



## Local Pension Board

4 September 2019

<b>Title</b>	<b>Decisions made by the Pension Fund Committee</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	n/a
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	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.

### Officer 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 is 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 29 July 2019**

- 1.4 The meeting was attended by Mr Lloyd-Thomas of BDO (external auditor), Ms Sefton of Hymans Robertson (Scheme Actuary), Mr Woodman and Mr Deal of Hymans Robertson (investment Advisor), Ms Darr (Director of Finance) and officers from Governance and Finance.
- 1.5 Each of the agenda items for which a paper was presented is discussed below.

#### Public Questions and Comments

- 1.6 Mr Samuel spoke on the issue of climate change and the actions being taken by the Committee to respond to the climate challenge. The Chairman and Committee members agreed that this was an important issue for which they had a strong regard. The Committee agreed that they should revisit their approach to social, ethical and responsible investing at a future meeting.

#### Members Item

- 1.7 Cllr Moore raised the following proposal "In light of the longstanding failure of Capita to deliver adequate pensions administration in Barnet, the Pension Fund Committee requests that the Policy and Resources Committee are provided with a detailed options paper on alternative delivery options at the next meeting of that committee."
- 1.8 The Committee discussed the resolution at some length noting that should the three tests set by the Pensions Regulator not be achieved by 31 August 2019 that The S151 officer would be submitting a report to Policy and Resources Committee. Debate centred on whether even if the tests were met that Capita could be trusted to provide a sustained level of good performance. It was agreed that as the next Committee (9<sup>th</sup> September) was immediately after the TPR deadline that the recommendation should be taken seriously and discussed at the next Committee meeting.

## Annual Accounts and Auditors Report

- 1.9 Officers presented the Scheme Accounts for the year to 31 March 2019, noting that three changes had been made to contributions, benefits and related debtors and creditors post circularisation to the Committee that added £896,000 to income and assets. The Auditor, Mr Lloyd-Thomas presented the audit report and discussed the issues that arose during the audit. The Auditor noted that a clean audit report on the accounts was anticipated. The audit report is on the agenda for this Board meeting. The Committee approved the annual accounts and noted the audit findings.

## Internal Audit Report

- 1.10 This report is on the Board's agenda. The Committee noted the report and requested that the risk register be presented to a future meeting.

## Triennial valuation Update

- 1.11 The Scheme Actuary, Ms Sefton, provided a brief update on the progress and timetable for the triennial valuation. It was noted that the deadline to provide the Actuary with usable data was 31<sup>st</sup> July. This comprised membership data, employer level cashflows and an employers' listing. As at the meeting some membership data have been provided and early indications were that the quality was much improved. Subsequently; all three data sets had been provided and the Actuary was undertaking a detailed review. Should the data be acceptable the timetable envisaged whole fund results being available by 9<sup>th</sup> September and draft individual employer results by end November. It was noted that in the previous valuation that employers had been given insufficient time to comment on the valuation results and this would be addressed through full consultation during December and January.

## Investment Strategy Update

- 1.12 The main aspect of this paper was to seek approval to invest £55 million into Adams Street 2019 Global Fund. The Committee members have received a presentation in June from this manager and their appointment was supported by a paper from Hymans Robertson. The appointment was agreed, to be funded from sales from diversified growth funds.

## Quarterly Investment Performance Update

- 1.13 The Committee discussed and noted fund transactions and activity in the quarter. It was noted that the fund had benefited from the decline in the value of sterling and Hymans Robertson was asked to provide an opinion at the next meeting on increasing the level of hedging to lock in this gain. The Committee also asked for an analysis of Brexit risks to the next meeting.

## AVC Review

- 1.14 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. The Committee noted Hymans Robertson's conclusion and that a bespoke lifestyle option agreed between Prudential and Hymans has been selected for Barnet's scheme members.

#### The Pension Regulator

- 1.15 The Committee discussed the improvement notice issued by the Pension Regulator that set out three tests to be achieved by 31 August. The paper discusses the areas of improvement and actions underway to address them. Officers and Capita remain confident that compliance will be achieved by 31 August. The draft improvement notice was discussed by the Board at their last meeting, with an update report on this agenda.

#### Annual Benefit Statements

- 1.16 The report outlined that 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. Officers have reviewed the plan and considered it to be sufficiently robust to ensure that Scheme members receive an accurate ABS by the statutory deadline.

#### Admission agreements, Cessations and Bonds

- 1.17 An update was provided on progress to complete outstanding admission agreement, cessations and bonds. Although good progress had been made there was still a long-standing backlog of issues. The Director of Finance said that issues were prioritised depending of the value. The Committee noted the report.

## **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 **Corporate Parenting**

5.7.1 N/A

## 5.8 **Consultation and Engagement**

5.8.1 The paper is part of the process of co-ordinating the activities of the Pension Fund Committee and Local Pension Board.

## 5.9 **Insight**

5.9.1 N/A.

## 6. **BACKGROUND PAPERS**

6.1 Papers and minutes of the Pension Fund Committee Meeting held on 29 July 2019.

<https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=9918&Ver=4>

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