Putting the Community First

BARNET
LONDON BOROUGH

MEETING
PENSION FUND COMMITTEE
DATE AND TIME
WEDNESDAY 22 JUNE 2011
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 Anthony Finn

Councillors:

Alex Brodkin	Jack Cohen	Geof Cooke	Susette Palmer

Substitute Members:

Rowan Turner	Ansuya Sodha	Lord Palmer
Andrew Harper	Geoff Johnson	

You are requested to attend the above meeting for which an agenda is attached.
Aysen Giritli – Head of Governance

Business Governance contact: Chidilim Agada 020 8359 2037

Media Relations contact: Sue Cocker 020 8359 7039

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

CORPORATE GOVERNANCE DIRECTORATE

ORDER OF BUSINESS

FACILITIES FOR PEOPLE WITH DISABILITIES
Hendon Town Hall has access for wheelchair users including lifts and toilets. If you wish to let us know in advance that you will be attending the meeting, please telephone Chidilim Agada on 020 8359 2037. People with hearing difficulties who have a text phone, may telephone our minicom number on 020 8203 8942. All of our Committee Rooms also have induction loops.

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AGENDA ITEM: 6 Page nos. 1 - 30

Meeting	Pension Fund Committee
Date	22 June 2011
Subject	**Barnet Council Pension Fund Performance for Quarter January to March 2011**
Report of	Deputy Chief Executive
Summary	This report advises the Committee of the performance of the Pension Fund for the quarter January to March 2011

Officer Contributors	John Hooton, Assistant Director of Strategic Finance Karen Bannister, Head of Treasury and Pensions
Status (public or exempt)	Public (with separate exempt report)
Wards affected	None
Enclosures	Appendix A – Image Report Quarterly Update 31 March 2011 Appendix B – Pension Fund Market Value of Investments Appendix C - Property Unit Trust Portfolio
For decision by	Pension Fund Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Karen Bannister – Head of Treasury and Pensions Tel: 0208 359 7119

1. RECOMMENDATIONS

1.1 That having considered the performance of the Pension Fund for the quarter to March 2011, the Deputy Chief Executive be instructed to address any issues that the Committee consider necessary.

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 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 arrangements 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 (i) the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239); (ii) the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI 2007/1166); and (iii) The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008/238) which have their 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 Committee through 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's Pension Scheme Fund (The Fund) is set up under the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239); (ii) the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI 2007/1166); and (iii) The Local Government Pension Scheme (Transitional Provisions) Regulations 2008. The Regulations provide 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 2010, the Committee agreed to implement a 70/30 diversified growth and bonds portfolio using the existing managers. Implementation of the new investment strategy commenced on Friday the 19th of November and is now fully completed.

9.3.3 Actuarial services are provided by Barnett Waddingham and the fund receives investment advice from an JLT Investment Consulting.

9.4 **Scheme Governance**

9.4.1 The Council is statutorily responsible for the management of the Fund and for making strategic decisions that govern the way the Fund is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Fund Committee. The Pension Fund Committee's responsibilities include 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 2010 and the final report has been published on the Council's website.

9.6 **Investment Performance & Benchmark**

9.6.1 The Fund's overall performance is measured against a liability benchmark return and includes internal property.

9.6.2 The Growth portfolio return is the combined Newton and Schroder Diversified Growth Fund portfolios and is measured against a notional 60/40 global equity benchmark and underlying benchmarks of each fund for comparison.

9.6.3 The performance of the Fund including manager performance is outlined in Appendix A.

9.6.4 The value of the fund at 31 March 2011 was £662.82m compared to £654.15m at 31 December 2010, the graph in Appendix B shows how the market value of the fund has appreciated since 2005.

9.6.5 Overall the fund outperformed the benchmark by 0.8% over the quarter to 31 March 2011.

9.7 **Internally managed funds**

9.7.1 The property unit trust portfolio accounts for 3.5% of the total market value of the fund and was valued at £23.16m as at the 31st of March 2011. Appendix A shows the value of the individual units held in the portfolio and the movement in market value since the last quarter.

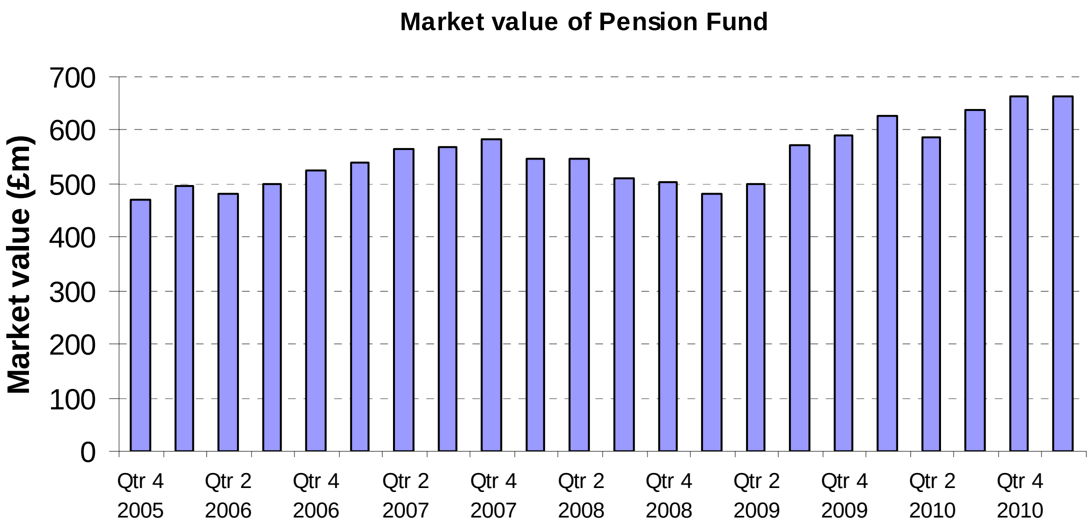
9.7.2 The performance of property fund is measured against the IPD All Properties Index, performance for the last quarter and the 12 months to 31 March 2011 are detailed in Appendix C.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: TE
CFO: JH/ MC

Appendix B:


Market value of Pension Fund
Market value (£m)
700
600
500
400
300
200
100
0
Qtr 4 2005
Qtr 2 2006
Qtr 4 2006
Qtr 2 2007
Qtr 4 2007
Qtr 2 2008
Qtr 4 2008
Qtr 2 2009
Qtr 4 2009
Qtr 2 2010
Qtr 4 2010

Appendix C

Property Unit Trust Portfolio

Description	Holding	Book Value	Bid	Market Value 31 March 2011	Market Value 31 December 2010
		£	£	£	£
Rockspring Hanover Property Unit Trust	206	1,868,514	11,675	2,405,050.00	2,358,700.00
Hermes Property Unit Trust	2,002,700	5,891,532	4.35	8,711,745.00	8,667,685.60
Blackrock UK Property Fund	180,300	4,987,991	33.5857	6,055,501.71	6,355,647.12
Schroder Exempt Property Unit Trust	190,433	4,954,405	31.44	5,987,213.52	5,926,274.96
Cash				-	10,267,140.32
Total				**23,159,510.23**	**33,575,448.00**

IMAGE Report - Quarterly Update
31 March 2011

London Borough of Barnet Superannuation Fund

JLT INVESTMENT CONSULTING

Contents

Jignasha Patel, MMath (Hons) IMC

Investment Consulting Analyst

John Finch, ASIP FCII

Divisional Director

May 2011

Section One – Market Update

Introduction

This summary covers the key market data for the three months to the end of March 2011.

Market statistics

Market Returns Growth Assets	3 Mths %	1 Year %
UK Equities	1.0	8.7
Overseas Equities	2.1	8.5
USA	3.3	9.2
Europe	6.0	8.2
Japan	-6.9	-4.0
Asia Pacific (ex Japan)	-0.5	13.1
Emerging Markets	-1.2	11.9
Property	2.3	10.7
Hedge Funds	2.3	10.3
Commodities	9.0	16.1
High Yield	2.4	8.1
Cash	0.1	0.5

Market Returns Bond Assets	3 Mths %	1 Year %
UK Gilts (>15 yrs)	-1.5	6.9
Index-Linked Gilts (>5yrs)	-0.2	6.7
Corporate Bonds (>15yrsAA)	0.0	6.0
Non-Gilts (>15 yrs)	0.2	6.1

Change in Sterling	3 Mths %	1 Year %
Against US Dollar	2.4	5.7
Against Euro	-3.2	0.8
Against Yen	4.6	-6.3

Yields as at 31 March 2011	% p.a.
UK Equities	2.96
UK Gilts (>15 yrs)	4.30
Real Yield (>5 yrs ILG)	0.63
Corporate Bonds (>15 yrs AA)	5.53
Non-Gilts (>15 yrs)	5.52

Absolute Change in Yields	3 Mths %	1 Year %
UK Gilts (>15 yrs)	0.2	-0.2
Index-Linked Gilts (>5 yrs)	0.1	0.0
Corporate Bonds (>15 yrs AA)	0.1	0.0
Non-Gilts (>15 yrs)	0.1	0.0

Change in inflation Indices	3 Mths %	1 Year %
Price Inflation - RPI	1.8	5.3
Price Inflation - CPI	1.1	4.1
Earnings Inflation *	0.6	2.1

* is subject to 1 month lag

Statistical highlights

During the quarter, the rate of CPI inflation increased from 3.7% to 4.4% in February, a 28 month high. However, there was a surprise fall in inflation over March to 4.0%, mainly due to the record monthly fall in the price of food and non-alcoholic drinks, which fell 1.4%.

The minutes of the latest Monetary Policy Committee ("MPC") meeting stated that there was a "significant risk" that inflation could exceed 5% in the coming months. The MPC kept interest rates on hold at 0.5% and unveiled no new quantitative easing measures although three members of the committee voted in favour of raising rates and another member voted in favour of extending the policy of quantitative easing. Interest rates were last changed in March 2009 when they were reduced from 1.0%.

The Governor of the Bank of England has warned that January's rise in VAT and other inflationary pressures mean that prices are likely to outstrip pay again this year, leaving real wages no higher than they were six years ago. The latest figures for the retail sector have been disappointing with retail sales suffering the worst fall in sales since records began in 1996. Next, the retailer, has warned of very challenging times ahead for retailers and consumers.

Sterling appreciated by 2.4% and 4.6% respectively against the US Dollar and Japanese Yen over the quarter but depreciated by 3.2% against the Euro despite the ongoing concerns about sovereign debt problems within the peripheral Eurozone countries.

