019
Sign off report by 31 March 2020

- 1.7 It was noted that there will be greater interaction with employers than at the previous valuation with the opportunity to discuss individual employer circumstances and if appropriate adjust the contribution schedule.

Data Quality Report

- 1.8 The Actuary presented this report, which was identical to the one discussed by the Board at their last meeting. An updated report is included on this agenda. Professor Alderman reported the Board's concern with the administration service as stated in the Board minutes and Mr Green of Capita provided assurance that they were on track to reduce the 'critical' errors by 80% by the end of March and that improvement work will continue into April. Officers discussed the resources being devoted to monitoring the improvement plan. The Committee noted the report and asked to be informed of progress in resolving the data issues.

Admitted Bodies and Bond Status Update

- 1.9 Officers reported on the outstanding admission agreements and bonds and assured the Committee that Barnet, Capita and the Actuary were engaged to resolve the outstanding agreements and bonds. To speed up the process the Committee delegated approval of new admissions to the Director of Finance subject to no unusual features and a report of actions taken to the next meeting.
- 1.10 The Committee requested that future reports indicate the number of members affected by each agreement and bond.

Regulatory Update

- 1.11 Officers reported on three ongoing Government consultations – cost cap, pooling criteria and fair deal. It was noted that the Government's plans to improve benefits that will increase costs for employers have been delayed as a result of a judicial challenge.
- 1.12 The government's plans to revise the guidance relating to the pooling of investments were outlined. Pooling means that part of the investment process, the appointment of fund managers, is handed over to the London CIV. The revised guidance is substantially unchanged with a continued expectation that virtually all assets will be managed by the London CIV with new appointments outside of the LCIV to be justified after 2020. Exemptions from pooling remain rare with the requirement to review non-pooled assets at least every three years. The proposals would not impact on the investment decisions currently being considered by the Committee.
- 1.13 Fair deal concerns continued access to the LGPS for staff transferred to new employers with the main proposals being the removal of the option for a comparable scheme as an alternative to LGPS membership and the introduction of a deemed employer to reduce the pension complexity of small

companies bidding for Council contracts. The proposals will not negatively impact on Barnet.

External Audit Plan

- 1.14 Mr Bediako of BDO presented the audit plan in relation to the 2018-19 annual accounts. The Auditor discussed materiality, the reporting of errors identified, the significant audit risks and the proposed audit fee. The audit was due to be completed by 31st July 2019. The audit plan is included on the agenda for this meeting.

Pension Fund Investment performance

- 1.15 Hymans Robertson outlined the performance of the investments during the quarter to 31st December 2019. The fund returned minus 5.8% in the quarter, 1.8% below benchmark. The largest contribution to the decline in value was from equities (down 11.6%) with underperformance compared with Benchmark from the two diversified growth funds. Both these funds are due to be sold to finance the proposed new mandates and Hymans indicated they are content to retain these investments until cash is required elsewhere. Hymans explained the rating fall for the Schroders DGF (to 'suitable') and noted that most of the quarter 4 value reduction had been recovered during Q1, 2019.

Strategy Update

- 1.16 Progress on funding the new mandates – property, private debt, emerging market equities and private equity were discussed by Hymans Robertson. The Committee received written advice from Hymans Robertson on the suitability of the LCIV Emerging Market Equity fund and the reliance that could be placed on the due diligence undertaken by the London CIV. The recommendation was to invest 5% (£55 million) with this fund. However, on the day of the meeting, the LCIV became aware of an impending change in the team managing the investment (Janus Henderson) and following discussion with Hymans Robertson the resolution was amended to enable the investment to be postponed if adverse developments occurred. Subsequently, both LCIV and Hymans have placed the fund manager on watch and the investment is on hold. The Committee also agreed to meet with a selection of private equity managers selected by Hymans Robertson.

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 Public Service Pensions Act 2013 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 Equality 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 26 March 2019.

<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=9500&Ver=4>
