

**MEETING**

**PENSION FUND COMMITTEE**

**DATE AND TIME**

**WEDNESDAY 15 SEPTEMBER 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

Susette Palmer

**Substitute Members:**

Jack Cohen

Anthony Finn

Andrew Harper

Geoff Johnson

Monroe 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**

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11.	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	-		
12.	<p>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):</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black; padding-right: 10px;">EXEMPT AGENDA</td> <td style="padding-left: 10px;">Exemption category 3</td> </tr> </table>	EXEMPT AGENDA	Exemption category 3	
EXEMPT AGENDA	Exemption category 3			
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## **FACILITIES FOR PEOPLE WITH DISABILITIES**

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## **FIRE/EMERGENCY EVACUATION PROCEDURE**

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**AGENDA ITEM: 6**

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Meeting	Pensions Fund Committee
Date	15 September 2010
<b>Subject</b>	<b>Whitefield School - Proposal to offer Admitted Body Status to the Barnet Local Government Pensions Scheme</b>
Report of	Deputy Chief Executive
Summary	To authorise Whitefield School (Trust School) admitted Body Status to the London Borough of Barnet administered Local Government Pensions Fund, in accordance with Pension Fund regulations as a consequence of their conversion to Trust Status, with effect from 29 March 2010.

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Officer Contributors	Tony Lampert, HR Business Partner Cristina Silva, HR Employee Relations Adviser
Status (public or exempt)	Public
Wards affected	None
Enclosures	None
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: Tony Lampert – 020 8359 7882 / Cristina Silva – 020 8359 7899

## **1. RECOMMENDATIONS**

- 1.1 That Whitefield School (Trust School) is accepted as an admitted Body into the London Borough of Barnet administered Local Government Pensions Fund, in accordance with Pension Fund regulations.**
- 1.2 To approve the receipt of the consent from the governing Body of Whitefield School to designate non-teaching staff employed by the Trust as persons who are eligible for membership of the Local Government Pensions Scheme**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 None

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 Maximising admissions into the Pensions Fund and ensuring that the contribution levels cover their risk is one way of sustaining a viable Pensions Fund to the benefit of the London Borough of Barnet and its Pension Fund members. This principle supports the corporate priority of getting the best value from our resources.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 The ongoing viability of the pension fund is dependent on maximising contributors into the fund. All admitted bodies are subject to regular actuarial assessments to determine the appropriate employer contribution levels in order to mitigate against any risk to the financial viability of the pensions fund.
- 4.2 A refusal to allow pension scheme membership will have implications for non-teaching staff at Whitefield School as those employees will not be able to continue as member of the Local Government Pension Scheme and will have to seek alternative pension provisions. This would be employee relations implications given the commitments offered to the staff as part of the TUPE consultation to Trust status. This consultation confirmed that there would be continuity of staff pension entitlements.
- 4.3 I have considered whether the issue involved are likely to raise significant levels of public concern or give rise to policy considerations that it was not considered that the issues would raise significant levels of public concern.

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

- 5.1 This proposal will not give rise to any issues under the Council's Equalities and Diversity policies.

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

- 6.1 Prior to the move to Trust status, all staff at Whitefield School were employees of the London Borough of Barnet and the support staff had automatic entitlement to be members of the Barnet Local Government Pensions fund. This employment relationship changed when the school moved to Trust status, with the new Whitefield School Trust becoming the employer of the staff.
- 6.2 To ensure continued membership of the local government Pensions Scheme the Governing Body of Whitefield school passed a resolution to request Barnet Council accept their admitted body status into the Barnet Local Government Pensions scheme.
- 6.3 Approval of this proposal would ensure continued membership of the local government pensions scheme for support staff in Whitefield school.
- 6.4 There will be no direct financial implications on the Pensions Fund in that the employer and employee contributions will cover any financial liability.

## **7. LEGAL ISSUES**

- 7.1 The Local Government Pension Scheme (Administration) Regulations 2008 provide that the Local Authority may designate an employee of the Government Body of the Trust School as being eligible for membership of the Local Government Pension Scheme. This is subject to the consent of the employing Governing Body.
- 7.2 The Governing Body of the Whitefield School has passed a resolution at their meeting of 10 March 2010 requesting that the Local Authority allow Local Government Pension Membership for their non-teaching staff

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Council's constitution, Part 3 – Responsibility for Functions, Pension Fund Governance Compliance Statement, paragraph 2.2.13 empowers the Pension Fund Committee to “approve applications from organisations wishing to become admitted bodies into the Fund where legislation provides for discretion, including the requirements for bonds.”