The earthquake disaster in Japan has had a major effect on the Japanese economy with many electronics, steel and car manufacturers suspending operations. Given the 'just in time' nature of many manufacturing operations, supply shortages are becoming evident with, for example, Toyota halting overtime at its Derby factory and Sony Ericsson stating that it may be unable to source parts for its mobile phones and a rise in the price of memory chips and display panels for computers.

Japanese equities fell by over 6.0% over the quarter although, at one stage, the market had fallen by 12% in the aftermath of the earthquake.

Equities had a mixed quarter with Japanese, Asia ex Japan and Emerging Markets all producing negative returns in sterling terms and the US, UK and Europe ex UK markets producing positive returns. Although the fallout from the Japanese earthquake mainly affected the Japanese market, all the major markets were unsettled by the problems in the Middle East and an increase in inflationary pressures resulting from a rise in food prices and the sharp increase in the price of oil. In Sterling terms, the best performing equity market over the quarter was Europe ex UK which achieved a return of +6.0% and the US and UK markets which produced sterling returns of +3.3% and +1.0%, respectively.

Gilts produced a return of -1.5% over the quarter and underperformed corporate bonds, which produced a zero return over the period.

Section Two – Total Scheme Performance

Fund values

		Start of Quarter		Net New Money	End of Quarter	
Manager	Fund	Value £	Proportion of Total %	£	Value £	Proportion of Total %
Newton Investment Management Limited (Newton)	Real Return	205,910,329	31.5	-	208,942,483	31.5
Schroder Investment Management Limited (Schroder)	Diversified Growth	204,614,856	31.3	-	207,368,303	31.3
Legal and General Investment Management (L&G)	World (ex UK) Equity Index	33,295,171	5.1	-	34,052,869	5.1
Newton	Corporate Bond	86,702,929	13.2	-	87,106,978	13.2
Schroder	All Maturities Corporate Bond	86,828,379	13.3	-	88,398,463	13.3
L&G	Active Corporate Bond – All Stocks	13,669,495	2.1	-	13,788,507	2.1
Internal	Property	22,987,126	3.5	-	23,159,510	3.5
Internal	Cash	143,048	0.0	-	0	0.0
ASSET SPLIT						
Bond assets		187,200,803	28.6	-	189,293,948	28.6
Growth assets		466,950,530	71.4	-	473,523,165	71.4
TOTAL		**654,151,333**	**100.0**	**-**	**662,817,113**	**100.0**

Source: Investment managers, bid values. Please note that the internal property amount is based on bid values. Operational cash has been excluded from the portfolio, therefore the December property value has been adjusted accordingly. The internal cash portfolio is not included as part of the total return.

Total Scheme Performance

	Portfolio Return Q1 2011 %	Benchmark Return Q1 2011 %
Total Scheme	1.3	0.5
Growth Portfolio		
Growth v Global Equity	1.4	1.5
Growth v RPI+5% p.a.	1.4	3.0
Growth v LIBOR + 4% p.a.	1.4	1.1
Bond Portfolio		
Bond v Over 15 Year Gilts	1.1	-1.5
Bond v Index-Linked Gilts (> 5 yrs)	1.1	-0.2

The Growth portfolio excludes internal Property and L&G equities, Global equity 60% FTSE All Share Index, 40% FTSE AW All-World (ex UK) Index

The Bond portfolio excludes L&G corporate bond fund

The total scheme return is shown against the liability benchmark return, and includes the internal property fund. The Growth portfolio return is the combined Newton and Schroder DGF portfolios and is shown against a notional 60/40 global equity benchmark and the underlying benchmarks of each fund for comparison purposes. The Bond portfolio is the combined Newton and Schroder corporate bond portfolios and is shown against the Over 15 Year Gilts Index and Index Linked (Over 5 years) Index.

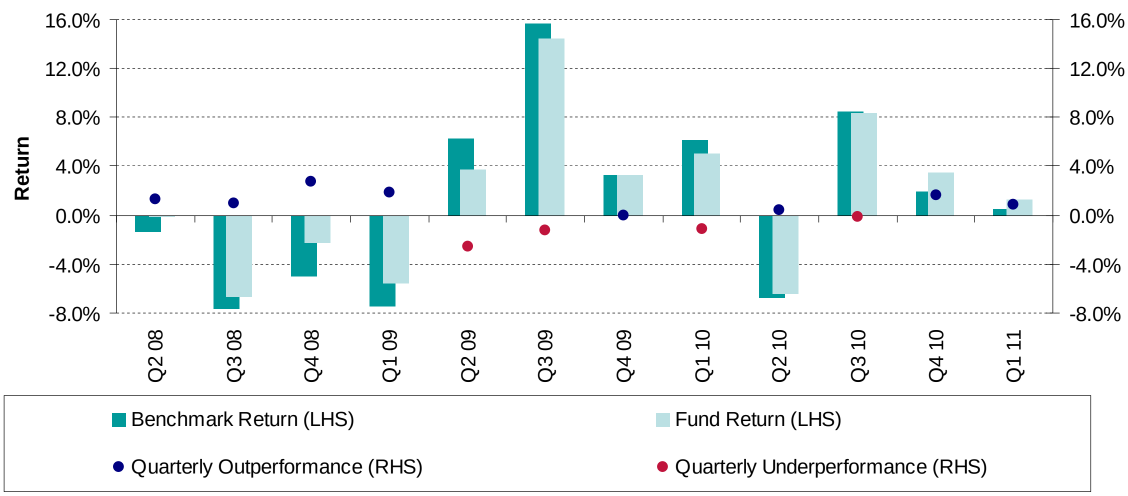
Individual Manager Performance

Manager/Fund	Portfolio Return Q1 2011 %	Benchmark Return Q1 2011 %
Newton Real Return	1.5	1.1
Schroder Diversified Growth	1.3	3.0
L&G – Overseas Equity	2.3	2.1
Newton Corporate Bond	0.5	0.6
Schroder Corporate Bond	1.8	1.0
L&G – Corporate Bond	0.9	0.9
Internal Property	0.5	2.3

Source: Investment managers, Thomson Reuters.

The above table shows the breakdown of the individual manager/portfolio returns against their underlying benchmarks. The internal property portfolio is compared to the IPD UK Monthly index.

Total Scheme - performance relative to benchmark



Source: Investment managers, Thomson Reuters.

The Scheme achieved a return of 1.3% over the quarter and outperformed the liability benchmark return of 0.5%.

The chart also shows the historical returns against the WM Universe for information. The new strategy against the liability benchmark is effective from 1 January 2011.

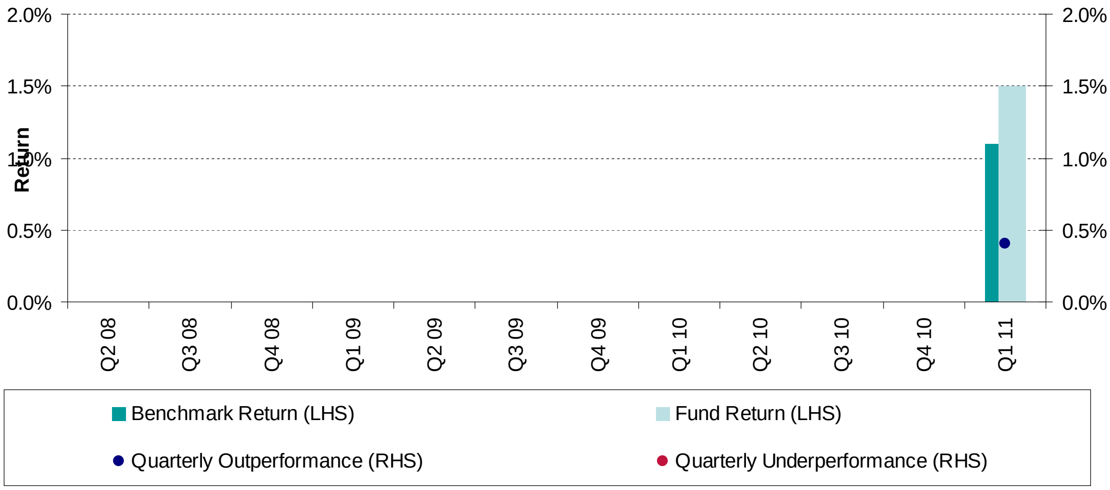
The absolute return was generated by positive returns across all managers and portfolios, in particular the DGF managers which produced the greater absolute returns and form the largest proportion of the Schemes assets.

The Growth Portfolio, comprising the two DGF funds, marginally underperformed the notional 60/40 global equity benchmark, by 0.1%. It is usual to expect DGF funds to underperform equities in rising markets. Whilst the LIBOR +4% return was exceeded, the Growth portfolio returned less than the RPI +5% return.

The Bond Portfolio, comprising the two corporate bond portfolio's managed by Newton and Schroder, outperformed both the Over 15 Year Gilts Index (+2.6%) and the Over 5 Years Index Linked Gilts Index (+1.3%). During the quarter corporate bonds outperformed government bonds, with government bonds and index linked gilts producing negative returns.

Section Three – Manager Performance

Newton - Real return fund- performance relative to benchmark

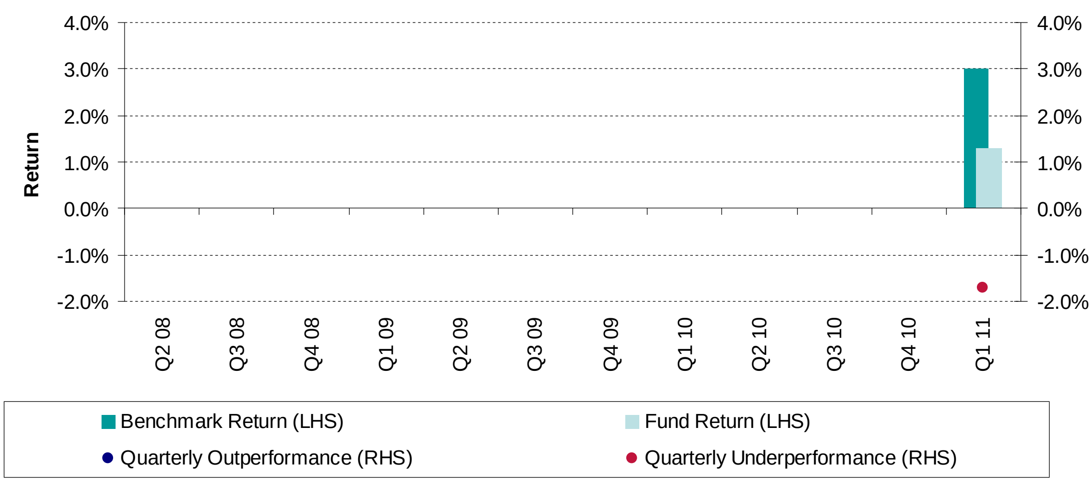


Source: Investment manager.

