



## Local Pension Board

**3 February 2022**

<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.

## **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 this meeting.

### **Meeting 14 December 2021**

- 1.4 The meeting was attended by the Scheme Auditor, Actuary, Investment Advisor, London CIV and officers from Governance and Finance.
- 1.5 Each of the agenda items for which a paper was presented is discussed below.

#### Annual Report and Accounts and Auditors Report

- 1.6 The external Auditor, BDO, provided an update on the progress of their audit, which was as yet incomplete. In particular audit work was incomplete in respect of benefit testing and membership movements, mainly relating to the period when Capita was the administrator. The Auditor is intending to complete testing during January and issue a final report in February. Potential adjustments identified so far relate to the late receipt of information from fund managers which officers have deemed non material and not requiring any corrections to the annual accounts. It is unlikely that the final audit report will be available in time for the 3 February Board meeting. The Committee deferred consideration of the annual accounts pending receipt of the audit report.

#### London CIV Presentation

- 1.7 Representatives from the London CIV provided an update on their commitment to become a Net-Zero company by 2040 in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C with an interim target to reduce the carbon intensity of the Pool's investments by 35% by 2025 (relative to 2020), and 60% by 2030 across funds in aggregate. LCIV outlined how they were working with the managers within each of their investment funds to integrate ESG into investment decisions. Finally, they discussed a pilot exercise underway to provide climate analytics (carbon emissions) to each client pension fund to support our reporting obligations under the Taskforce for Climate Related Finance Disclosures.

## 1.8 Planning for the Triennial Actuarial Valuation

- 1.9 The Scheme Actuary provided an overview of the aims of the 2022 triennial valuation reminding the Committee that the funding horizon was mainly long-term. Although recent investment returns had exceeded expectations, future projections played an important role in the determination of contribution rates. To retain a similar expectation of achievement as 2019 would involve trimming expected investment returns from 4.4% to 4.2%. Important decisions for the Committee included the future inflation rate, currently exceeding BoE target levels, and the impact of covid on long term longevity. Current expectations were that in aggregate there would be an increase in the cost of future service but a reduction in secondary / deficit contributions. The overall impact on each employer will vary. Finally, the Actuary discussed the work underway to identify data gaps and inconsistencies that could impact on the completion timetable.

## Administration Report

- 1.10 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, complaints received and progress on the data remediation plan. The agenda for the Board includes an update on the issues included in this report.

## Approval of Contribution Policies

- 1.11 Following feedback from employers, a revised Deferred Debt and Debt Spreading policy was approved by the Committee that enables employers with no active members to request continued participation rather than immediate cessation even if the cessation debt is affordable. Ceasing employers who can provide adequate security will have the option of crystallising a cessation deficit or remaining active with their funding position subject to market conditions.

## Admitted Body Status Report

- 1.12 A report on outstanding admission, cessations and bonds was discussed noting that progress on the backlog continued. The Committee approved two new admitted bodies; Hire-a-Pitch Events (Whitefield Trust School) and Alliance in Partnership (Osidge School). An update was provided on one cessation in which further details were required of any outstanding obligations to the Council before a preliminary decision on dealing with the surplus could be made.

## Pension Fund Performance for the quarter to 30 September 2021

- 1.13 The Committee received from officers a report that summarised the valuation of the fund as of 30 September and 31 October together with the transactions in the quarter. The Committee heard a verbal update from the Council's investment consultants, Hyman Roberts. A report was requested on the costs associated with the redemption from Alcentra Multi-Asset Fund.

## Investment Strategy

- 1.14 Two papers from Hymans Robertson were discussed by the Committee. Both were related to the October decision to review the opportunity to invest into the credit / bond mandates offered by the London CIV. Hymans first report confirmed the suitability of the LCIV's Global Bonds and Multi-Asset Credit funds. It was therefore agreed to transfer half the allocation to corporate bonds to LCIV Global Bonds and to transfer the previous allocation to Alcentra MAC to LCIV Multi-Asset Credit. Both LCIV funds were undergoing a transformation; Global Bonds to incorporate a ESG filter and Multi-Asset Credit to introduce a second fund manager. It was agreed that investing in these two funds should be delayed until the transformations were complete, which is expected by end 2<sup>nd</sup> quarter of 2022.
- 1.15 The second report, as discussed at the October meeting, was to consolidate the holdings in asset backed securities with one manager, Insight, and sell the holdings in M&G, the latter having a lower return objective.

## **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 plays an essential and key role in providing assurance that the Pension Fund's financial risks are managed in an environment of sound stewardship and control. This is in line with the aims set out in the Council's Corporate Plan, to ensure that services are delivered efficiently to get value for money for the taxpayer.

### **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 Pension Fund Committee Meetings discussed can be located at:

<https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=191&MId=10919&Ver=4>

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