## **9 BACKGROUND INFORMATION**

- 9.1 Consultation with stakeholders, staff and Unions commenced in December 2009 on proposals for Whitefield School to convert from a Community school to a Trust school maintained by London Borough of Barnet. The partners to the Trust were proposed as Middlesex University and The Compton School.
- 9.2 This was subsequently confirmed by the Secretary of State who agreed to the terms of this change effective on 29 March 2010.

- 9.3 As a Community school, all staff were employed by the London Borough of Barnet. This employment relationship changed when the school moved to Trust status, with the new Whitefield School Trust becoming the employer of the staff.
- 9.4 All staff were transferred from London Borough of Barnet to the Whitefield Trust on 29 March 2010, under the principles set out in the Transfer of Undertakings [Protection of Employment] Regulations (TUPE) 2006. The consequence of this transfer was to ensure that there was continuity of the support staff pension arrangements.
- 9.5 Prior to transfer, all school support staff had automatic entitlement to join the LBB Pensions Fund as employees of Barnet Council. However, following transfer the school was required to formally request admission into the Local Government Pensions Scheme in order for the staff to maintain continuity in the Pensions Fund
- 9.6 The Governing Body of the Whitefield School passed a resolution at their meeting of 10 March 2010 requesting that the Local Authority allow Local Government Pension Membership for their non-teaching staff.
- 9.7 This report recommends the receipt of the consent from the governing Body of Whitefield School to designate non-teaching staff employed by the Trust as persons who are eligible for membership of the Local Government Pension Scheme.

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

- 10.1 The Governing Body for Whitefield School - Minutes of The Meeting held at the school on Wednesday 10 March 2010.
- 10.2 Any person wishing to inspect the background papers listed above should telephone Cristina Silva – 020 8359 7899

Legal: LC  
CFO: NA/CM

**AGENDA ITEM: 7**

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Meeting	Pensions Fund Committee
Date	15 September 2010
<b>Subject</b>	<b>Extension of Admissions Agreement between London Borough of Barnet and Go Plant Ltd</b>
Report of	Deputy Chief Executive
Summary	This report proposes a deed of variation to the 2008 Admissions Agreement between London Borough of Barnet and Go Plant Ltd. in order to open up the Local Government Pensions Scheme for one additional employee

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Officer Contributors	Tony Lampert, HR Business Partner Vandana Duggal, HR Employee Relations Adviser
Status (public or exempt)	Public
Wards affected	None
Enclosures	None
For decision by	Pension Fund Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Non Applicable

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Contact for further information: Tony Lampert – 020 8359 7882  
Vandana Duggal – 020 8359 7899



## **1. RECOMMENDATIONS**

- 1.1 That the Admissions Agreement dated 3 September 2008 between London Borough of Barnet and Go Plant Ltd be amended by a Deed of Variation to allow one additional employee of Go Plant Ltd to have access to the Barnet Pensions Fund.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 23 March 2008 – Cabinet Resources Committee – Item 20. FLEET PROCUREMENT WITH MAINTENANCE SERVICES CONTRACT - Approved the Fleet Procurement with Maintenance Services Contract be awarded for a period of 10 years with the option at the Council's discretion to extend it for a further 5 years as indicated within the body of the report

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 Maximising admissions into the Pensions Fund and ensuring that the contribution levels cover their risk is one way of sustaining a viable Pensions Fund to the benefit of the London Borough of Barnet and its Pension Fund members. This principle supports the corporate priority of getting the best value from our resources.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 The pension regulations require actuarial assessments of the value of the fund and the liabilities of the employer. This is done initially and at each triennial valuation. The actuarial assessment will determine the employer contributions required to be made to the fund, dependant on the profile of the workforce and the potential risk to the fund of admitting the body.
- 4.2 The Council, on behalf of the employer, Go Plant Ltd, has carried out an assessment with actuarial advice, as required by the regulations, of the level of risk exposure arising from the inclusion of the one extra member of staff.
- 4.3 The Actuaries have confirmed that there is no immediate risk to the Pensions Fund and any future liability will be met by Go Plant Ltd. through the employer's pension contribution rate.
- 4.4 I have considered whether the issue involved are likely to raise significant levels of public concern or give rise to policy considerations that it was not considered that the issues would raise significant levels of public concern.

