

Decisions of the Pension Fund Committee

10 November 2022

Councillor Anne Hutton (Chair)
Councillor Andreas Ioannidis (Vice-Chair)

Zahra Beg
Linda Lusingu
Simon Radford

Danny Rich
Mark Shooter
Elliot Simberg

Michael Mire

1. **MINUTES (Agenda Item 1):**

RESOLVED that the minutes of the meeting held on 11 July 2022 be agreed as a correct record.

2. **ABSENCE OF MEMBERS (Agenda Item 2):**

The Pension Fund Committee noted the apologies for absence from James Kennedy.

An apology for lateness was received from Councillor Simberg who arrived at 18:30.

3. **DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS (Agenda Item 3):**

Councillor Zahra Beg made a declaration, she noted that she received a Barnet Pension. Councillor Beg took part in the consideration and determination of the item.

Councillor Michael Mire made a declaration, he noted that his wife worked at a school that was noted within item 9. Councillor Mire took part in the consideration and determination of the item.

4. **PUBLIC QUESTION AND COMMENTS (IF ANY) (Agenda Item 4):**

None.

5. **REPORT OF THE MONITORING OFFICER (IF ANY) (Agenda Item 5):**

None.

6. **MEMBERS' ITEMS (IF ANY) (Agenda Item 6):**

None.

7. **TRIENNIAL VALUATION - WHOLE OF FUND RESULTS (Agenda Item 7):**

The Head of Pensions and Treasury introduced the report covering the valuation results for the Whole of Fund and the consultation on changes to the Funding Strategy Statement which had been launched on 1 November 2022.

The Chair welcomed Steven Scott from Hymans Robertson who joined the meeting virtually.

The Committee asked the Actuary about the impact of Covid on the mortality assumptions and whether the proposal to strengthen the mortality assumption was being overly prudent in context. The Actuary explained that it was too early to determine the long-term impact of Covid on mortality rates and that the proposed change reflected a reassessment of long-term improvement rates based on data from their Club Vita model.

The Committee noted that the overall improvement in funding was encouraging, but also noted that there were headwinds to consider as we moved forward.

The Committee also noted the impact of data on results. Officers explained that they were going through a process of analysing the reasons for the significant data item. The Actuary stated that he was comfortable presenting the results on the data used based on the high level validation checks that Hymans had undertaken as part of their valuation process.

The Head of Pensions and Treasury explained that Officers had now initiated consultation with employers and that for the 2022 valuation this process would last 2-months running until 31 December 2022. Officers would then bring conclusions of the consultation process to the Committee meeting in January.

The Committee did not provide any additional comments on the proposed Funding Strategy Statement.

Having considered the report the Pension Fund Committee:

Resolved:

That the Pension Fund Committee:

- (1) Noted the whole of fund provisional Actuarial Results
- (2) Noted differences in covenant and actions taken by Officers to manage this;
- (3) Noted the consultation with employer groups.

8. VALUATION, TRANSACTIONS AND PERFORMANCE (Agenda Item 8):

The Head of Pensions and Treasury introduced the report.

Hymans Robertson representatives were in attendance to make comments and answer questions for Members.

The Committee received an update on investment valuations, transactions and performance in the 6 months to 30 September 2022 with an updated estimated valuation to 30 September 2022.

Councillor Mark Shooter stated a belief that a reason why the Fund had drifted away from its long-term strategic target was due to a lack of delegation to Officers to implement rebalancing between investment funds.

The Head of Pensions and Treasury highlighted that the lack of any formal process around delegation outside of the Committee cycle was a potential risk for the Fund.

Specifically, the Liability Driven Investment issues that had arisen in the Private Sector pension system required scheme managers to take very quick action. If the situation had impacted the LGPS system, then it was unclear how the Officers would have been able to act.

It was proposed in the meeting by Councillor Mark Shooter that a form of delegation be provided where action could be taken in-between Committee cycles subject to agreement of the Chair and Leader of the Opposition and where suitable advice was provided.

Some Committee members felt that any delegation should have clearly defined parameters and be codified rather than left to an ad-hoc process.

