



Local Pension Board

12 October 2021

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.

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. Should the Board wish to make any comments or recommendations, these will be brought to the attention of the Pension Fund Committee.
- 1.3 Since the last Local Pension Board meeting there has been one meetings of the Pension Fund Committee. The paper will highlight decisions made at these meetings.

Meeting 26 July 2021

- 1.4 The meeting was attended by the Investment Advisor (Hymans Robertson) and officers from Governance and Finance.
- 1.5 Each of the agenda items for which a paper was presented is discussed below.

Administration Report

The Committee noted a report from officers that provided an update on the current administrator performance compared with service standards, member satisfaction levels, work outstanding, the issuance of annual benefit statements, complaints received and progress on the data remediation plan. Also included was a summary of an initiative lead by the Pensions and Lifetime Savings Association (PLSA) called "Retirement Living Standards" to inform members on the adequacy of their pension savings though the provision of estimates of the income required in retirement to achieve example living standards. The agenda for the Board includes an update on the issues included in this report.

Approval of Contribution Policies

- 1.6 The Committee agreed to circulate for consultation three policies that have been prepared in response to changes in LGPS Regulations in connection with the setting of employers' contributions either when an employer leaves the Fund or between triennial valuations. These policies are included for review on the Board's agenda.

Admitted Body Status Report

- 1.7 A report on outstanding admission, cessations and bonds was discussed noting that progress on the backlog continued. The discussion focused on one cessation surplus and it was noted that no decision could be made until the exit credit policy (discussed on the Board's agenda) was approved following consultation.

Annual Investment Performance Report

- 1.8 The Committee noted the annual report from PIRC that reviewed the Fund's investment returns in comparison with those of other local authority funds and included PIRC's commentary on both returns and asset allocation. PIRC's report is included on the Board's agenda.

External's Auditor's Timetable

- 1.9 An update was provided to the Committee on the Auditor's timetable for reviewing the 2020-21 annual accounts. The audit is expected to take place during November with the Auditor's report not available until December 2021. The delay is due to BDO staffing constraints.

Pension Fund Performance for the quarter to 30 June 2021

- 1.10 The Committee received from officers a report that summarised the valuation of the fund as of 30 June 2021 and the transactions in the quarter. The timing of the meeting did not allow sufficient time for Hymans to report on fund performance although they discussed market developments and any significant fund manager developments. A copy of the Hyman's June performance report is included within the Board's meeting pack.

LCIV Pooling Update

- 1.11 There is an obligation on the Fund to transfer responsibility for manager appointment decisions to the London CIV. The Committee considered a paper setting out the current level of pooling and projection for pooled assets over the next four years. The projection was that unpooled assets would reduce from 48% of total assets to 42%. The Committee authorised a review of the potential for pooling the fund's various credit mandates, agreed to hold a training session on the LCIV London Fund and also to invite the LCIV to the next Committee meeting.

Scheme Expenses

- 1.12 The Committee noted a report that detailed scheme fees and expenses in the year to 31 March 2021.

Investment Strategy

- 1.13 The February meeting of the Committee had agreed to allocate 25% of the Fund to LGIM's Future Worlds portfolio that gives a higher weighting to environmental, social and governance factors and 10% to the value-oriented index, RAFI. Two developments impacting on these decisions were discussed. Firstly, LCIV are about to launch a low carbon product based on the S&P Developed Paris-Aligned Index that is a potential alternative to Future Worlds. Secondly, LGIM will be changing the index on which RAFI is based to incorporate a reduced emissions target. Papers from Hymans reviewing these developments and concluding that the original decisions remained valid were accepted by the Committee.

- 1.14 Based on a recommendation from Hymans, the Committee agreed to invest €40 million (circa £35 million) into the Barings Special Situations Credit Fund that invests in companies with unsustainable capital structures.

Internal Audit Report

- 1.15 This paper provided the Committee with an update on ongoing Internal Audit recommendations. These comprise:

Continuing to monitor and report on the data improvement plan – the plan is anticipated to be substantially completed by the end of 2021 (progress is discussed on the Board agenda).

Monitoring controls around calculations that are not fully automated – with virtually all calculations now fully automated this recommendation has altered to one concerning the sources of assurance on the control environment at WYPF, which is currently being drafted.

Further circulate the ‘lessons learned’ report for feedback from external parties involved in the transition – now done and no new comments received.

Addressing the backlog of admissions, cessations and bonds – progress is reported to each Committee meeting. With new admissions and cessations this will always be an ongoing issue, but progress is being made on the historical backlog.

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 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. **ENVIRONMENTAL IMPACT**

6.1 N/A

7. **BACKGROUND PAPERS**

7.1 Papers and minutes of the three Pension Fund Committee Meetings discussed can be located at:

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=10917&Ver=4>