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

- 5.1 This proposal will not give rise to any issues under the Council's Equalities and Diversity policies.

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

- 6.1 Financial implications are set out under Section 4 above
- 6.2 The Pension Fund will be in receipt of additional appropriate employer and employee contributions to cover the liability associated with the one additional member of staff
- 6.2 Approval of this proposal would ensure membership of the local government pensions scheme for the additional one member of staff .

**7. LEGAL ISSUES**

- 7.1 The one additional member of staff may only be added if the original admissions agreement is opened up, by way of a DEED of Variation.
- 7.2 The Deed of Variation will need to be executed on behalf of both the Authority and Go Plant Ltd, to record the variation of the admissions agreement to include the extra one member of staff.
- 7.3 The Council has the power to enter into this agreement by virtue of the provisions of regulation 6 of Local Government Pension Scheme (Administration) Regulations 2008/239

**8. CONSTITUTIONAL POWERS**

- 8.1 The Council's constitution, Part 3 – Responsibility for Functions, Pension Fund Governance Compliance Statement, paragraph 2.2.13 empowers the Pension Fund Committee to “approve applications from organisations wishing to become admitted bodies into the Fund where legislation provides for discretion, including the requirements for bonds.”

**9 BACKGROUND INFORMATION**

- 9.1 The Cabinet Resources Committee on 23 March 2008 approved a proposal to award the Fleet Procurement with Maintenance Services contract to Go Plant Ltd. to provide fleet procurement and vehicle maintenance services to the Council. As a consequence of this decision an Admissions Agreement between London Borough of Barnet and Go Plant Ltd. was approved to ensure the 12 staff who transferred from London Borough of Barnet to Go Plant Ltd. under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations were entitled to maintain their membership of the Local Government Pensions Scheme.
- 9.2 The current Admissions Agreement between this Authority and Go Plant Ltd. covers twelve employees. Go Plant have now requested the inclusion of one additional member of staff employed by Go Plant Ltd on the Barnet Contract subsequent to the original Admissions Agreement.

9.3 The Pensions Committee is asked to approve the Deed of Variation to admit this additional one member of staff.

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

- 10.1 Correspondence between LBB and Go Plant Ltd requesting a Deed of Variation to the Admissions Agreement
- 10.2 Any person wishing to inspect the background papers listed above should telephone Hansha Patel – 020 8359 7895

Legal: TE  
CFO: CM

**AGENDA ITEM: 8**

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	Pensions Fund Committee
Date	15 September 2010
<b>Subject</b>	<b>Birkin Cleaning Services Limited - Proposal to offer Admitted Body Status to the Barnet Local Government Pension Scheme</b>
Report of	Deputy Chief Executive
Summary	This report sets out information on the application from Birkins Cleaning Services Limited for Admitted Body status within the Pension Fund and seeks Committee approval to allow this..

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Officer Contributors	Tony Lampert - HR Business Partner Pauline Broadhurst, Employee Relations Case Manager Hansha Patel, Acting Pension Services Manager
Status (public or exempt)	Public
Wards affected	Not Applicable
Enclosures	None
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: Tony Lampert - 020 8359 7882/ Pauline Broadhurst - 020 8359 7902 / Hansha Patel – 020 8359 7895

## **1. RECOMMENDATIONS**

### **1.1 That the Authority enter into an Admissions Agreement with Birkins Cleaning Services Ltd**

## **2. RELEVANT PREVIOUS DECISIONS**

2.1 None

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

3.1 Maximising admissions into the Pensions Fund and ensuring that the contribution levels cover their risk is one way of sustaining a viable Pensions Fund to the benefit of the London Borough of Barnet and its Pension Fund members. This principle supports the corporate priority of getting the best value from our resources.

## **4. RISK MANAGEMENT ISSUES**

4.1 The employees of Birkins Cleaning Services Ltd. who become members of the Local Government Pensions Scheme (LGPS) will contribute the percentage of their pay as specified in the Regulations.

