

AGENDA ITEM: 7

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Meeting	Pension Fund Committee
Date	17 March 2010
Subject	Barnet Council Pension Fund Performance for Quarter October to December 2009
Report of	Deputy Chief Executive
Summary	This report advises the Committee of the performance of the Pension Fund for the quarter October to December 2009

Officer Contributors	Karen Balam, Assistant Director of Finance Karen Bannister, Interim Treasury Manager
Status (public or exempt)	Public (with separate exempt report)
Wards affected	None
Enclosures	Appendix A – WM Performance Results for 12 months Appendix B – WM Performance Results for 3 years Appendix C - Pension Fund Market Value of Investments
For decision by	Pension Fund Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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1. RECOMMENDATIONS

- 1.1 That having considered the performance of the Pension Fund for the quarter to December 2009, the Deputy Chief Executive be instructed to address any issues that the Committee consider necessary (as detailed in the exempt report).

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Council – 11th September 2007 – Minute 64.
- 2.2 Pension Fund Committee – 26 March 2008 – Dec. 1 – Exempt
- 2.3 Pension Fund Committee – 10 September 2008 – Dec 11 & exempt.
- 2.4 Pension Fund Committee – 4 February 2010

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 To ensure that the pension fund is being invested prudently and to the best advantage in order to achieve the required funding level. Effective monitoring of the Pension Fund will provide support towards the Council's corporate priorities in providing more choice and better value.

4. RISK MANAGEMENT ISSUES

- 4.1 The primary risk is that of poor investment performance. Fund managers performance is monitored by the committee every quarter with reference to reports from the WM Company Ltd, a company that measures the performance of pension funds. If fund manager performance is considered inadequate, the fund manager can be replaced.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Good governance arrangement and monitoring of the pension fund managers will benefit everyone who contributes to the fund.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 The financial issues are set out in the body of the report.

7. LEGAL ISSUES

- 7.1 This report is based on the provisions of the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008/238), which itself has its basis in the Superannuation Act 1972.
- 7.2 Other statutory provisions are referred to in the body of this report.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution – Part 3 Responsibility for Functions – Section 2 – Responsibility for Council Functions delegated to the Pension Fund Governance Compliance Statement.

9 BACKGROUND INFORMATION

9.1 History

- 9.1.1 The Superannuation Act 1972 makes provision for local authorities to operate pension funds for their employees and employees of other employers who have either a statutory right or an admission agreement to participate in the funds. The London Borough of Barnet (The Fund) is set up under the Local Government Pension Scheme Regulations 1997 (as amended). It provides for retirement pensions, grants on age or ill-health retirement, short service grants, death grants, injury allowances and widows' pensions.

9.2 Tax Status

- 9.2.1 The Fund is an exempt approved fund under the Finance Act 1970, and is therefore exempt from Capital Gains Tax on its investments. At present all Value Added Tax is recoverable, but the fund is not able to reclaim the tax on UK dividends.

9.3 Operation and Administration

- 9.3.1 The Fund is operated and administered by the London Borough of Barnet. Day to day investment management of the Fund's assets is delegated to expert investment advisors in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended). The Fund is managed on a balanced (excluding property and cash) basis. The current fund managers are Schroder Investment Management Ltd and Newton Investment Management Limited.
- 9.3.2 At the Pension Fund Committee meeting held on the 4th of February, the Committee agreed to implement a 70/30 diversified growth and bonds portfolio using the existing managers. Implementation of the new investment strategy will take place in the 2010/2011 financial year.
- 9.3.3 Actuarial services are provided by Barnett Waddingham and the fund receives investment advice from an independent advisor.

9.4 Scheme Governance

- 9.4.1 The Council is statutorily responsible for the management of the scheme and for making strategic decisions that govern the way the scheme is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Fund Committee. The Investment

Committee's responsibilities including reviewing and monitoring the Fund's investments, selecting and deselecting investment managers and other relevant third parties and establishing investment objectives and policies.