The portfolio return was 1.5% compared to its LIBOR+4% p.a. benchmark return of 1.1% outperforming by 0.4%. In comparison to a notional 60/40 global equity benchmark return the fund returned in line with it.

During a volatile quarter, the fund performed well benefitting from rising equities across some markets. Commodities, particularly silver and oil, also returned positive over the quarter which helped performance, however, returns from this asset class were partially offset due to the weakening dollar relative to sterling. The corporate bond holding within the fund also benefitted from inflows which revived the market.

Schroder - Diversified growth fund - performance relative to benchmark



Source: Investment managers.

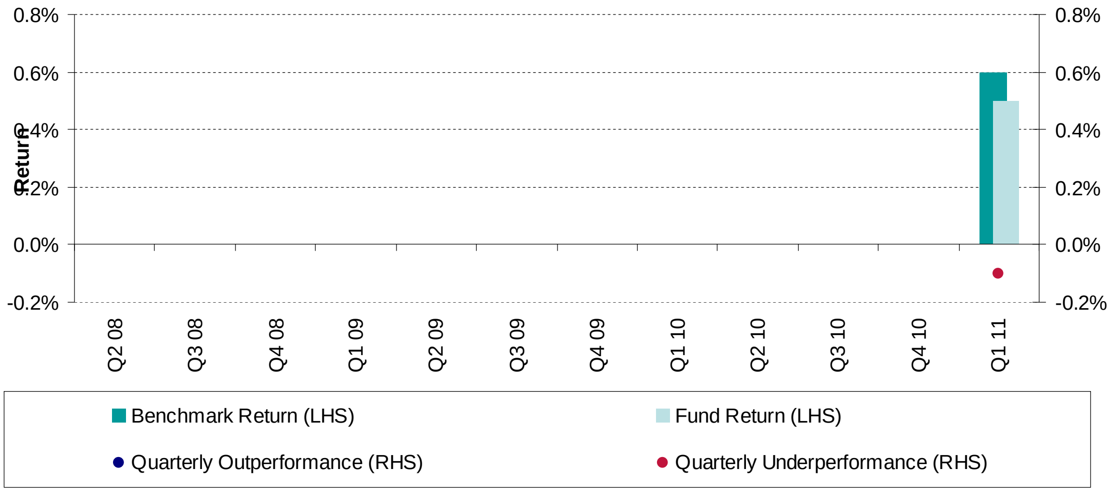
The portfolio return was 1.3% compared to its RPI+5% p.a. benchmark return of 3.0% underperforming by 1.7%. In comparison to a notional 60/40 global equity benchmark return the fund returned 0.2% less.

Although the fund performed positively in absolute terms, it underperformed the benchmark due to a sharp rise in inflation which came from commodity prices following the crises in Japan and North Africa.

Asset allocation for growth managers: movement over the quarter

	Q4 '10 Newton %	Q4 '10 Schroder %	Q1 '11 Newton %	Q1 '11 Schroder %
UK Equities	22.5	7.1	17.5	3.2
Overseas Equities	37.7	38.2	40.0	40.5
Fixed Interest	5.2	0.0	4.4	0.0
Corporate Bonds	13.0	0.0	12.6	0.0
High Yield	0.0	29.0	0.0	26.7
Private Equity	0.0	3.8	0.0	3.8
Commodities	5.4	12.1	4.1	16.8
Absolute Return	0.0	3.0	0.0	3.1
Index-Linked	2.6	0.0	2.3	0.0
Property	0.0	3.2	0.0	3.0
Cash/Other	13.6	3.6	19.1	2.9

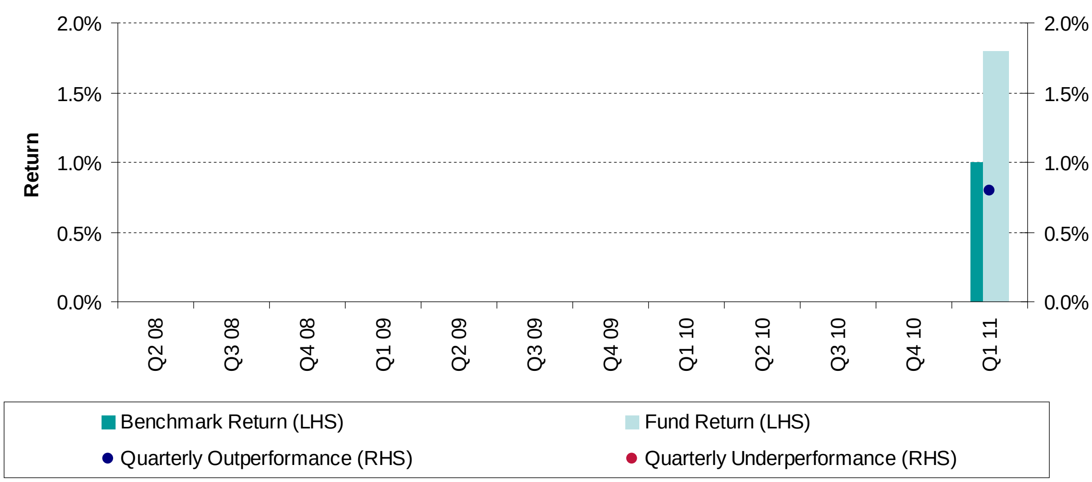
Newton - Corporate bond portfolio - performance relative to benchmark



Source: Investment managers

The Newton Corporate Bond portfolio underperformed its benchmark marginally, returning 0.5% versus the benchmark return of 0.6%. Performance was driven by flat UK corporate bond markets over the quarter.

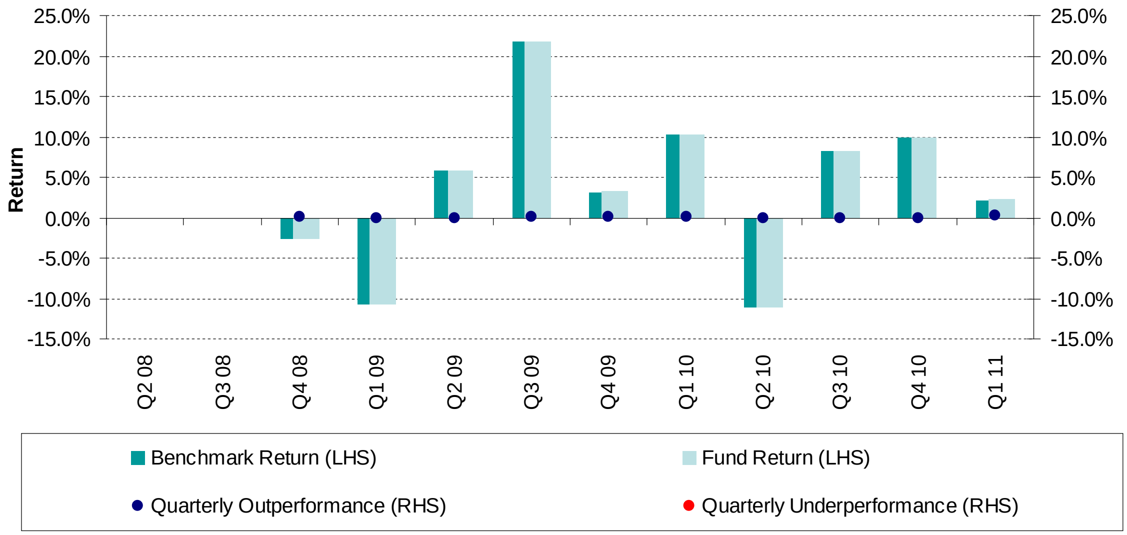
Schroder - All maturities corporate bond portfolio - performance relative to benchmark



Source: Investment managers

The Schroders Corporate Bond portfolio outperformed the benchmark by 0.8%, returning 1.8%. Performance was driven by an underweight duration position and an overweight exposure credit, more specifically to financials, cyclical sectors and lower rated corporate bonds which outperformed higher rated bonds.

L&G – Equities



Source: Investment manager.

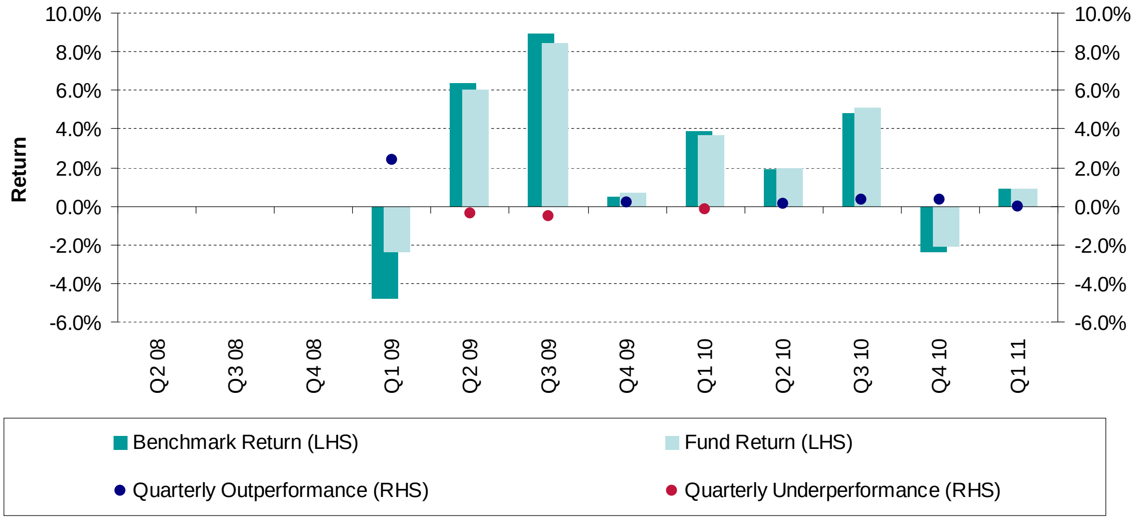
The first investment in the L&G World (ex UK) Equity Index Fund was made on 23 September 2008.

Over the first quarter of 2011, the fund return was 2.3% outperforming the benchmark return of 2.1%; all the equity regions performed much in line with their respective benchmarks.

Over the year, the fund return was 8.2% compared with the benchmark return of 8.1%.

This fund has achieved its target of matching the relevant indices over both the quarter and year.

L&G – Fixed Interest



Source: Investment manager.

The first investment in the L&G Active Corporate Bond – All Stocks Fund was made on 17 December 2008.

Over the first quarter of 2011, the fund return was 0.9% in line with the benchmark return.