4.2 The pension regulations require actuarial assessments of the value of the fund and the liabilities of the employer. This is done initially and at each triennial valuation. The actuarial assessment will determine the employer contributions required to be made to the fund, dependant on the profile of the workforce and the potential risk to the fund of admitting the body.

4.3 The risk is commonly addressed by the employer being required to take out a Bond to ensure payment in case of default.

4.4 The Authority, on behalf of the employer, has carried out an assessment with actuarial advice, as required by the regulations, of the level of risk exposure arising on premature termination of the contract by reason of the solvency, winding up or liquidation of the Admission Body. The Bond will be secured with FIBI Bank (UK)PLC.

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

5.1 This proposal will not give rise to any issues under the Council's Equalities and Diversity policies.

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

6.1 The Authority acts as the administering authority for the Pension Fund and oversees other employers in the fund.

6.2 Where a contractor takes over an existing Council service involving the transfer of employees under TUPE and those employees have rights under the Local Government Pension Scheme (LGPS), the new employer has either to seek an admissions agreement to the Pension Fund or offer a Government

Actuary Department (GAD) certificated Scheme to demonstrate broadly comparable benefits to the LGPS. Where employers seek admitted body status the Committee needs to be assured that the bodies are able to meet their obligations under the Regulations and that the Fund is not put at risk, where bodies may go into default.

## **7. LEGAL ISSUES**

- 7.1 Where a transferee admission body and the scheme employer undertake to meet the relevant requirement of Regulation 6 of the Local Government Pension Scheme (Administration) Regulations 2008/239, an administering Authority may admit to the LGPS the eligible employees of the transferee admission body, and where it does so, the terms on which it does are noted in the admissions agreement for the purposes of these Regulations.

## **8. CONSTITUTIONAL POWERS**

- 8.1 The Council's constitution, Part 3 – Responsibility for Functions, Pension Fund Governance Compliance Statement, paragraph 2.2.13 empowers the Pension Fund Committee to “approve applications from organisations wishing to become admitted bodies into the Fund where legislation provides for discretion, including the requirements for bonds.”

## **9 BACKGROUND INFORMATION**

- 9.1 Consultation with staff and Unions commenced on 9 September 2008 on proposals from the Governing Body to transfer the school cleaning contract to an external provider.
- 9.2 The school subsequently selected Birkins Cleaning Services as their preferred provider for their school cleaning contract.
- 9.3 As a Community school, the two existing school cleaners were employed by the London Borough of Barnet. This employment relationship changed when the school appointed Birkins Cleaning Services as their provider of cleaning services.
- 9.4 The staff were transferred from London Borough of Barnet to the Birkins Cleaning Services on 1 September 2009, under the principles set out in the Transfer of Undertakings [Protection of Employment] (TUPE) Regulations 2006. The consequence of this transfer was to ensure that there was continuity of the support staff's local government pension arrangements.
- 9.5 Prior to transfer, all school support staff had automatic entitlement to join the LBB Pensions Fund as employees of Barnet Council. However, following transfer Birkins Cleaning Services applied for and are now formally requesting admission into the Local Government Pensions Scheme in order for the staff to maintain continuity in the Pension Fund
- 9.6 Two members of staff have been TUPED over and only one member of staff is currently participating in the pension scheme.
- 9.7 Barnet TUPE guidance to managers states staff must have ongoing access to the Local Government Pension Scheme or be offered a broadly comparable scheme. It also allows for contractors to choose whether they wish to take up

admitted body status of the Local Government Pension scheme as an alternative to offering a broadly comparable scheme.

- 9.8 A refusal to allow pension scheme membership will have implications for the cleaning staff transferred to Birkins Cleaning Services as those employees will not be able to continue as member of the Local Government Pension Scheme and will have to seek alternative pension provisions. This would have employee relations implications given the commitments offered to the staff as part of the TUPE consultation when Birkins Cleaning Services were selected as the alternative cleaning services provider by the Governors of Queenswell Infant School.

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

- 10.1 Letter from Birkin Cleaning Services Limited expressing intent to achieve admitted body status.
- 10.2 Any person wishing to inspect the background papers listed above should telephone Pauline Broadhurst – 020 8359 7902.