The Fund's investment objectives and policies are published in a Statement of Investment Principles, details of this statement can be found on the Council's Web Site (www.barnet.gov.uk/pensions/pensions-investments.htm).

9.5 Funding

9.5.1 The Fund is financed by employer and employee contributions and from income derived from investments. Every three years the Fund Actuary carries out a valuation, which determines the level of employer contributions. The last triennial valuation took place as at 31 March 2007 and was reported to this Committee.

9.6 Investment Performance & Benchmark

9.6.1 The performance of the pension fund is measured by using the WM Local Authority Universe. WM Company compile pension fund statistics from a total of 55 local authority pension funds. The portfolio mandates of the local authority funds in the universe vary both in size and management style i.e. active or passive.

9.6.2 The fund managers are obliged by their contract to endeavour to meet the following performance standard: 1% above WM Local Authority Average Fund over 3 years and no lower than 3% below the WM Local Authority Average Fund over any rolling 12 month period.

9.6.3 Appendix A shows the performance of the fund over the last 12 months and Appendix B shows the performance over the last three rolling years. The table below shows the performance of the fund against benchmark over the most recent measured quarter October to December 2009.

	Benchmark	Performance	Relative return
Fund	3.3	3.3	0

9.6.4 The value of the fund at 31 December 2009 was £590m compared to £571m at 30 September 2009, the graph in Appendix A shows how the market value of the fund has appreciated since 1 January 2005. The fund was ranked in the 47th percentile compared to other funds measured by WM for the quarter ending December 2009, and in the 72nd for the latest 12 month period. Appendix A shows annual returns and the comparison with the local authority universe, including the "rank" position since 2005.

9.7 Asset Allocation

9.7.1 The fund managers invest in a number of asset classes and asset categories, the asset allocation at 31 December 2009 was:

Asset Class	Percentage of fund
UK Equities	32
North America	11
Continental Europe	10
Japan	1
Total Pacific (ex. Japan)	6
Other International Equities	7
UK Bonds	10
Overseas Bonds	5
UK Index Linked	4
Overseas Index Linked	1
Total Property	4
Cash	9

9.8 Markets

The table below shows the performance of all the major market/asset classes during the quarter ending 31 December 2009.

Asset class	Index used	Return %
UK Equities	FT All Share	5.7
North America	FTSE WORLD N	3.5
Europe ex UK	FTSE WORLD E	1.6
Pacific	FT Pacific ex. Japan	5.6
Japan	FT Japan	-0.4
Other International	FT World ex UK	21.6
UK Bonds	UK Gilts AS	-1.6
Overseas Bonds	JPM Gib ex. Uk	-0.1
UK Index Linked	Index linked Gilts AS	1.9
Cash/Other	7 Day LIBID	0.3
Property	IPD all property index	7.4