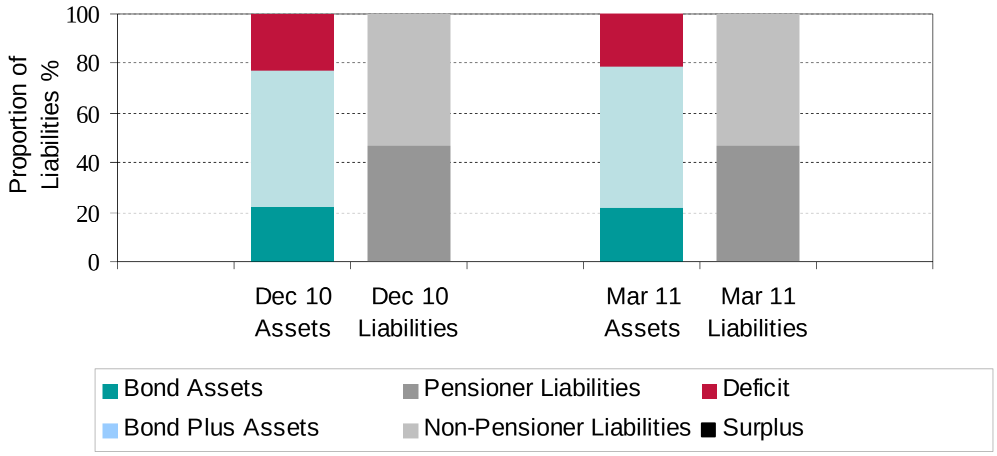
The portfolio's underweight position in sovereigns and supranationals and an overweight exposure to financials was positive for the fund, however this was offset by the negative impact of an overweight position in collateralised bonds.

Over the year, the fund has performed well with a return of 5.8% compared with the benchmark return of 5.2%.

Section Four – Consideration of Funding Level

This section of IMAGE considers the funding level of the Scheme. Firstly, it looks at the Scheme asset allocation relative to its liabilities. Then it looks at market movements, as they have an impact on both the assets and the estimated value placed on the liabilities

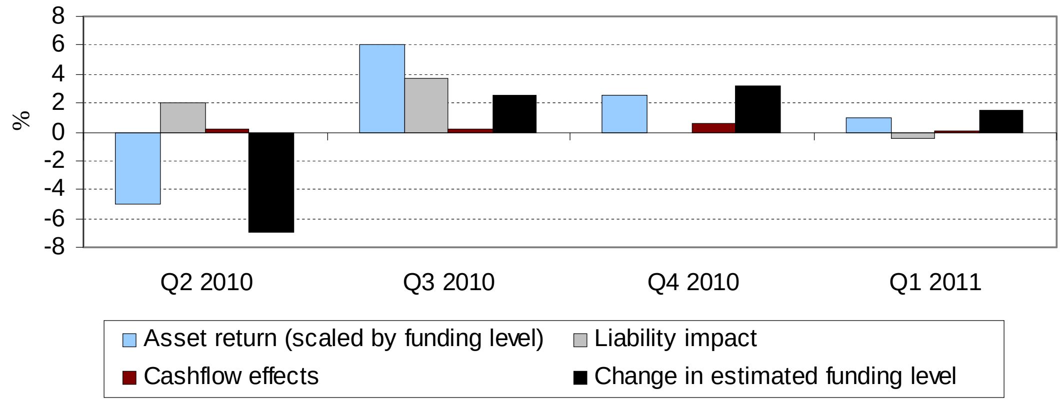
Allocation to Bond and Bond Plus assets against estimated liability split



The chart above shows the allocation of the Scheme to Bond and Bond Plus assets (see appendix for definition) against the estimated liability split, which is based on changes in gilt yields underlying the Scheme Actuary's calculation of liabilities. The reference yield for the liabilities is the over 15-year gilt yield, as shown in the Market Statistics table in Section 2. These calculations do not take account of unexpected changes to Scheme membership and should not be construed as an actuarial valuation. However, by showing approximations to these liabilities, this chart should assist the Panel in making informed decisions on asset allocation.

The split between non-pensioner and pensioner liabilities is estimated to have remained fairly stable over the quarter. The Scheme remains very underweight to Bond assets relative to its estimated pensioner liabilities; a mismatch that leaves the Scheme exposed to both market and interest rate risk.

Scheme performance relative to estimated liabilities



The above chart shows, for each quarter, how changes in the value of the assets and the liabilities, combined with the cashflow of the Scheme, have affected the funding level. As detailed earlier, the value of the liabilities has been estimated with reference to changes in the gilt yields underlying the Scheme Actuary's calculation of liabilities, as shown in the Market Statistics table.

Long-dated government bond yields rose (i.e. government bond prices fell) over the quarter and this is expected to have reduced the value of the liabilities (all else being equal).

In addition, the value of the Scheme's assets rose over the quarter which has led to an improvement in the funding level.

Therefore, based on movements in the investment markets alone, this quarter has seen an improvement in the Scheme's estimated funding position with a reduction in the funding deficit.

Section Five – Summary

Overall this has been a good quarter for the Scheme.

In absolute terms, the Scheme's assets produced a return of 1.3%, as most growth markets produced positive returns, where a significant proportion of the Scheme is invested. All the funds produced positive absolute performances.

In relative terms, the Scheme outperformed the liability benchmark return of 0.5%.

The Schroders Diversified Growth Fund, the Newton Corporate Bond Fund and the Internal Property all underperformed their respective benchmarks. All other funds either outperformed or performed in line with their respective benchmarks.

The combined Growth portfolio marginally underperformed a notional 60/40 global equity return. The Newton real return fund performed in line with this, whilst the Schroder DGF underperformed it. In a rising equity market it is usual to expect DGF funds to underperform equities.

The combined Bond Portfolio outperformed the two indices that will be used to measure the duration portfolio as government and index-linked bonds fell in value, whilst corporate bonds rose.

Over the quarter it is anticipated, other things being equal, that investment conditions had a positive impact on the Scheme's funding level.

Appendix

Liability benchmarking

An assessment of Scheme liabilities and how they change would require details of membership changes and actuarial valuation calculations to be carried out. However, by considering the changes in value of a suitable notional portfolio, based on your own liabilities, we can obtain an approximation to the changes in liabilities which will have occurred as a result of investment factors. In this report, when we refer to “liabilities” we mean the notional portfolio representing the actuarial liabilities disclosed in the actuarial valuation report dated 31 March 2010, adjusted approximately to reflect changes in investment factors. This will, therefore, not reflect any unanticipated member movements since the actuarial valuation. However, as a broad approximation it will allow more informed decisions on investment strategy.

Summary of current funds

Manager	Fund	Date of Appointment	Management Style	Monitoring Benchmark	Target
Newton Investment Management Limited (Newton)	Real Return	December 2010	Active, pooled	1 month LIBOR plus 4% p.a.	To achieve significant real rates of return in sterling terms predominantly from a portfolio of UK and international securities and to outperform the benchmark over rolling 5 years
Newton	Corporate Bond	December 2010	Active, pooled	Merrill Lynch Sterling Non Gilt Over 10 Years Investment Grade Index	To outperform the benchmark by 1% p.a. over rolling 5 years
Schroder Investment Management Limited (Schroder)	Diversified Growth	December 2010	Active, pooled	Retail Price Index plus 5% p.a.	To outperform the benchmark over a market cycle (typically 5 years)
Schroder	All Maturities Corporate Bond	December 2010	Active, pooled	Merrill Lynch Sterling Non-Gilts All Stocks Index	To outperform the benchmark by 0.75% p.a. (gross of fees) over rolling 3 years
Legal and General Investment Management (L&G)	World (ex UK) Equity Index Fund	September 2008	Passive, pooled	FTSE AW World (ex UK) Index	Track within +/- 0.5% p.a. the index for 2 years in every 3

Summary of current funds (continued)

Manager	Fund	Date of Appointment	Management Style	Monitoring Benchmark	Target
L&G	Active Corporate Bond – All Stocks	December 2008	Active, pooled	iBoxx Sterling Non-Gilts All Stocks Index	Outperform by 0.75% p.a. (before fees) over rolling 3 years
Internal	Property	N/a	Active, property unit trust portfolio	UK IPD Property Index	Outperform the index
Newton Investment Management Limited (Newton)	Balanced	April 2006	Active, segregated	WM Local Authority Weighted Average	Outperform by 1% p.a over rolling 3 years, and not to underperform by 3% in any rolling 12 month period
Schroder Investment Management Limited (Schroder)	Balanced	1994	Active, segregated	WM Local Authority Weighted Average ex property, Japan and other international equities	Outperform by 1% p.a over rolling 3 years, and not to underperform by 3% in any rolling 12 month period

Glossary of Terms

Term	Definition
Absolute return	The overall return on a fund.
Bond asset	Assets held in the expectation that they will exhibit a degree of sensitivity to yield changes. The value of a benefit payable to a pensioner is often calculated assuming the invested assets in respect of those liabilities achieve a return based on UK bonds.
Bond plus asset	Assets held in the expectation that they will achieve more than the return on UK bonds. The value of a benefit payable to a non-pensioner is often calculated assuming the invested assets in respect of those liabilities achieve a return based on UK bonds plus a premium (for example, if holding equities an equity risk premium may be applied). The liabilities will still remain sensitive to yields although the bond plus assets may not.
CAPS	A performance monitoring service provided by Russell Mellon. This shows manager by manager performance on a fund by fund basis, including median manager returns. CAPS use a form of time-weighted rate of return.
Duration	The average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.
Equity risk premium	The additional return expected from equities over and above that expected from UK Gilts. An equity risk premium is given as an example and other risk premia also exist.
Funded liabilities	The value of benefits payable to members that can be paid from the existing assets of the scheme (i.e. those liabilities that have assets available to meet them).
IMAGE Median	The return from the median manager in the IMAGE survey.
IMAGE Universe	All the managers who are included in the IMAGE survey of pooled balanced funds.
Market stats indices	The following indices are used for asset returns: UK Equities: FTSE All-Share Index Overseas Equities: FTSE World Index Series (and regional sub-indices) UK Gilts: FTSE-A Gilt >15 Yrs Index Index Linked Gilts: FTSE-A ILG >5 Yrs Index Corporate Bonds: iBoxx Corporate Bonds (AA) Over 15 Yrs Index Non-Gilts: iBoxx Non-Gilts Over 15 Yrs Index Property: IPD Property Index High Yield: ML Global High Yield Index Commodities: S&P GSCI GBP Index Hedge Funds: CSFB/Tremont Hedge Fund Index Cash: 7 day London Interbank Middle Rate Price Inflation: Retail Price Index (excluding mortgages), RPIX Earnings Inflation: Average Earnings Index

Market forecast committee	An internal committee at HSBC Actuaries that meets each quarter to set long term return expectations on different asset classes using fund manager surveys and wider economic data from the investment market.
Market volatility	The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change impact.
Money-Weighted rate of return	The rate of return on an investment including the amount and timing of cashflows.
Non-Pensioner liability	The value of benefits payable to those who are yet to retire, including active and deferred members.
Pensioner liability	The value of benefits payable to those who have already retired, irrespective of their age.
Relative return	The return on a fund compared to the return on another fund, index or benchmark. For IMAGE purposes this is defined as: Return on Fund *less* Return on Index or Benchmark.
Scheme investments	Refers only to the invested assets, including cash, held by your investment managers.
Standard deviation	A statistical measure of volatility. We expect returns to be within one standard deviation of the benchmark 2 years in every 3. Hence as the standard deviation increases so does the risk.
Surplus/Deficit	The estimated funding position of the Scheme. This is not an actuarial valuation and is based on estimated changes in liabilities as a result of bond yield changes, asset movements and, if carried out, output from an asset liability investigation (ALI). If no ALI has been undertaken the estimate is less robust.
Time-Weighted rate of return	The rate of return on an investment removing the effect of the amount and timing of cashflows.
Unfunded liabilities	The value of benefits payable to members that cannot be paid from the existing assets of the Scheme (i.e. those liabilities that have no physical assets available to meet them). These liabilities are effectively the deficit of the Scheme.
Yield (gross redemption yield)	The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the discounted value of future cashflows.
3 Year return	The total return on the fund over a 3 year period expressed in percent per annum.