Legal: TE  
CFO: CM

**AGENDA ITEM: 9**

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Meeting	Pension Fund Committee
Date	15 September 2010
<b>Subject</b>	<b>External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2009/10</b>
Report of	Deputy Chief Executive
Summary	To consider the detailed report from the external auditors on matters arising from the audit of the 2009/10 pension fund accounts

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Officer Contributors	Chris Malyon, Assistant Director of Finance Karen Bannister, Interim Treasury Manager
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A – ISA260 report (to follow) Appendix B – Pension Fund Annual Report 2009/10 (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 matters raised by the external auditor relating to detailed aspects of the 2009/10 pension fund accounts audit be noted.**
- 1.2 That the Committee notes there are no adjustments identified by the External Auditors that will not be processed by officers.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 The Pension Fund Annual Report for 2009/10 was approved, subject to audit, by the Pension Fund Committee on 16 June 2010.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 Review of reports made under the International Standard on Auditing (ISA)260 are an integral part of corporate governance.
- 3.2 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 A positive external audit opinion on the Pension Fund's Annual Report plays an essential and key role in providing assurance that Barnet's financial risks are managed in an environment of sound stewardship and control.

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

- 5.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.

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

- 6.1 External Audit's opinion on the annual report, as summarised in the ISA260, is the main factor that determines the Council's score in the Financial Reporting theme of the Use of Resources assessment. As a result, it plays a key role in determining the Council's overall Use of Resources assessment. As a result, it plays a key role in determining the Council's overall Use of Resources score.

## **7. LEGAL ISSUES**

- 7.1 None other than contained in the body of the report and appendices.

## **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 In accordance with International Standard on Auditing (ISA) 260, the External Auditor is required to issue detailed reports on matters arising from the audit of the Council accounts and pension fund accounts.
- 9.2 The ISA 260 report has to be considered by “those charged with governance” before the External Auditor can sign the accounts, which legally has to be done by 30 September 2010.

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

- 10.1 None.

Legal: TE  
CFO: CM

**AGENDA ITEM: 10**

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Meeting	Pension Fund Committee
Date	15 September 2010
<b>Subject</b>	<b>Barnet Council Pension Fund Performance for Quarter March to June 2010</b>
Report of	Deputy Chief Executive
Summary	This report advises the Committee of the performance of the Pension Fund for the quarter March to June 2010

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Officer Contributors	Chris Malyon, 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 June 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 March to June 2010.

	<b>Benchmark</b>	<b>Performance</b>	<b>Relative return</b>
<b>Fund</b>	-6.8	-6.4	0.4

9.6.4 The value of the fund at 30 June 2010 was £588.3m compared to £628.3m at 31 March 2010, 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 36<sup>th</sup> percentile compared to other funds measured by WM for the quarter ending June 2010, and in the 86<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 30 June 2010 was:

<b>Asset Class</b>	<b>Percentage of fund</b>
UK Equities	29.3
North America	12
Continental Europe	8.9
Japan	1
Total Pacific (ex. Japan)	6
Other International Equities	7
UK Bonds	10
Overseas Bonds	4
UK Index Linked	4
Overseas Index Linked	0
Total Property	5.6
Cash	12.2

## 9.8 Markets

The table below shows the performance of all the major market/asset classes during the quarter ending 30 June 2010.

<b>Asset class</b>	<b>Index used</b>	<b>Return %</b>
UK Equities	FT All Share	-9.6
North America	FTSE WORLD N	-10.5
Europe ex UK	FTSE WORLD E	-13.1
Pacific	FT Pacific ex. Japan	-8.8
Japan	FT Japan	-13.2
Other International	FT World ex UK	-8.3
UK Bonds	UK Gilts AS	2.3
Overseas Bonds	JPM Gib ex. Uk	0.3
UK Index Linked	Index linked Gilts AS	2.3
Cash/Other	7 Day LIBID	0.2
Property	IPD all property index	1.8