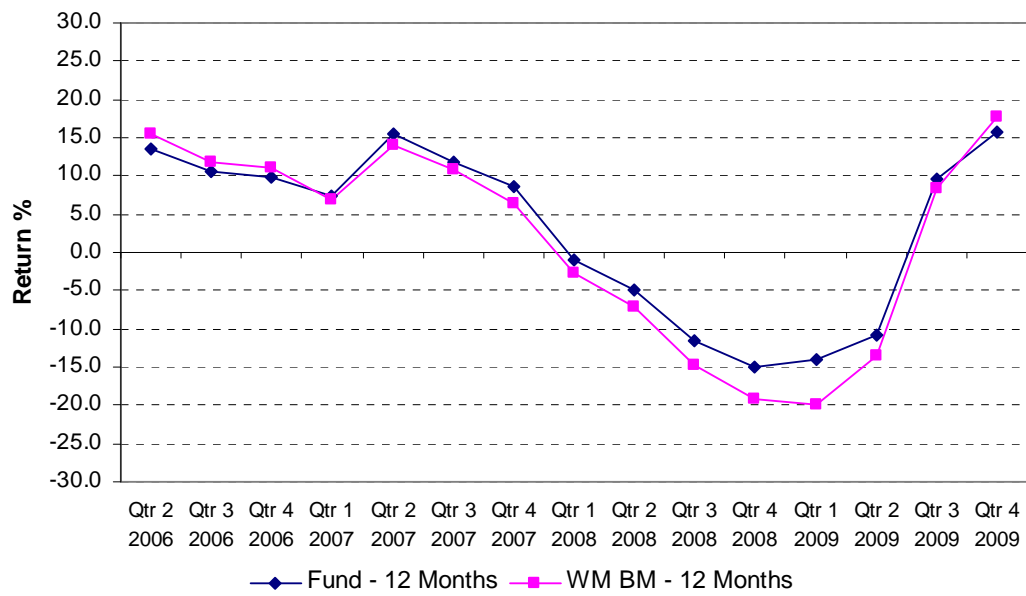
10. LIST OF BACKGROUND PAPERS

10.1 None.

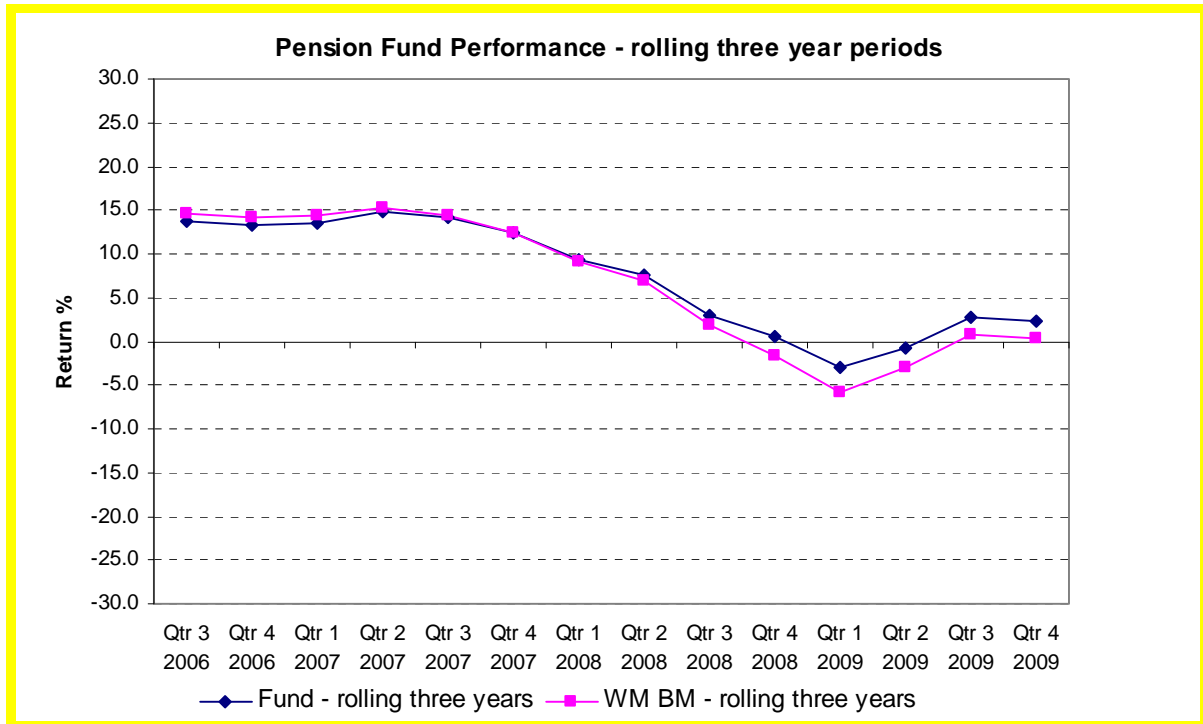
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Appendix A:

Pension Fund Performance - 12 months (annualised)



Appendix B



Appendix C

