

**MEETING**

**PENSION FUND COMMITTEE**

**DATE AND TIME**

**WEDNESDAY 16 JUNE 2010**

**AT 7.00PM**

**VENUE**

**HENDON TOWN HALL, THE BURROUGHS, HENDON NW4 4BG**

**TO: MEMBERS OF THE COMMITTEE (Quorum 3)**

Chairman: Councillor John Marshall

Vice Chairman: Councillor Mark Shooter

**Councillors:**

Maureen Braun

Alex Brodtkin

Geof Cooke

Monroe Palmer

**Substitute Members:**

Jack Cohen

Anthony Finn

Andrew Harper

Geoff Johnson

Susette Palmer

Ansuya Sodha

**You are requested to attend the above meeting for which an agenda is attached.  
Aysen Giritli – Acting Democratic Services Manager**

Democratic Services contact: Maria Lugangira 020 83592761

Media Relations contact: Chris Palmer 020 8359 7408

*To view agenda papers on the website: <http://committeepapers.barnet.gov.uk/democracy>*

**CORPORATE GOVERNANCE DIRECTORATE**

## ORDER OF BUSINESS

Item No.	Title of Report	Page Nos.
1.	MINUTES	-
2.	ABSENCE OF MEMBERS	-
3.	DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS	-
4.	PUBLIC QUESTION TIME (if any)	-
5.	MEMBERS' ITEMS (if any)	-
6.	London Borough of Barnet Pension Fund Annual Report	1 - 3
7.	Barnet Council Pension Fund Performance for Quarter January to March 2010	4 - 11
8.	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-
9.	MOTION TO EXCLUDE THE PRESS AND PUBLIC:- That under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act (as amended):  EXEMPT AGENDA	
	Exemption category 3	
X1.	Exempt information relating to item 7 in public session – Barnet Council Pension Fund Performance for quarter January to March 2010 (Exempt Report)	12 - 17
X2.	ANY OTHER EXEMPT ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	

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## **FIRE/EMERGENCY EVACUATION PROCEDURE**

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You should proceed calmly; do not run and do not use the lifts.

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Do not re-enter the building until told to do so.

**AGENDA ITEM: 6**

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Meeting	Pension Fund Committee
Date	16 June 2010
<b>Subject</b>	<b>London Borough of Barnet Pension Fund Annual Report</b>
Report of	Deputy Chief Executive
Summary	This report asks the committee to approve the draft Annual Report and adopt the associated accounting policies for the Barnet Pension Fund.

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Officer Contributors	Karen Balam, Assistant Director of Finance Karen Bannister, Interim Treasury Manager
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A – Barnet Pension Fund Annual Report (to follow)
For decision by	Pension Fund Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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Contact for further information: Karen Bannister – Interim Treasury Manager Tel: 0208 359 7119

## **1. RECOMMENDATIONS**

- 1.1 That the draft Annual Report for the Barnet Pension Fund for the financial year ended 31 March 2010 be approved.**
- 1.2 That the Statement of Accounting Policies included in the accounts be adopted.**
- 1.3 That the Deputy Chief Executive, in consultation with the Chairman of the Pension Fund committee, be authorised to agree significant changes, if any, to the draft Annual Report following discussions with auditors, and inform members of the Committee accordingly.**
- 1.4 The Committee note that JLT Benefit Solutions (formally HSBC Actuaries and Consultants) have completed their probation period.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Pension Fund Sub-Committee – 17 July 2008.

## **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 better services, with less money.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 The value of the Pension Fund assets at any point in time is determined by the market and a large movement in the markets could have a significant impact on the surplus or deficit of the fund.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Ensuring the long term financial health of the Pension Fund will benefit everyone who contributes to the fund.

## **6. USE OF RESOURCES IMPLICATIONS**

- 6.1 The draft Annual Report include the draft Statement of Accounts of the Pension Fund as at 31 March 2010.

