



Local Pension Board

2 September 2020

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| 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.

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 27 July 2020

- 1.4 There were two changes to the membership of the Committee with Cllrs Levine and Zinkin replacing Cllrs Rich and Marshall. The meeting was attended by the Investment Advisor and officers from Governance and Finance.
- 1.5 Each of the agenda items for which a paper was presented is discussed below.

LCIV Update

- 1.6 The Committee considered the regulations obliging the transfer of manager appointment decisions to the London CIV (LCIV) noting that Barnet has a smaller percentage of pooled assets than the average London Borough, but had still made significant cost savings from pooling. It was noted that when changes of fund managers are being considered that options within LCIV are reviewed. A representative from LCIV highlighted three funds that are being developed – private debt, renewables & London focused – noting that Barnet were represented on the seed investors groups for these funds.

Responsible Investments

- 1.7 A summary of the finding of the Responsible Investment survey completed by Committee and Board was presented. Survey preferences were expressed for a greater role for RI considerations in investment decisions. The Committee agreed that progress has to be made to increase both pooling and sustainable investments into the portfolio and requested that proposals be developed.

Pension Administration Transition

- 1.8 The Committee noted that the transition of pension administration services to West Yorkshire Pension Fund remained on track for hand over on 31 October 2020. All timetable steps had been achieved to date.

Capita Remediation Plan and Pensions Regulator Update

- 1.9 The Committee were informed of the most recent correspondence with the Pensions Regulator following the issue of an Improvement Notice in 2019. The Regulator had responded that no further updates were required unless new breaches arose. The remediation plan to address the backlog of casework was not proceeding as quickly as had been hoped and further efforts are being made to collect information from employers.

Administration Report

- 1.10 The Committee received a report on the performance of the external administrator and noted the importance they placed on good administration

Admission agreements, Cessations and Bonds

- 1.11 The Committee received a status update on the outstanding admitted body and bond agreements, as well as bond renewals and cessation calculations. It was reported that good progress had been made on obtaining actuarial calculations and the emphasis was moving to obtaining agreement with employers and guarantors.

Appointment of Scheme Actuary

- 1.12 The term of the Scheme Actuary's appointment ends on 31 December 2020. The Committee discussed the tender process being conducted under a national framework and agreed that Committee members should be invited to the clarification interviews.

External Auditor's Planning Report

- 1.13 BDO's audit plan for the 2019-20 annual accounts was reviewed and noted.

Internal Audit Report

- 1.14 The latest follow up report from Internal Audit highlighted two remaining recommendations concerning (1) admissions, cessations and bonds and (2) reporting of cashflows. Both these were being addressed by officers.

Pension Fund Costs and Expenses

- 1.15 A report of the costs and expenses incurred in the twelve months to 31 March 2020 was presented. Fund managers were adopting standardised templates which resulted in fuller disclosure of internal fund costs giving the impression that costs had substantially increased, which was mainly due to the completeness of reporting. The report also included a 12-month summary of contributions and benefits in line with Internal Audit's recommendation.

Quarterly Investment Performance

- 1.16 The Investment Advisor discussed the performance of the Fund and its manager both in the quarter to 31 March 2020 and subsequently noting that financial markets had recovered most of the losses suffered during Q1. Some of the credit mandates had performed less well than had been expected and Hymans were reviewing their longer term expected returns. Hymans ratings of each manager had not changed in the last six months with most rated at Hymans' highest level of conviction (preferred). The exceptions are the two DGF's funds rated as suitable and the Schroders' Corporate Bonds mandate rated as positive. The one change during the quarter is that the Standard Life Long Lease fund is shown as "on watch" due to changes in the management team at Aberdeen Standard Investments, although Hymans continue to have a preferred rating for the fund

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 27th July 2020.

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=10149&Ver=4>