Manager Research Tier Rating System

Tier	Definition
Tier One	Significant probability that the manager will meet the client's objectives.
Tier Two	Reasonable probability that the manager will meet the client's objectives.
Tier Three	The manager may reach the client's objectives but a number of concerns exist.
Tier Four	There is a reasonable probability that the manager will fail to meet the client's objective due to a number of key concerns.
Tier Five	Significant concerns exist and it is highly probable that the manager will not meet client's objectives.

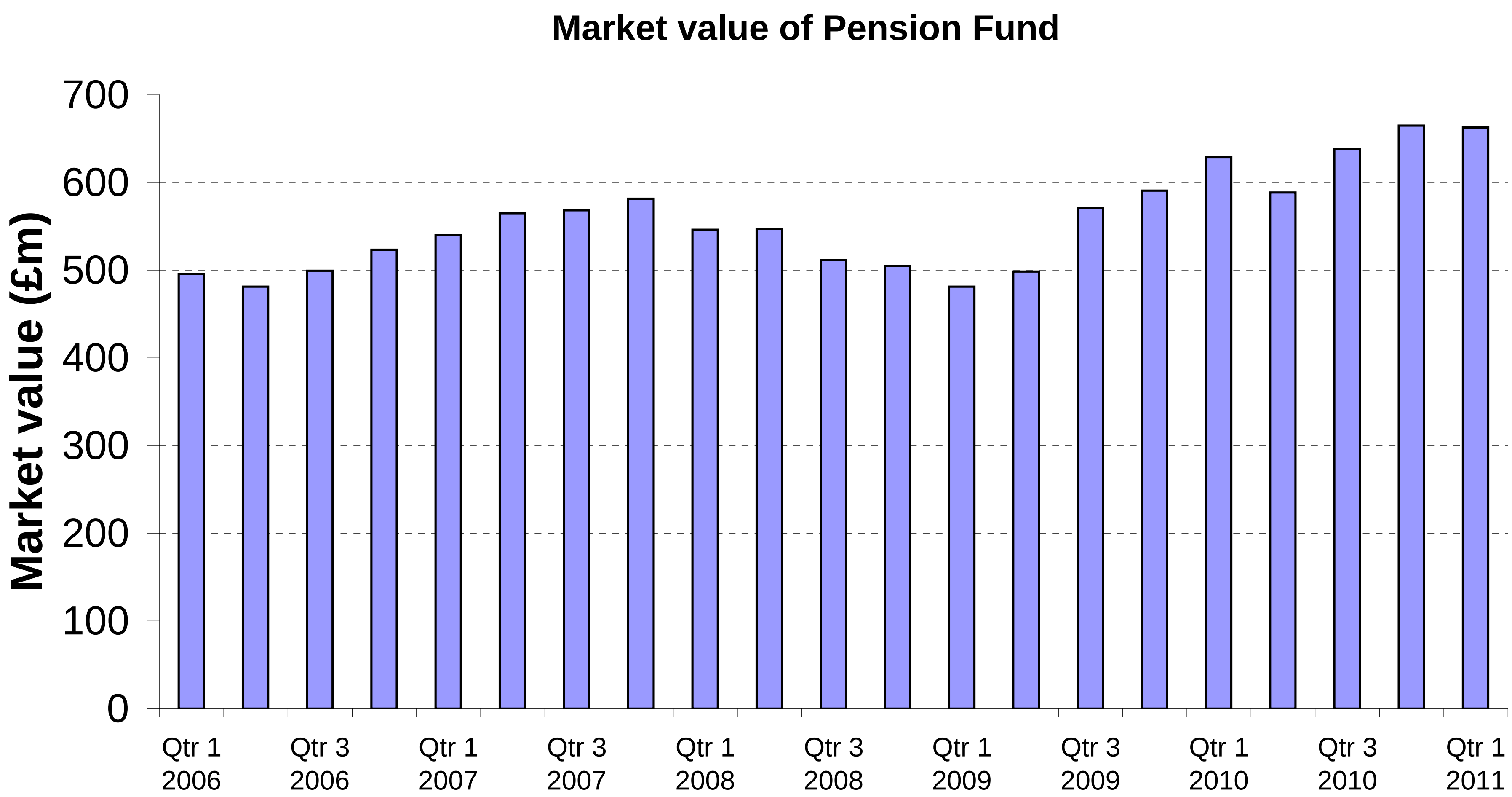
JLT Investment Consulting

St James's House, 7 Charlotte Street,
Manchester, M1 4DZ
Fax +44 (0)161 253 1169

CONTACTS

John Finch, ASIP FCII
JLT Investment Consulting
Tel: +44 (0) 161 253 1168
Email: john_finch@jltgroup.com

Jignasha Patel, MMath (Hons) IMC
JLT Investment Consulting
Tel: +44 (0) 161 253 1163
Email: jignasha_patel@jltgroup.com


Market value of Pension Fund
Market value (£m)
700
600
500
400
300
200
100
0
Qtr 1 2006
Qtr 3 2006
Qtr 1 2007
Qtr 3 2007
Qtr 1 2008
Qtr 3 2008
Qtr 1 2009
Qtr 3 2009
Qtr 1 2010
Qtr 3 2010
Qtr 1 2011

Appendix C

Property Unit Trust holdings as at :- 31st Dec 2010

Property Unit Trust Portfolio

Description	Holding	Book Value	Bid	Market Value 31 March 2011	Market Value 31 December 2010
		£	£	£	£
Rockspring Hanover Property Unit Trust	206	1,868,514	11,675	2,405,050.00	2,358,700.00
Hermes Property Unit Trust	2,002,700	5,891,532	4.35	8,711,745.00	8,667,685.60
Blackrock UK Property Fund	180,300	4,987,991	33.5857	6,055,501.71	6,355,647.12
Schroder Exempt Property Unit Trust	190,433	4,954,405	31.44	5,987,213.52	5,926,274.96
Cash				-	10,267,140.32
Total				**23,159,510.23**	**33,575,448.00**

AGENDA ITEM: 7 Page nos. 31 - 46

Meeting	Pension Fund Committee
Date	22 June 2011
Subject	**External Auditor: Audit Approach Memorandum for the year ended 31 March 2011**
Report of	Deputy Chief Executive
Summary	To note detailed Audit Approach Memorandum report from the external auditors for the year ended 31 March 2011.

Officer Contributors	John Hooton, Assistant Director of Strategic Finance Karen Bannister, Head of Treasury and Pensions
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A – Audit Approach Memorandum for the year ended 31 March 2011
For decision by	Pension Fund Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Karen Bannister – Head of Treasury and Pensions Tel: 0208 359 7119

1. RECOMMENDATIONS

1.1 That the audit strategy for the 2010/2011 external audit be noted.

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 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 This report sets out the framework for the assessment of the Pension Fund's financial reporting and management as well as value for money.

7. LEGAL ISSUES

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

8. CONSTITUTIONAL POWERS

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

9. BACKGROUND INFORMATION

9.1 In accordance with International Standard on Auditing (UK and Ireland) 260, the memorandum highlights the key elements of the external auditor's proposed audit strategy for the benefit of those charged with governance.

9.2 The key audit issues include:

- Valuation and existence of investments

- Completeness and accuracy of contributions
- Completeness, accuracy and validity of benefits
- Ensure the accounts format and disclosure are consistent with the requirements of first time adoption of IFRS
- Ensure compliance with the Pensions SORP, as applicable to LGPS

9.3 The audit will also provide a follow up on the previous period's detailed findings and outline the cost of the audit.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: SS
CFO: JH/ MC

Audit Approach Memorandum

London Borough of Barnet Pension Fund

For the year ended 31 March 2011

Giles Mullins
Director
T 01908 359609
E giles.m.mullins@uk.gt.com

Mitesh Tanna
Manager
T 01908 359585
E mitesh.tanna@uk.gt.com

Grant Thornton

To the Audit Committee of London Borough of Barnet Pension Fund

We are pleased to be engaged to perform the audit of the London Borough of Barnet Pension Fund for the year ended 31 March 2011. This memorandum highlights the key elements of our proposed audit strategy for the benefit of those charged with governance, in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

We have considered our independence and objectivity in respect of the audit and do not believe there are any matters which should be brought to your attention. This memorandum has been prepared on the basis of the limitations set out in 'The small print'.

We look forward to working with you during the course of the audit.

Grant Thornton UK LLP

Grant Thornton UK LLP
202 Silbury Boulevard
Central Milton Keynes
MK9 1LW

T +44 (0)1908 660666
F +44 (0)1908 690180
www.grant-thornton.co.uk

This memorandum has been prepared for the benefit of discussion between Grant Thornton and the Audit Committee of London Borough of Barnet Pension Fund.

Contents

1 Our audit approach

1.1 Engagement objectives
Our engagement objectives are as follows:

- to audit the financial statements of London Borough of Barnet Pension Fund
- to produce a concise and constructive report of key issues to the Pension Fund (ISA 260 letter)
- to draw to your attention any material weaknesses in internal control that come to our attention during our audit work.

Our audit approach is based on an assessment of the audit risk relevant to the individual elements of the financial statements. We focus much of our audit effort on the areas that we deem to be of highest risk of material misstatement. Our work in other areas will typically be proportionately lower than for high risk areas.

