



Pension Fund Committee

21 November 2019

Title	Review of the Performance of Advisors
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	None
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Summary

The Pension Fund is supported by external advisors and service providers. These appointments are periodically renewed. This paper notes the contract expiry dates for the service providers and advisors, includes officer opinion on their performance and seeks the views of the Committee on feedback that should be provided to the providers.

Officers Recommendations

1. That the Pension Fund Committee identifies any feedback that it wishes to give to the service providers.

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 London Borough of Barnet to ensure that the Pension Fund complies with legislation and effectively manages the Fund's financial affairs.

1.2 The Pension Fund utilises the service of many service providers. The significant ones are:

Various Fund Managers
London CIV
Capita (scheme administrator)
Hymans Robertson (actuary)
Hymans Robertson (investment advisor)
BDO (auditor)
JP Morgan (custodian)
PIRC (performance measurement)
LAPFF (corporate engagement)

1.3 It is appropriate for the Committee to periodically discuss the quality of the services provided, both so that appropriate feedback can be provided and plans made in advance of the expiry of contracts. Apart from fund managers and Capita, the paper notes the termination dates of the various contracts and reviews from an officer perspective the quality of the services received. Fund managers are excluded as they are monitored quarterly. Capita is excluded as their performance is actively being monitored by this Committee and by other committees of the Council.

London CIV

1.4 The Council is a shareholder in the London CIV and committed to using them as part of pooling. They provide fund management services. There are no expiry provisions in the relationship and limited scope to switch pooling vehicle. The costs of the LCIV are recovered via both fixed charges to boroughs and a percentage fee on pooled assets.

1.5 While relations between Barnet and LCIV are good, with the Committee Chairman being a member of the Shareholder Committee, LCIV have expressed disappointment at the collective pace of pooling, mainly the lack of interest in the new mandates they have proposed. Barnet's willingness to pool has been held back by manager changes for private debt and Emerging Market equities and delays in introducing offerings for property and private equity. Other London Boroughs have expressed concerns at the LCIV's unwillingness to pool their preferred managers. While that has slowed down the growth of pooled assets, it does demonstrate a desire to develop a coherent investment offering.

1.6 The inability of the LCIV to retain senior staff e.g. the departures of Chief Executives, CIO's and others has led to a loss of confidence. It's likely that another governance review will be undertaken to seek to improve relationship across all London Boroughs. The CEO of the LCIV will be invited to attend a 2020 Committee meeting.

Hymans Robertson (Scheme Actuary)

- 1.7 Hymans were appointed Scheme Actuary on 1st April 2016 for three years with an option to extend for an additional 21 months. The contract was extended to 31 December 2020 with the intention to undertake a full tender in the summer of 2020 when the triennial valuation has been completed.
- 1.8 The quality of service received from Hymans Robertson has been extremely high. Their willingness to engage with the administrator and challenge when the information received is inadequate is exemplary. The team supporting Barnet has been unchanged throughout the contract and working relationships are excellent. Procurement rules require a re-tender to be undertaken and it will be important to ensure that quality of service and appropriateness of actuarial processes are significant factors in the tender evaluation.

Hymans Robertson (Investment Advisor)

- 1.9 Hymans Robertson were appointed investment advisor 10 June 2015 with the contract expiring 31 March 2021. The appoint was via a mini tender using a national framework and a similar approach is proposed during the second half of 2020. Changing investment advisors brings 'challenges' in that each advisor has a 'house view' and apt to make recommendations that reflect this e.g. changes to strategy and fund managers that would not have occurred had the previous advisor been retained. However, this can be managed during a tender and subsequently.
- 1.10 The team at Hymans has changed since the appointment but is currently considered to be providing good support to officers and the Committee. The nature of the role; strategy setting and implementation, can raise concerns that changes might be partially influenced by fee consideration but there is no evidence of this being the case. Costs to undertake reviews are high and it is important that due consideration is given before commissioning work. The one concern is that timeliness of reports is not always in line with Barnet's timetables but that is partially due to unclear expectation at the outset. A minor observation is that written (but not verbal) advice is heavily caveated.

BDO (Auditor)

- 1.11 BDO have been auditor for three years. Their appointment by the Council also extends to the Pension Fund. They will remain auditor for another two (and potentially five) audits. Relations are good with officers and the quality of the audit work and reports are high. Occasionally, they take tenacity to unnecessary levels. One concern is resource levels at manager and partner level with signing off the accounts apparently delayed as other local authority clients have the same audit deadline. Monitoring of additional fees is difficult with a lack of clarity on the cause – poor supporting information from Barnet or inefficient audit. Although the Committee does not control this appointment, they can make representations to the Finance Director.

JP Morgan (custodian)

- 1.12 JP Morgan provides custody services for the Schroders mandate at an annual cost of £15,000. The appointment is unseen by the Committee and we are looking at alternative structures to avoid this cost. No issues have arisen in the performance of the service.

PIRC (performance management)

- 1.13 PIRC provide an annual performance report benchmarking Barnet against other local authority pension funds. Their report for 2018-19 was presented to the September Committee meeting. They are the only organisation providing such a service. PIRC are available to attend meetings and if time permits will be invited to present the 2019-20 annual report. The annual cost is £9,400.

Local Authority Pension Fund Forum

- 1.14 LAPFF undertake collective corporate engagement and voting advice on behalf of most UK local authority pension funds. Barnet joined in 2017 to demonstrate our commitment to engagement with the companies in which we invest. LAPFF will be attending our Responsible investment training day to discuss their activities. Annual fee is £6,750.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Committee spend a considerable sum on service providers and are required to consider the advice provided when making decisions. It is therefore vital that performance of service providers is reviewed.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None necessary for this report.

4. POST DECISION IMPLEMENTATION

- 4.1 Any feedback from the Committee will be relayed to the service providers. Plans for tenders will be discussed with the Committee before these commence.

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 2012 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 There are no legal references.

5.4.2 The Council's Constitution – Article 7 – includes within the responsibilities of the Pension Fund Committee the appointment of various service providers. Monitoring is an essential element of the appointment and re-appointment process.

5.5 Risk Management

5.5.1 Pension schemes are established to ensure that sufficient assets are available to meet the promised pension obligation to staff by creating a reserve from which future liabilities will be met.

5.5.2 The Committee relies on its service providers and good performance from these will help to identify and manage risks.

5.6 Equalities and Diversity

5.6.1 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. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to the public-sector equality duty.

5.7 Corporate Parenting

5.7.1 Not applicable in the context of this report.

5.8 Consultation and Engagement

5.8.1 Not applicable.

5.9 Insight

5.9.1 Not applicable

6. BACKGROUND PAPERS

6.1 None.