## **7. LEGAL ISSUES**

- 7.1 This report is based on the provisions of the Local Government Pension Scheme (Amendment) (No.3) Regulations 2007, which itself has its basis in the Superannuation Act 1972.
- 7.2 As a local authority, the Council's employees have the right to be members of the Local Government Pension Scheme and, therefore, the Council is statutorily required to make employer contributions.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Constitution – Part 3 Responsibility for Council Functions – Section 2 Functions delegated to the Pension Fund Committee – as set out in 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 Pension Fund (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 Annual Report**

- 9.2.1 The draft Annual Report is attached at Appendix A and has been prepared in line with the Statement of Recommended Practice (SORP) for Pension Funds. The Statement of Accounting Policies for the preparation of the accounts also reflects the requirement of the SORP.
- 9.2.2 The remaining entries for the accounts are currently being finalised to enable the draft Annual Report to be prepared. Once ready, the Annual Report will be circulated separately.
- 9.2.3 The external audit of the Pension Fund accounts will begin in July 2010 and it is proposed that the Deputy Chief Executive in consultation with the Chairman of this committee agree any significance changes following discussion with the auditors.

### **9.3 JLT Benefit Solutions (formally HSBC Actuaries and Consultants)**

- 9.3.1 On the 17<sup>th</sup> of July 2008 the Pension Fund Sub-Committee resolved to appoint HSBC Actuaries and Consultants Limited (now JLT Benefit Solutions) as Independent Investment Advisors to the Fund subject to a twelve month probation period. The twelve month probation period has now passed.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None

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**AGENDA ITEM: 7**

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Meeting	Pension Fund Committee
Date	16 June 2010
<b>Subject</b>	<b>Barnet Council Pension Fund Performance for Quarter January to March 2010</b>
Report of	Deputy Chief Executive
Summary	This report advises the Committee of the performance of the Pension Fund for the quarter January to March 2010

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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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Contact for further information: Karen Bannister – Interim Treasury Manager Tel: 0208 359 7119

## **1. RECOMMENDATIONS**

- 1.1 That having considered the performance of the Pension Fund for the quarter to March 2010, 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 – 11<sup>th</sup> 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 better services, with less money.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 The primary risk is that of poor investment performance. Fund manager's 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 4<sup>th</sup> 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](http://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 47 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 January to March 2010.

	<b>Benchmark</b>	<b>Performance</b>	<b>Relative return</b>
<b>Fund</b>	6.2	5.1	-1.0

9.6.4 The value of the fund at 31 March 2010 was £628.5m compared to £590m at 31 December 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 89<sup>th</sup> percentile compared to other funds measured by WM for the quarter ending March 2010, and in the 87<sup>th</sup> 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 March 2010 was:

<b>Asset Class</b>	<b>Percentage of fund</b>
UK Equities	32
North America	14
Continental Europe	13
Japan	3
Total Pacific (ex. Japan)	9
Other International Equities	2
UK Bonds	8
Overseas Bonds	3
UK Index Linked	2
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 March 2010.