1.2 Audit strategy
We will be working closely with the finance team to ensure that we meet audit deadlines and conduct the audit efficiently with the minimum of disruption to the Pension Fund's staff.

In summary our audit strategy comprises:

- updating our understanding of the operation of the Fund through discussions with management
- reviewing the design and implementation of the internal financial control systems to the extent that they have a bearing on the highest risk areas of the financial statements
- assessing the audit risk and, based on that assessment and the assessment of the design of the internal control system, developing and implementing appropriate audit procedures
- reviewing the adequacy of material disclosures in the financial statements
- verifying all material net asset accounts and performing analytical review of income and expenditure streams.

1.3 Identified high risk areas
Our audit approach in respect of high risk areas will concentrate on the following:

- the existence and valuation of investments
- the completeness and accuracy of contributions
- the completeness, accuracy and validity of benefits

These are further detailed in table 2.1

1.4 Materiality
An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Materiality is set at the outset of planning to ensure that an appropriate level of audit work is planned. It is then used throughout the audit process in order to assess the impact of any item on the financial statements. Any identified errors or differences greater than 2% of materiality will be recorded on a schedule of potential misstatements. These are assessed individually and in aggregate, discussed with you and, if you do not adjust, signed off by you in your letter of representation to us, confirming your view that they are immaterial to the financial statements.

An item of low value may be judged material by its nature, for example, non-compliance with the SORP. An item of higher value may be judged not material if it does not distort the truth and fairness of the financial statements.

1.5 Internal controls

Auditing standards require that we evaluate the design effectiveness of internal controls over the financial reporting process to identify areas of weakness that could lead to material misstatement. Therefore, we will focus our control review on the high risk areas of the financial statements.

We are also required to assess whether the controls have been implemented as intended. We will do this through a combination of inquiry and observation procedures, and, where appropriate, systems walkthroughs. However, our work cannot be relied upon necessarily to identify defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive controls review exercise might identify.

1.6 Audit of IT and outsourced systems

Our audit approach assumes that our clients use a computer system for accounting applications that process a large number of transactions. Accordingly, our approach requires a review of the Pension Fund's internal controls in the information technology (IT) environment.

2 Key audit issues and financial reporting matters

We will report to you the findings from our work, and the conclusions in respect of each of the risks that we have identified in our ISA 260 letter at the end of the audit.

2.1 Key audit issues

Issue	Audit approach
Investments - valuation and existence	• obtain direct confirmations from the individual fund managers • obtain independent confirmation of market prices for a sample of investment holdings using providers such as Bloomberg
Contributions - completeness and accuracy	• obtain confirmation from the admitted and scheduled bodies of the amounts and timing of contribution payments • checks that pension contribution deductions are calculated and paid over correctly for a sample of individuals • estimate total contributions with reference to pensionable salaries, average numbers of members, and average contributions rates and comparing to contributions receivable disclosed in the accounts • review contributions received on a monthly basis to ensure any unusual trends are satisfactorily explained.
Benefits - completeness	• rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year • compare pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained • comparison of membership movements to transactions in the accounting records
Benefits - accuracy and validity	• for each benefit type, select a sample of transactions and agree to supporting documentation maintained on individual member files

2.2 Financial reporting matters

Issue	Audit approach
Ensure accounts format and disclosure is consistent with the requirements of first time adoption of IFRS	• the accounts presentation will be compared to IFRS1 and IAS26, along with the Code of Practice on Local Authority Accounting • with the first time adoption of IFRS, it is possible that certain presentational changes will be required this year, however, in the context of the pension fund accounts, no significant changes are anticipated as the most significant account areas, for example investment valuation, already broadly follow the principles set out in IFRS. • 'option C' under International Accounting Standard 26 Accounting and Reporting by Retirement Benefit Plans ("IAS26") allows for the actuarial present value of promised retirement benefits (the pension liability) to be contained as a separate actuarial report within the financial statements. On the basis that the fund follows the presumed disclosure option for actuarial information the key will be to ensure that sufficient explanation is provided when comparing the amount attributed to the actuarial cost disclosed in the main accounts and the pension fund accounts. We recommend that management liaise with the actuary as necessary to obtain the information required to disclose the actuarial liability under the requirements of IAS26.
Ensure compliance with the Pensions SORP, as applicable to LGPS	• the accounts will be checked with reference to the SORP disclosure checklist

Our audit last year identified certain matters which were reported to you, and are summarised below. Following our initial discussions with Karen Bannister, we indicate how these have developed in the year. We will provide an update on these points in our ISA 260 letter at the end of the audit.

2.3 Update on previous period's detailed findings

Issue	Response
Use of shared bank accounts The authority did not operate separate bank accounts in the name of the Pension Fund. We recommended the Pension Fund enabled the accounting system to interface with the separate bank account.	It is anticipated that the bank accounts will be operational by the end of the 2011 financial year. Testing is currently in progress and the anticipated "go live" date is February 2011.
Timeliness of contributions receipts Regulations require that contributions deducted from members' salaries are paid over to the fund by no later than the nineteenth day following the calendar month in which the deduction is made.	The Pension Fund continues to remind Scheduled and Admitted Bodies of the requirement to ensure that contributions are received on time, and late contributions are chased regularly.
Accuracy of contributions deductions During our detailed testing of contribution deductions, we identified one instance where the employer contribution rate had not been updated to a rate of 24% and therefore contributions were being deducted at the prior year rate of 23.3%. We recommended that the Treasury Manager, in conjunction with the Benefits Team, carries out an annual review of contribution rates to avoid any future errors.	We understand that the employers pension contribution percentage has been updated in SAP for all pension scheme members, effective from the 1April 2010. The issue is therefore not expected to recur. Furthermore, additional checks have been implemented to ensure rates are correct throughout the year.

Discharge of future fund liabilities	
Members are not required to confirm within their standard transfer out request form that they understand by transferring out of the scheme this discharges any further liabilities from the fund. We recommended that the standard transfer out request forms are amended to include this statement.	Arrangements have been made for the transfer out forms to be updated.
Connaught Partnerships	
The scheduled body, Connaught Partnerships formally entered administration on the 8 September 2010.	We understand that Barnet's legal department are liaising with KPMG, the administrator, to recover the outstanding amount. The fund actuary has responded that the impact of the deficit will be less than 0.1% of the payroll. We recommend that the matter is continued to be disclosed in the financial statements.

3 Logistics

3.1 Information required

The information required from management during the course of the audit will be supplied in due course.

3.2 Timetables and milestones

The following proposed timetable highlights the key dates of the audit process:

Event	Date
Planning meeting with management	1 February 2011
Commence fieldwork	27 June 2011
Manager visit to review work	7 July 2011
Director to review work	8 July 2011
Second partner review	15 July 2011
Issue draft ISA260 letter for management review	5 August 2011
Audit clearance	13 August 2011
Issue final ISA 260 letter	13 August 2011
Committee meeting to approve accounts / discuss audit findings	1 September 2011

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that we work closely with your team to achieve this timetable.

3.3 Engagement team

Our engagement team for the audit will include:

Name	Role	Contact details
Giles Mullins	Engagement director	T: 01908 359609 E: giles.m.mullins@uk.gt.com
Mitesh Tanna	Audit manager	T: 01908 359585 E: mitesh.tanna@uk.gt.com
Ria Symmonds	Assistant Manager	T: 01908 359633 E: ria.symmonds@uk.gt.com
Samuel Attuah-Asante	Audit Executive	T: 01908 660666 E: Samuel.Attuah-Assante@uk.gt.com

3.4 Fees

Our fee estimate for the audit of the Fund, which is exclusive of VAT, is £38,500 (exclusive of VAT). This is based on the guidance issued by the Audit Commission for London borough Local Government Pension Schemes.

We have proposed this fee on the basis that:

- draft accounts are presented to us by 27 June 2011 for audit, subject only to routine audit adjustments
- a trial balance, and supporting schedules for all figures in the accounts are supplied by the agreed dates
- all books and records are made available to us
- your staff are available to help us locate information and to provide explanations

Our ability to deliver to the agreed timetable and fee will depend upon this. If there are any variances to the above plan, we will discuss them with you and agree any additional fees before costs are incurred, wherever possible.

Any work outside the scope of this proposal will be billed separately after discussion with you.

3.5 Billing and payment schedule

Our proposed schedule is as follows:

Billing date	£
By 31 March 2011	5,000
By 30 June 2011	18,500
By 31 July 2011	10,000
By 30 September 2011	5,000

Fee notes are payable on receipt.

4 The small print

Engagement terms
Our engagement will be carried out in accordance with the Audit Commission's Code of Practice on auditing and the statement of responsibilities which sets out the roles of audited bodies and of auditors.

Ethical standards
We have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of adverse or unexpected findings
We will communicate any adverse or unexpected findings affecting the audit on a timely basis with the appropriate person within the Council. Such communication will be made either informally or via our ISA 260 letter.

The actual or potential resolution of significant audit and accounting issues will be discussed and agreed with management and documented for the Audit Committee's consideration.

Audit quality assurance
Grant Thornton's audit practice is currently monitored by the Audit Inspection Unit, an arm of the Financial Reporting Council, which has responsibility for monitoring the firm's public interest audit engagements. The audit practice is also monitored by the Quality Assurance Directorate of the ICAEW. Grant Thornton UK LLP also conducts internal quality reviews of engagements.

We would be happy to discuss further the firm's approach to quality assurance.

Independence and robustness
To maintain our independence as auditors we ensure that:

- Grant Thornton, its partners and the audit team have no family, financial, employment, investment or business relationship with the Pension Fund
- our fees paid by the Pension Fund do not represent an inappropriate proportion of total fee income for either the firm, office or individual partner.

At all times during the audit, we will maintain a robustly independent position in respect of key judgement areas.

Audit and non-audit services
Other than the audit of the Pension Fund, no other services have been provided to the Fund during the course of the year.

Communication with those charged with Governance
Communication with those charged with governance is an essential element of the audit. We will discuss with the Pension Committee the scope of our work in advance. We propose that we meet with them following the conclusion of our procedures in order to communicate the matters arising.

We would also be interested to hear if there are other matters that the Pension Committee would like us to address and to understand more fully the Committee's expectations and requirements from the audit process.

Roles and responsibilities

The Pension Committee is responsible for the preparation of the financial statements which show a true and fair view of the Pension Fund's affairs and for making available to us all the information and explanations we consider necessary.

Legislation requires that the Pension Fund maintains such books and records as will be sufficient to show the nature of all transactions and disclose, at any time, the financial position of the Pension Fund.

The Pension Fund's management is responsible for:

- the identification, assessment, management and monitoring of risk
- developing, operating and monitoring the system of internal control
- providing assurance to the Board that this has been done.