## 10. LIST OF BACKGROUND PAPERS

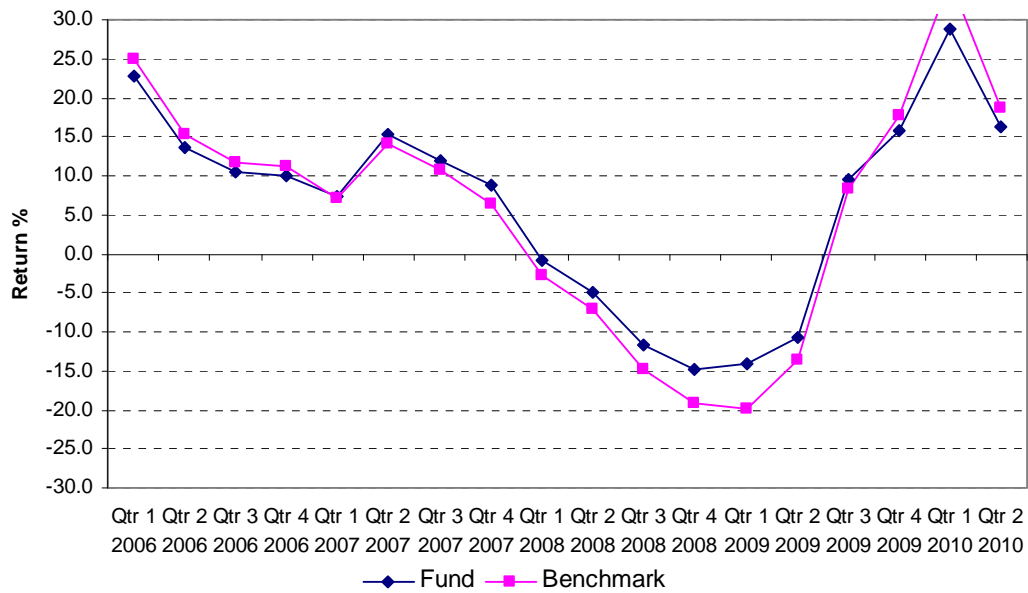
10.1 None.

Legal: TE

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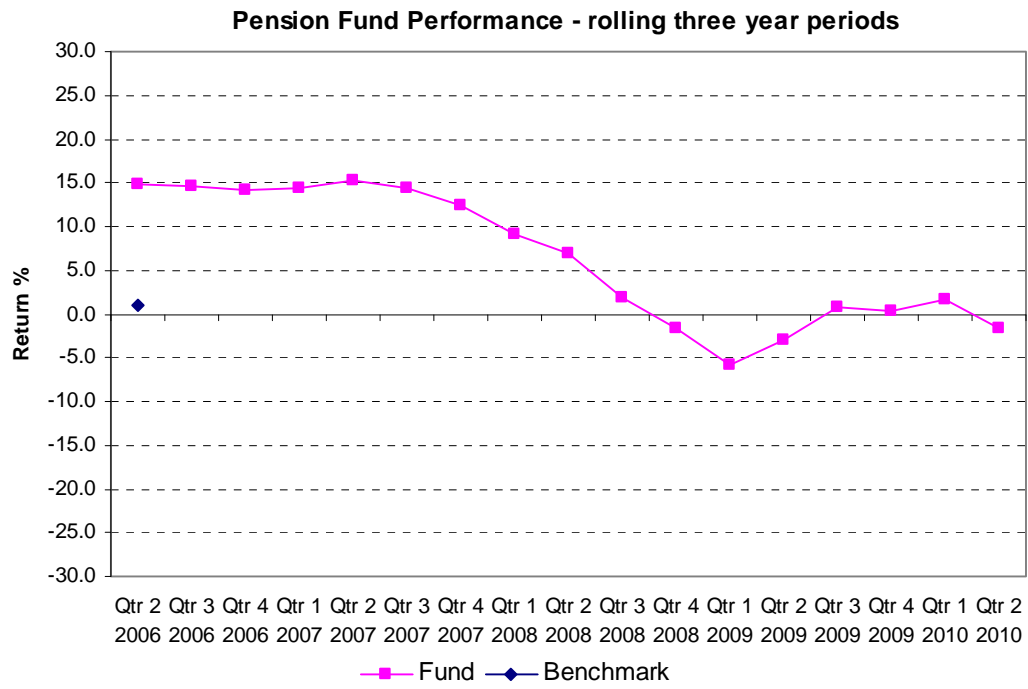
**Appendix A:**

**Pension Fund Performance - 12 months (annualised)**





## Appendix B



## Appendix C