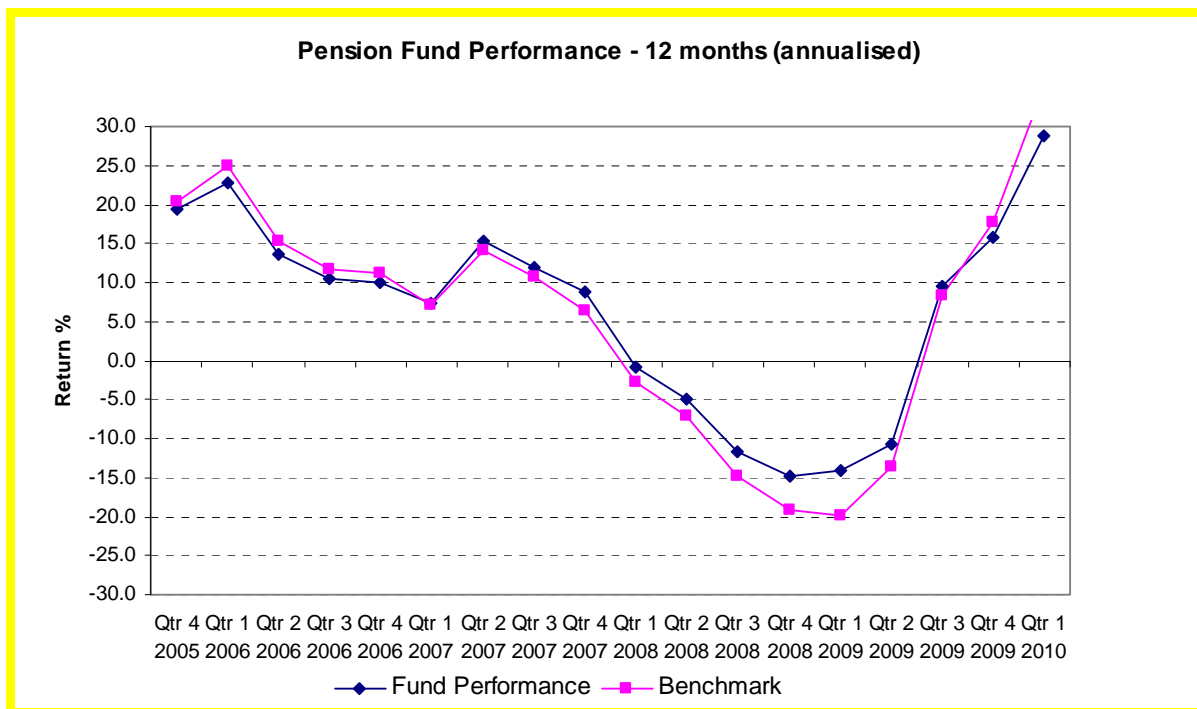
<b>Asset class</b>	<b>Index used</b>	<b>Return %</b>
UK Equities	FT All Share	4.0
North America	FTSE WORLD N	10.2
Europe ex UK	FTSE WORLD E	3.1
Pacific	FT Pacific ex. Japan	6.5
Japan	FT Japan	11.1
Other International	FT World ex UK	-4.7
UK Bonds	UK Gilts AS	1.8
Overseas Bonds	JPM Gib ex. Uk	8.9
UK Index Linked	Index linked Gilts AS	3.4
Cash/Other	7 Day LIBID	0.1
Property	IPD all property index	0.1

## 10. LIST OF BACKGROUND PAPERS

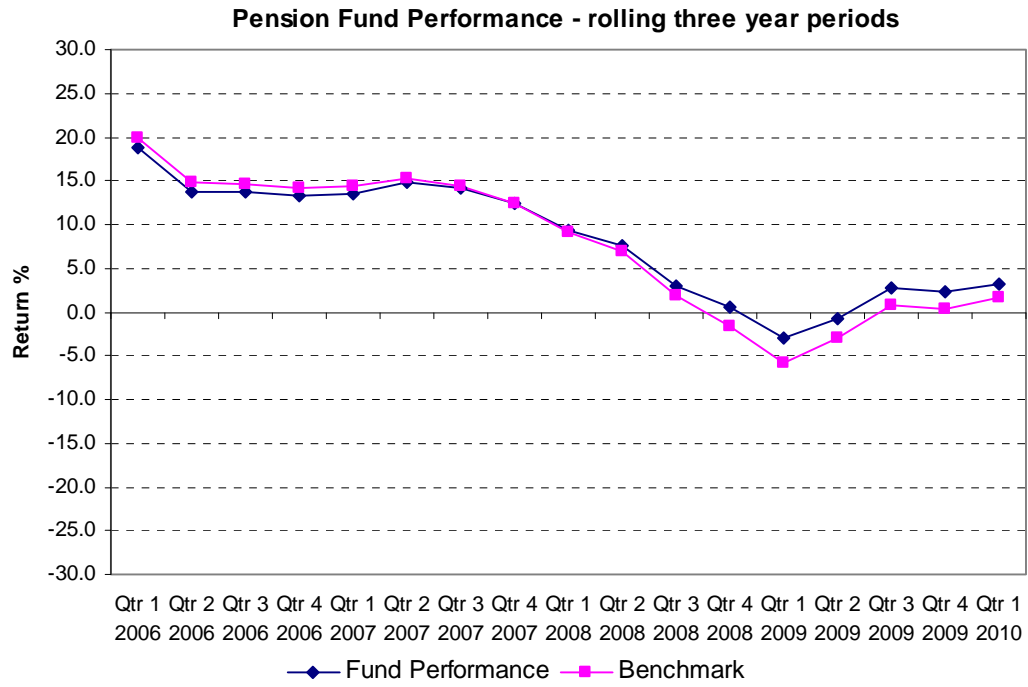
10.1 None.

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**Appendix A:**



## Appendix B



## Appendix C