The Audit Committee is required to review the Pension Fund's internal financial controls. In addition, the Committee is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk. The Audit Committee should receive reports from management as to the effectiveness of the systems they have established, as well as the conclusions of any testing conducted by internal audit.

ISAUK 260 requires communication of:
- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit wok
- the form of reports expected

AGENDA ITEM: 8 Page nos. 47 – 49 (appendix to follow)

Meeting	Pension Fund Committee
Date	22 June 2011
Subject	**London Borough of Barnet Pension Fund Annual Report**
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.

Officer Contributors	John Hooton, Assistant Director of Strategic Finance Karen Bannister, Head of Treasury and Pensions
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

Contact for further information: Karen Bannister – Head of Treasury and Pensions 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 2011 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.

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

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 includes the draft Statement of Accounts of the Pension Fund as at 31 March 2011.

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 Functions – Section 2 – Responsibility for Council Functions delegated to the Pension Fund Committee through 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 external audit of the Pension Fund accounts will commence on the 27 June 2011 and it is proposed that the Deputy Chief Executive in consultation with the Chairman of this committee agree any significant changes following discussion with the auditors.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: SS
CFO: JH/ MC

AGENDA ITEM: 9 Page nos. 50 - 62

Meeting	Pension Fund Committee
Date	22 June 2011
Subject	**Statement of Investment Principles**
Report of	Deputy Chief Executive
Summary	This report asks the committee to approve the updated Statement of Investment Principles.

Officer Contributors	John Hooton, Assistant Director of Strategic Finance Karen Bannister, Head of Treasury and Pensions
Status (public or exempt)	Public
Wards affected	None
Enclosures	Appendix A – Statement of Investment Principles
For decision by	Pension Fund Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Karen Bannister – Head of Treasury and Pensions Tel: 0208 359 7119

1. RECOMMENDATIONS

1.1 The Committee approve the updated Statement of Investment Principles.

2. RELEVANT PREVIOUS DECISIONS

2.1 Council – 11th September 2007 – Minute 64.

2.2 Pension Fund Committee – 2 February 2010 – Dec. 6

2.3 Pension Fund Committee – 21 March 2011 – Dec. 8

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 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 Statement of Investment Principles

9.2.1 The Statement of Investment Principles are attached at Appendix A.

9.2.2 The fund benchmark and performance target sections of the statement have been updated to reflect the transition to the new investment portfolio.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: TO
CFO: JH/ MC

Appendix A

Statement of Investment Principles

Introduction

This document has been written in accordance with the legislative requirements of the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009. Under the legislation, administrating authorities are required to prepare, maintain and publish a written statement of the principles governing their decisions about investments, including a statement of compliance with Myners' revised principles of investment management 2009.

The London Borough of Barnet Pension Scheme is a funded, defined benefit, final salary scheme operated under the national Local Government Pension Scheme (LGPS) arrangements and is subject to regulation by Central Government. Every three years, the Fund's Actuary determines the funding level of the scheme and advises the Council of the rate of employer contributions necessary to meet the cost of pensions in payment and future liabilities. The next triennial valuation will be undertaken as at the 31st of March 2013.

The primary investment objective of the pension fund is to maximise the long term investment return whilst taking account of risks. Investment performance is measured against customised benchmarks and is monitored by the Council's Pension Fund Committee. Investment Policy for the Council's Pension Fund has been decided after consideration of first principles. These principles determine the investment objectives and the level of risk that is deemed appropriate for the Fund.

At the core of the investment policy of the Pension Fund lies the objective of securing and maintaining an investment rate of return which will count towards meeting the Council's current and future obligations and liabilities to make pensions payments and which will contribute towards keeping the burden on the Council Tax-payer as low as possible.

Employer contributions are met, mainly, by the Council's General Fund and therefore it is the Council Tax-payer who meets this cost. Most of the factors that the Actuary uses to determine what the rate should be are external factors, such as the rate of inflation, life expectancy rates and future dividend earnings. These are all factors over which the Council has no control or influence. The only two areas in which the Council has influence or control is with regard to pensions remuneration policies (in particular early retirement policies other than ill-health) and in the investment performance of the Fund.

With regard to early retirement, the Council is making additional contributions towards meeting the immediate financial strains arising from early retirements other than ill-health retirements.

With regard to investment performance, the Pension Fund Committee recognises that a superior and stable investment return will minimise the employer contribution rates. This is because an investment fund, which has a growing capital base, is able to re-invest capital and this in turn will increase the fund's dividend and interest earning capacity.

The Committee also recognises that the tax-exempt status of the fund must be maintained to safeguard the taxation advantages of freedom from capital and income taxes.

Strong investment returns have always been important to Barnet. We recognise that for local authority funds, especially in the context of maturing pension schemes, there is a great responsibility to set standards and investment performance targets that reflect the objective of keeping the burden on Council Tax as low as possible.

As a statutory public service scheme, the Fund is not subject to the Minimum Funding Requirement of the Pensions Act 1995. However, the Pension Fund Committee Panel does have a responsibility to regularly examine the asset allocation of the Fund to ensure that an appropriate investment strategy has been set to help secure the Fund's continued solvency.

Investment structure and the council's attitude to risk

We pay close attention to the risks, which may arise through a mismatch between the Fund's assets and its liabilities and the risks, which may arise from a lack of diversification of investments. As at the 31st of March 2010, the date of the last Actuarial Valuation, the Scheme was 76% funded.

The Council seeks to achieve its investment objectives through investing in an appropriate mixture of real (e.g. equities) and monetary assets (e.g. bonds and cash). It recognises that the returns on real assets, whilst expected to be greater over the long term than those on monetary assets, are likely to be volatile. Nevertheless, the Council has decided that, in view of the financial health of the Fund, no major change to the Fund's long-term asset allocation was required and an equity-biased approach would be maintained for the foreseeable future.

We believe that the asset allocation policy in place provides an adequately diversified distribution of assets. The Scheme’s asset holdings are diversified further by employing two fund managers each of whom have their own investment style. The Fund invests in unit trusts, which may take longer than equity or fixed interest stocks to realise, e.g. property unit trusts.

Investments in property unit trusts are managed in-house. No investment in direct property is held. Other unit trusts held by the investment managers are within the ranges specified in the investment regulations. As the Fund has a positive cash flow, the Pension Fund Committee considers that the benefits of diversification and risk spreading obtained by investing in these vehicles more than offsets any potential longer realisation periods.

The investment management arrangements of the Fund are reviewed by the Pension Fund Committee to ensure that the professionals engaged to manage the assets of the Fund have the capacity, skills and resources to achieve its objectives. The Council employs two investment managers.

Both managers are regulated by the Financial Services Authority (FSA). As at the 31st of March 2010 Schroder Investment Management (44.72%) and Newton Investment Management Ltd (43.23%), managed the majority of the fund between them; the remaining 12.05% was split between Legal and General pooled funds (8.03%) and property unit trusts (4.02%).

The Pension Fund Committee has delegated the day to day investment management activity to the investment managers. The managers will, however, have regard to the asset allocation against which they are benchmarked, as determined by the Pension Fund Committee. Investment managers are appointed in accordance with the LGPS regulations and their activities are specified in detailed investment management agreements.

These Agreements provide important protections for the Fund. They set out the detailed terms on which the assets are managed, the investment briefs, guidelines and restrictions under which the manager works.

Policy on socially responsible investment

The Pension Fund Committee has considered socially responsible investment in the context of its legal and fiduciary duties. In accordance with the aforementioned objectives, the Committee believes non-financial factors should not drive the investment process at the cost of financial return on the Council's Pension Fund. We also believe that encouragement and persuasive pressure from the fund management community is a more robust way to influence companies. It is likely to have more effect than isolated pockets of direct action by shareholders and this has a better prospect of achieving Government's original objectives.

The Committee encourages Fund Managers to consider the financial impact of good and poor socially responsible activities of companies. If the assessment of companies for investment indicates that a corporate governance, social, environmental or ethical factor could have an impact on a company's financial performance (positively or negatively), the investment managers must assess and take account of the associated risk and, if appropriate, seek to encourage companies to pursue better business practices. Investment managers should provide assurances that these issues are being taken into account on an agreed basis.

Policy in relation to the exercise of rights (including voting rights) attaching to investments

The Pension Fund's direct holding in UK and overseas equities have associated with them the right to vote on resolutions at company general meetings. The Pension Fund Committee believes in encouraging good corporate governance in the companies in which it invests. Voting is undertaken by the Investment Managers in accordance with their voting policies.

CIPFA Investment Decision Making and Disclosure in the Local Government Pension Scheme

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 came into force on 1 Janaury 2010.

This regulation requires the Fund to state the extent to which it complies with the principles of investment practice issued by the Government in October 2001 in response to the recommendations of the Review of Institutional Investment undertaken by Lord Myners. Thus the Fund's compliance with the revised Myners' principles as set out below:

<u>Principle 1: Effective decision-making</u>

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they received, and manage conflicts of interest.

Compliant. The Council, as the administering authority, appoints the Pension Fund Committee, specifically for the purpose of managing the Fund's Investments. The Committee is supported by the actuary, independent advisors and officers.

Principle 2: Clear Objectives

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant, and clearly communicate these to advisers and investment managers.

Compliant. The Fund's investment objective and attitude to risk are reviewed and adjusted where necessary, on the basis of the outcomes of asset liability studies.

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Compliant. The investment strategy is reviewed annually and updated to take account of the latest actuarial information. Risk of sponsor or fund default is irrelevant as the London Borough of Barnet Pension Fund benefits are guaranteed by law.

Principle 4: Performance Assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.

Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Part Compliant. The performance of the Fund's investments is monitored on a quarterly basis by officers and an external performance management firm, WM Company. The Committee is looking into how to assess the performance of decisions taken.

Principle 5: Responsible Ownership

Trustees should adopt, or ensure their investment mangers adopt the Institutional Shareholder's Committee Statement of Principles on the responsibilities of shareholders and agents.

A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles.

Trustees should report periodically to members on the discharge of such responsibilities.

Compliant. Investment managers employed by the fund have clear corporate governance policies. The Pension Fund Committee has an approved voting policy.

Principle 6: Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

Trustees should provide regular communication to members in the form they consider most appropriate.

Compliant. The Committee publishes documents including the Statement of Investment Principles, Funding Strategy Statement, Corporate Governance policy and committee meeting minutes on the London Borough of Barnet website. Annual reports and accounts are also published on the website.

London Borough of Barnet pension fund objectives

Investment objectives

The investment objective is to minimise the long term cost of funding commensurate with an appropriate level of risk and volatility.