Councillor Anne Hutton did not agree to the proposal to introduce a soft form of delegation and asked Officers to bring a paper to the next Pension Fund Committee meeting setting out options for introducing delegation into the overall decision-making framework.

The Section 151 Officer reminded the Committee that it was possible to make decisions outside of the Committee cycle via the Urgency Committee but it was noted that the parties on that Committee were not Pension Fund Committee Members.

The Head of Pensions and Treasury highlighted that for a period of time the Fund was likely to have been fully funded on an Index Linked Gilts risk-free basis but that, despite efforts to do so by Officers, the Fund was not nimble enough to take advantage of the opportunity. The opportunity had now largely dissipated.

The Head of Pensions and Treasury also highlighted that the Fund had significant cash balances, but that there was no discretion for Officers to invest this cash in a way that could take advantage of less liquidity to bolster yield. The Head of Pensions and Treasury relayed that this meant that significant levels of cash (£100m plus) would be held in highly liquid funds yielding below 3% p.a. when he had been made aware by LGIM of less liquid cash like funds which may yield around 5% p.a.

Having considered the report the Pension Fund Committee:

Resolved:

- That the Pension Fund Committee noted the investment activities and performance of the Pension Fund for the quarter to 30 September 2022.
- The Exempt information be noted.

9. ADMINISTRATION AND DATA UPDATE REPORT (Agenda Item 9):

The Pension Manager introduced the report. The Committee received an update on the current administration performance of the Barnet Pension Fund by West Yorkshire Pension Fund (WYPF), along with other issues affecting the administration and an update on the data improvement plan and historical leaver exercise.

Having considered the report the Pension Fund Committee:

Resolved:

The Pension Fund Committee noted the current performance levels and updates on the data improvement plan and historical leaver exercise

10. ADMITTED BODY AND BOND STATUS UPDATE (Agenda Item 10):

The Pension Manager introduced the report. Members received update on the outstanding admitted body and bond agreements, as well as bond renewals and cessation calculations, that need arranging.

Having considered the report the Pension Fund Committee:

Resolved:

That the Pension Fund Committee noted the progress on outstanding admitted body and bond agreements, including bond renewals and cessation valuations.

11. PENSIONS SCHEME RISK REGISTER (Agenda Item 11):

The Pension Manager introduced the report.

Having considered the report the Pension Fund Committee:

Resolved:

The Pension Fund Committee noted the report.

The Committee is also invited to agreed of a more fundamental review of the non-administration risk register following the 31 March 2022 valuation (as set out in paragraph 1.5.9).

12. PENSION SCHEME EXPENSES (Agenda Item 12):

The Committee received the report.

The committee had the opportunity to consider the report.

Resolved:

- That the Committee noted the scheme costs incurred for the 6 months to 30th September 2022.
- That the exempt information be noted

13. PENSIONS FUND COMMITTEE WORK PROGRAMME (Agenda Item 13):

The Pension Fund Committee agreed to add the following items to the work programme.

- Feedback on training
- Status on the Audit 2021
- Policy report how the Committee can take investment decisions

Resolved:

- That the work programme be noted.

14. MOTION TO EXCLUDE PRESS AND PUBLIC (Agenda Item 14):

RESOLVED that the parties be excluded from the meeting, together with the press and public.

15. TRIENNIAL VALUATION - MIDDLESEX (Agenda Item 17):

Before the consideration of the item the Committee adjourned for a 10 minute break.

The Pension Fund Committee received the report. The Head of Pensions and Treasury introduced the report. The Committee received information relating to appendix A of the report.

The Committee agreed that the suggested approach for Funding Middlesex University obligations was appropriate and thanked Officers for bringing the issues underpinning the approach to their attention.

Resolved:

- That the Exempt information be noted.
- The Committee consider the position as documented in appendix A of the report and the options relating to this matter. Members thanks Officers for the update and the assessment.

16. ANY ITEM(S) THAT THE CHAIRMAN DECIDES IS URGENT (Agenda Item 18):

None.

The meeting finished at 20:40