



## Local Pension Board

25 June 2020

<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 13 February 2020**

- 1.4 The meeting was attended by the Scheme Actuary and Investment Advisor, the 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.

#### 2019 Local Pension Board Update

- 1.6 The Board reviewed the work undertaken by the Local Pension Board, its remit and future work plan. The LPB budget for the next 12 months was approved. The Committee thanked that Board members for their insights on the administration of the pension fund.

#### Admitted Body and Bond Status Update

- 1.7 The Committee was updated on progress to complete outstanding admission agreement, cessations and bonds. Although some progress had been made there was still a long-standing backlog of issues. The Committee noted the report and asked that progress be made before the next meeting.

#### Investment Strategy

- 1.8 The Committee noted progress on implementing the 2018 investment strategy recommendation to switch the 20% allocation in diversified growth funds into property, emerging market equities and private equity. With the exception of the 5% allocated to UK core commercial property, managers had been appointed and funding commenced. The delay in UK property was deliberate as pricing was seen as not reflective of market conditions.
- 1.9 Despite the new commitments to property, private and emerging equity, approximately 15% of the fund remained invested with diversified growth funds. The investment advisor had been asked to look out for opportunities to acquire assets consistent with the current strategy that will enable a quicker exit from DGF's. It was noted that the LCIV had recently announced that it intends to launch two new funds; 100% renewables fund and a

London Fund that may be of interest to the Committee. The Committee were content at the pace of implementation of the strategy.

- 1.10 It was agreed by the Committee that no significant strategy reviews would be undertaken until the conclusion of the independent advisor contract review tender.

#### Quarterly Investment Performance Update

- 1.11 Hymans Robertson summarised investment transactions and performance in the quarter. No issues with appointed managers were highlighted.

#### Risk Management Review

- 1.12 The Committee reviewed the combined scheme risk register and discussed both highly rated and new risks. The highly rated risks are:

Investment returns are insufficient to meet the funding objectives – rated medium / high

Impact of contribution increases after each triennial valuation on employers – rated medium / high.

Members data incomplete or inaccurate – rated Medium / High

Administration Process Failures – rated High

Admission Agreements and Bonds not in place – rated Medium / High

#### The newly added risks were:

Inadequate management of ESG Risk results in poor investment returns & reputational issues – rated medium

Inadequate Governance Resource – Rated Low

Change of Administrator – rated High

- 1.13 The Committee discussed the processes in place to manage these risks and noted the report.

#### Training Policy and Knowledge, Understanding and Skills

- 1.14 The Committee discussed the training opportunities provided in the last twelve months and agreed to individually complete training needs assessment from which future training plans would be developed.

## 2019 Triennial Valuation Update and Funding Strategy Statement

1.15 The Scheme Actuary discussed the preliminary triennial valuation findings and the process to be used to derive contribution rates for each employer. Various discount rates were discussed together with the impact of changes in the probability of full funding on the disclosed funding level. The Committee approved the approach being taken by the Actuary to reduce deficit recovery periods, increasing the required probability of achieving full funding and the assumptions being used. The Funding Strategy Statement was approved.

### 1.16 Committee Work Programme

1.17 The Committee noted the proposed 12-month work programme

### 1.18 Any Other Urgent Business

1.19 The Chairman reported that a recommendation to move administration of the scheme to West Yorkshire Pension Fund would be discussed by the Policy and Resources Committee.

## **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 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2019-2024.

### **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 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) 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 parts 2) and 3) (above) of the public-sector equality duty.

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 13<sup>th</sup> February 2020.

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=9921&Ver=4>

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