The investment object will be achieved through the formulation of an appropriate investment strategy that takes into account the liabilities of the fund and the assumptions made within the actuarial valuation.

Fund benchmark

The prime performance objective of the Fund is to achieve the return required to fund the Scheme's liabilities over the medium to long term, as assumed in the ongoing actuarial valuation. The performance targets for each investment manager are detailed below. Overall, the returns achieved by the assets are expected to exceed the return required to fund the Fund's liabilities over the medium to long term, as assumed in the ongoing actuarial valuation. Performance against this benchmark is measured, from an investment perspective, on a quarterly basis by the Investment Adviser to the Fund.

Performance target

Manager	**Fund**	**Monitoring Benchmark**	**Target**
Newton Investment Management Limited (Newton)	Real Return	1 month LIBOR plus 4% p.a.	To achieve significant real rate of return in sterling terms predominantly from a portfolio of UK and international securities and to outperform the benchmark over rolling 5 years
Newton	Corporate Bond	Merrill Lynch Non Gilt Over 10 years Investment Grade Index	To outperform the benchmark by 1% p.a. over rolling 5 years

Schroder Investment Management Limited (Schroder)	Diversified Growth	Retail Price Index plus 5% p.a.	To outperform the benchmark over a market cycle (typically 5 years)
Schroder	All Maturities Corporate Bond	Merrill Lynch Sterling Non-gilts All Stocks Index	To outperform the benchmark by 0.75% p.a. (gross of fees) over rolling 3 years
Legal and General Investment Management (L&G)	World (ex UK) Equity Index Fund	FTSE AW World (ex UK) Index	Track within +/- 0.5% p.a. the index for 2 years in every 3
Legal and General	Active Corporate Bond – All Stocks	iBoxx Sterlind Non-Gilts All Stocks Index	Outperform by 0.75% p.a. (before fees) over rolling 3 years
Internal	Property	UK IPD Property Index	Outperform the Index

Specific investment restrictions, parameters and guidelines

In addition to the Council's attitude to risk in respect of the Fund's long term asset allocation, the Council complies with a number of specific statutory restrictions. The Pension Fund Committee has set additional investment guidelines and restrictions that reflect their attitude to the risks inherent in investing and maintaining safe custody of the Fund's assets.

Statutory Restrictions and the Council's Parameters on Investments

The statutory restrictions are detailed in part 11 (Schedule 1) of the LGPS (Management and Investment of Funds) Regulations 2009. Regulation 14(2) imposes limits on the proportion of fund money which may be invested in a particular type of investment. Regulation 14(3) states that limits maybe increased, to the up to the percentages specified in Column 2 of the table in Schedule 1 provided the requirements under regulation 15 have been satisfied.

The Authority, having satisfied the requirement of regulation 15, has increased the limits to the maximum allowed under Regulations 14(3) for investments listed at 9, 10, 11, and 12. The investment limits adopted by the London Borough of Barnet Pension Fund are detailed at Appendix A.

Policy on giving instructions

Our instructions to the managers will be in writing. Instructions given orally, or by email will be confirmed in writing including facsimile. Where the Agreement would be varied or where instructions involve the transfer of assets to or from the portfolio, instructions will be confirmed in writing and shall bear the signatures of two authorised signatories to the Fund.

Fund managers

The Pension Fund Committee meets quarterly with its fund managers to review performance and consider their activities and the future investment strategy.

The Fund managers are:

Schroder Investment Managers (UK) Ltd
31 Gresham Street
London
EC2V 7QA
Tel: 0171 658 6000

Newton Investment Management Ltd
Mellon Financial Centre
160 Queen Victoria Street
London
EC4V 4LA
Tel: 020 7163 9000

Custody of the Fund's assets is subject to combined Fund management and Custodian Agreement agreements with JP Morgan Europe Ltd (the Custodian for Schroder Investment management (UK) Ltd) and the Bank of New York (the Custodian for Newton Investment Management Ltd).

Appendix A: Investment Limits Adopted

Investment	Limits Adopted
1. Any single sub-underwriting contract	1%
2. All contributions to any single partnership	2%
3. All contributions to partnerships	5%
4. The sum of all loans and any deposits with – A) Any local authority, or B) Any body with power to issue a precept or requisition to a local authority can be required to contribute, or to the expenses of which a local authority can be required to contribute, which is an exempt person (within the meaning of the 2000 Act) in respect of accepting deposits as a result of an order made under section 38(1) of that Act	10%
5. All investments in unlisted securities of companies	10%
6. Any single holding (but not if the investment is made by an investment manager, or the single holding is in unit or other shares of the investments subject to the trusts of any one unit trust scheme)	10%
7. All deposits with any single bank, institution or person (other than the National Savings Bank)	10%
8. All sub-underwriting contracts	15%
9. All investments in units or shares of the investments subject to the trusts of unit trust scheme managed by any one body (but see paragraph 3 below)	35%
10. All investment in open-ended investment companies where the collective investment schemes constituted by the companies are managed by one body.	35%
11. All investments in unit or other shares of investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes constituted by those companies are managed by any one body (but see paragraph 3 below)	35%
12. Any single insurance contract	35%
13. All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements.	25%

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Meeting	Pension Fund Committee
Date	22 June 2011
Subject	**Update on admitted body organisations issues and revised monitoring arrangements**
Report of	Deputy Chief Executive
Summary	This report updates the Committee on admitted body organisation issues previously reported at the March meeting, and requests approval from the Committee for admitted body status for the contractors Goldsborough, Amonet and Woodhouse as set out in the report.

Officer Contributors	John Hooton, Assistant Director of Strategic Finance Hansha Patel, Pension Services Manager Mark Rudd, Head of HR Service Delivery
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Pension Fund Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: John Hooton, Asst Director Strategic Finance, 020 8358 2460

1. RECOMMENDATIONS

1.1 That the Committee notes the update to issues in respect of admitted body organisations within the Pension Fund;

1.2 That the Committee grants approval to the admission of Goldsborough, Amonet and Woodhouse as an 'Admission Body' to the Local Government Pension Scheme Fund, administered by the council.

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Maintain the integrity of the Pension Fund by ensuring robust monitoring of admitted body organisations and ensuring all third-parties comply fully with admission agreements and bond requirements. The 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 contributions to the Fund. All admitted bodies are subject to reviews and actuarial assessments to ensure compliance with admissions agreements and maintenance of appropriate employer contribution levels in order to mitigate against any risk to the financial viability of the pension fund.

4.2 There is a possibility of financial losses on the Pension Fund where arrangements around admitted bodies and bond agreements are not sufficiently robust. The new monitoring arrangements are being put in place to ensure that Admissions Agreements and, where relevant, bonds, are in place and that bonds are renewed, as appropriate, during the lifetime of the, relevant, Admission Agreement.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Ensuring the long term financial health of the pension fund will benefit everyone who contributes to it.

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

6.1 Paragraph 4, above, deals with the financial implications of this report.

6.2 There are no procurement, performance & value for money, staffing, IT, Property or Sustainability implications.

7. LEGAL ISSUES

7.1 The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) provide that a Local Authority may admit a contractor into the

Local Government Pension Scheme. The, relevant, contractors meet the criteria for admission to the Fund

7.2 The Regulations, further, provide for an assessment of the level of risk arising on premature termination of the provision of the service or assets by reason of insolvency, winding up or liquidation of the admission body. The assessment must be with the benefit of actuarial advice and, where the level of risk is such as to require it, the admission body shall enter into an indemnity or bond to meet the level of risk identified.

7.3 The Council's standard Admissions Agreement makes provision for the admission body to maintain a bond in an approved form and to vary the level of risk exposure under the bond as may be required from time to time.

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 Officers have undertaken a review of all admitted body arrangements, following the administration of Connaught Partnership Limited (Connaught). This report provides a further update on issues previously reported at the Committee meeting held in December.

9.2 This report also sets out revised monitoring arrangements to ensure that sufficient control and management oversight is in place over the risks associated with bodies admitted to the Pension Fund.

9.3 UPDATE OF CURRENT ISSUES:

9.3.1 **Connaught Partnership**
Payment for outstanding contributions has now been received.
With respect to the, outstanding, Pension Fund deficit, on 19th May a letter was received from KPMG confirming that the deficit ranks as an unsecured debt and not as a preferential debt. KPMG, also, informs that LBB has been added to the list of unsecured creditors in the administration. KPMG is of the view that the distribution to unsecured creditors, pursuant to the prescribed provisions of the Insolvency Act 1986, will be less than one penny in the pound.

9.3.2 **Housing 21**
Housing 21 is an Adults Social Services contract. The old contract, with Housing 21, having expired, contracts for the provision of the service were awarded (following a procurement process) to: Housing 21 (new contract) with 56 staff; Amonet (5 staff); Goldsborough (2 staff); and Allied (2 staff).

Housing 21 (new contract) – an admission agreement and bond, for the new contract, are being put into place. Housing 21 have agreed to pay the pension deficit (£193k) and the pension strain (£70k) arising from the old contract.

Amonet (5 employees – staff already transferred)
The pension team is liaising with the council's actuaries for assessment of the employer contribution rate and the bond level.

Goldsborough (2 employees – staff already transferred)
The pension team is now liaising with actuaries for assessment of employer rate and bond level.

Housing 21 – Allied (staff already transferred and put into contractor's scheme)
The new contractor has proposed a government actuary department (GAD) scheme for transferring employees.

The Pensions Committee are asked to approve the new contractors, Amonet and Goldsborough, as admitted bodies to the pension fund.

9.3.3 **Viridian Housing**
The bond expired on 20/04/2011. An updated Bond figure has been obtained from the Actuaries and supplied to Viridian. Viridian are currently in the process of securing a bond.

9.3.4 **Woodhouse – Caterlink** (2 employees – staff already transferred)
There is no bond or admission agreement in place. This is being pursued by the pension's team. The financial risk is low on this body, as there are only 2 staff.

The Pensions Committee are asked to approve Woodhouse as an admitted body to the pension fund.

9.3.5 **Open Learning Partnership (OLP)**
OLP ceased to be an admitted Body with effect from 31/03/2011. All liabilities have been cleared by OLP.

9.3.6 **Freemantle Trust**
An admissions agreement and bond are in place.

9.3.7 **Birkins Cleaning Services**
An admissions agreement and bond are in place.

9.3.8 **Go Plant**
An admissions agreement and bond are in place.

9.3.9 **Greenwich Leisure Ltd**
An admissions agreement and bond are in place.

9.3.10 **Friends of Moat Mount**
An admissions agreement is in place. A bond is not required as this is a community admissions agreement.

9.3.11 **Y-Gen**
An admissions agreement and bond are in place for the one year extended contract.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: SS
CFO: JH